TOWN OF CHERAW, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2025

TOWN OF CHERAW, COLORADO

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HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Trustees
Town of Cheraw, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Cheraw, Colorado as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town of Cheraw, Colorado's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Cheraw, Colorado as of December 31, 2025, 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. 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 Cheraw, 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

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 Cheraw, Colorado's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cheraw, 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 Town of Cheraw, 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 budgetary comparison information, as listed 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the omission of this information.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cheraw, Colorado's basic financial statements. The budget schedules and local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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, individual fund financial statements, budget schedules and the local highway finance report are fairly stated, in all material respects, in relation to the basic financial statements as a whole



HANCOCK FROESE & COMPANY LLC

September 22, 2026

BASIC FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 39,561	$ 63,518	$ 103,079
Receivables - net			
Accounts	11,805	25,123	36,928
Grants	129,313	178,355	307,668
Taxes	16,700	-	16,700
Due from (to) other funds	21,760	(21,760)	-
Capital assets - net of accumulated depreciation	1,201,000	4,194,234	5,395,234
TOTAL ASSETS	$ 1,420,139	$ 4,439,470	$ 5,859,609
LIABILITIES			
Accounts payable and accruals	$ 3,434	$ 287,544	$ 290,978
Customer deposits	-	2,155	2,155
Due to (from) other funds	13,113	(13,113)	-
Unearned revenue	-	3,221	3,221
NON CURRENT LIABILITIES			
Due within one year	124,366	13,028	137,394
Due in more than one year	-	342,855	342,855
TOTAL LIABILITIES	140,913	635,690	776,603
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	16,700	-	16,700
NET POSITION			
Net investment in capital assets	1,076,634	3,694,241	4,770,875
Restricted for:			
TABOR	11,300	-	11,300
Parks and recreation	18,026	-	18,026
Operations and maintenance	-	22,400	22,400
Unrestricted	156,566	87,139	243,705
TOTAL NET POSITION	1,262,526	3,803,780	5,066,306
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 1,420,139	$ 4,439,470	$ 5,859,609

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: TOTAL
GOVERNMENTAL ACTIVITIES:							
General government	$ 18,898	$ -	$ -	$ -	$ (18,898)	$ -	$ (18,898)
Public works	7,404	-	12,301	-	4,897	-	4,897
Public safety	4,565	-	-	-	(4,565)	-	(4,565)
Culture and recreation	-	-	2,766	346,007	348,773	-	348,773
TOTAL GOVERNMENTAL ACTIVITIES	30,867	-	15,067	346,007	330,207	-	330,207
BUSINESS-TYPE ACTIVITIES							
Water	270,141	73,628	-	206,876	-	10,363	10,363
Sewer	84,531	36,506	-	114,808	-	66,783	66,783
Trash	68,363	67,056	-	-	-	(1,307)	(1,307)
TOTAL BUSINESS-TYPE ACTIVITIES	423,035	177,190	-	321,684	-	75,839	75,839
TOTAL PRIMARY GOVERNMENT	$ 453,902	$ 177,190	$ 15,067	$ 667,691	330,207	75,839	406,046
GENERAL REVENUES							
Property taxes					11,163	-	11,163
Specific ownership taxes					2,181	-	2,181
Franchise taxes					10,906	-	10,906
Interest					65	647	712
Other					205	-	205
TOTAL GENERAL REVENUES					24,520	647	25,167
CHANGE IN NET POSITION					354,727	76,486	431,213
NET POSITION - BEGINNING					907,799	3,727,294	4,635,093
NET POSITION - ENDING					$ 1,262,526	$ 3,803,780	$ 5,066,306

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2025

	GENERAL FUND	CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 21,535	$ 18,026	$ 39,561
Receivables			
Accounts	11,805	-	11,805
Taxes	16,700	-	16,700
Grant	129,313	-	129,313
Due from other funds	21,760	-	21,760
TOTAL ASSETS	$ 201,113	$ 18,026	$ 219,139
LIABILITIES			
Accounts payable	$ 1,682	$ -	$ 1,682
Accrued payroll and taxes payable	1,752	-	1,752
Due to other funds	13,113	-	13,113
TOTAL LIABILITIES	16,547	-	16,547
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	16,700	-	16,700
FUND BALANCE			
Restricted for:			
TABOR	11,300	-	11,300
Parks and recreation	-	18,026	18,026
Unassigned	156,566	-	156,566
TOTAL FUND BALANCE	167,866	18,026	185,892
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 201,113	$ 18,026	$ 219,139

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:		
TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 185,892
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		
The cost of capital assets is	$ 1,753,285	
Accumulated depreciation is	(552,285)	
		1,201,000
Promissory note liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Promissory note		(124,366)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,262,526

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR YEAR ENDED DECEMBER 31, 2025

	GENERAL FUND	CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 24,250	$ -	$ 24,250
Intergovernmental	12,373	2,766	15,139
Grants	346,007	-	346,007
Other	164	34	198
TOTAL REVENUES	382,794	2,800	385,594
EXPENDITURES			
General government	17,745	-	17,745
Public works	7,404	-	7,404
Public safety	4,565	-	4,565
Culture & Recreation	346,007	30,000	376,007
TOTAL EXPENDITURES	375,721	30,000	405,721
REVENUES OVER (UNDER) EXPENDITURES	7,073	(27,200)	(20,127)
OTHER FINANCING SOURCES (USES)			
Short-term loan proceeds	124,366	-	124,366
TOTAL OTHER FINANCING SOURCES (USES)	124,366	-	124,366
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	131,439	(27,200)	104,239
FUND BALANCE JANUARY 1	36,427	45,226	81,653
FUND BALANCE DECEMBER 31	$ 167,866	$ 18,026	$ 185,892

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
NET CHANGE IN FUND BALANCE		$ 104,239
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays differ from depreciation in the current period.		
Capital outlay	$ 376,007	
Depreciation expense	(1,153)	
		374,854
Some capital additions were financed through a promissory note. In governmental funds, a promissory note arrangement is considered a source of financing, but in the statement of net position, the promissory note obligation is reported as a liability.		
Proceeds from promissory note		(124,366)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 354,727

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	GARBAGE	TOTAL
CURRENT ASSETS				
Cash	$ 9,662	$ 49,123	$ 4,733	$ 63,518
Accounts receivable	9,305	4,533	11,285	25,123
Grant receivable	22,343	197,217	-	219,560
Due from other funds	13,113	-	-	13,113
TOTAL CURRENT ASSETS	54,423	250,873	16,018	321,314
PROPERTY AND EQUIPMENT - NET	3,689,240	472,616	32,378	4,194,234
TOTAL ASSETS	$ 3,743,663	$ 723,489	$ 48,396	$ 4,515,548
CURRENT LIABILITIES				
Accounts payable	$ 88,824	$ 197,006	$ 1,426	$ 287,256
Customer deposits	2,155	-	-	2,155
Accrued interest	288	-	-	288
Unearned revenue	-	-	3,221	3,221
Due to other funds	-	4,764	16,996	21,760
Landfill costs - current portion	-	-	1,050	1,050
Loan payable - current maturities	11,978	-	-	11,978
TOTAL CURRENT LIABILITIES	103,245	201,770	22,693	327,708
NONCURRENT LIABILITIES				
Accrued closure and post closure costs - net of current maturities	-	-	9,450	9,450
Loan payable - net of current maturities	333,405	-	-	333,405
TOTAL NONCURRENT LIABILITIES	333,405	-	9,450	342,855
TOTAL LIABILITIES	436,650	201,770	32,143	670,563
NET POSITION				
Net investment in capital assets	3,343,857	472,616	32,378	3,848,851
Restricted - operations & maintenance	22,400	-	-	22,400
Unrestricted	(59,244)	49,103	(16,125)	(26,266)
TOTAL NET POSITION	3,307,013	521,719	16,253	3,844,985
TOTAL LIABILITIES AND NET POSITION	$ 3,743,663	$ 723,489	$ 48,396	$ 4,515,548

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	GARBAGE	TOTAL
OPERATING REVENUES				
Charges for services	$ 73,628	$ 36,506	$ 67,056	$ 177,190
OPERATING EXPENSES				
Salaries	11,190	30,046	30,046	71,282
Payroll taxes	875	2,338	2,337	5,550
Insurance	3,658	3,658	3,658	10,974
Repairs and maintenance	20,269	18,956	7,218	46,443
Supplies	5,360	-	538	5,898
Fuel	713	-	5,051	5,764
Utilities	28,107	-	-	28,107
Depreciation	77,661	25,917	8,014	111,592
Professional services	16,813	787	2,575	20,175
Miscellaneous	1,506	2,829	1,522	5,857
Landfill charges	-	-	7,404	7,404
TOTAL OPERATING EXPENSES	166,152	84,531	68,363	319,046
OPERATING INCOME (LOSS)	(92,524)	(48,025)	(1,307)	(141,856)
NONOPERATING REVENUES (EXPENSE)				
Interest income	4	640	3	647
Interest expense	(1,449)	-	-	(1,449)
Loss on disposal of assets	(102,540)	-	-	(102,540)
Grant proceeds	206,876	156,013	-	362,889
TOTAL NONOPERATING REVENUES (EXPENSES)	102,891	156,653	3	259,547
CHANGE IN NET POSITION	10,367	108,628	(1,304)	117,691
NET POSITION JANUARY 1	3,296,646	413,091	17,557	3,727,294
NET POSITION DECEMBER 31	$ 3,307,013	$ 521,719	$ 16,253	$ 3,844,985

SEE NOTES TO FINANCIAL STATEMENTS

TOWN OF CHERAW, COLORADO

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	GARBAGE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 73,850	$ 36,615	$ 67,095	$ 177,560
Cash payments to employees	(12,065)	(32,384)	(32,383)	(76,832)
Cash payments for supplies, goods, services	(98,473)	(38,231)	(26,021)	(162,725)
NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES	(36,688)	(34,000)	8,691	(61,997)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(157,576)	-	-	(157,576)
Grant proceeds	194,533	-	-	194,533
Principal paid on loan	(11,920)	-	-	(11,920)
Interest paid	(1,771)	-	-	(1,771)
Due from (to) other funds	12,329	10,113	(19,102)	3,340
NET CHANGE IN CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	35,595	10,113	(19,102)	26,606
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on savings	4	640	3	647
NET CHANGE IN CASH FLOWS FROM INVESTING ACTIVITIES	4	640	3	647
NET CHANGE IN CASH	(1,089)	(23,247)	(10,408)	(34,744)
CASH BEGINNING OF YEAR	10,751	72,370	15,141	98,262
CASH END OF YEAR	$ 9,662	$ 49,123	$ 4,733	$ 63,518
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ (92,524)	$ (48,025)	$ (1,307)	$ (141,856)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	77,661	25,917	8,014	111,592
Change in assets and liabilities				
(Increase) decrease in accounts receivable	222	109	(1,878)	(1,547)
Increase (decrease) in accounts payable/accruals	(22,047)	(12,001)	1,945	(32,103)
Increase (decrease) in unearned revenue	-	-	1,917	1,917
NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES	$ (36,688)	$ (34,000)	$ 8,691	$ (61,997)
SUPPLEMENTAL INFORMATION OF CASH FLOWS				
Capital asset acquisition in accounts payable	$ 55,574	$ 154,211	$ -	$ 209,785

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES

The accounting policies of the Town of Cheraw (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

THE FINANCIAL REPORTING ENTITY

The Town of Cheraw is a statutory town governed by an elected mayor and four-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Cheraw (the primary government) and its component units, if applicable. Currently no component units have been included in the Town's reporting entity because of a lack of significant operational or financial relationship with the Town.

JOINT VENTURE

Otero County Landfill, Inc.

The Town of Cheraw is a participant along with six other entities within the County in a joint venture known as the Otero County Landfill, Inc. As a participant, the Town is responsible for a portion of the closure and post closure costs of the landfill. As of December 31, 2025, the Town's share of the closure and post closure costs is estimated at $10,500, or 0.49% of the total. A complete financial report may be obtained from the administrative offices of Otero County.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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, claims and judgments are recorded only when payment is due.

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Property taxes, franchise taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grant and entitlement awards are recorded as revenue when earned. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

Conservation Trust Fund - is used to account for lottery funds, which are used for building and maintaining parks and recreational facilities.

The Town reports the following major proprietary funds:

Water Utility Fund - Accounts for the activities and operations of the Town's water utility. Activities of the fund include administration, operation and maintenance, treatment, and distribution of the water system, along with accumulation of resources for the payment of principal and interest on long-term debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary.

Sewer Utility Fund - Accounts for the operations of the Town's sewer utility. Activities of the fund include administration, operation and maintenance, treatment, and collection of the sewer system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary.

Garbage Utility Fund - Accounts for the operations of the Town's trash utility. Activities of the fund include administration, operation and maintenance, and collection of trash related to the sanitation system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary.

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 Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CASH EQUIVALENTS

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments held in banks. For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets and cash with trustee) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the Town to deposit in accounts of federally insured banks, credit unions, and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

RECEIVABLES / PAYABLES

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles if required.

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES / PAYABLES (Continued)

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budgets or statements of revenues, expenditures and fund balance of the assessment year. Property taxes levied are recorded in the governmental funds as taxes receivable and deferred revenues as of December 31, 2025, since the amounts are measurable but not available until 2026. Property tax abatements are recorded as an offset to property tax revenues when they are paid. An allowance for uncollectible property taxes is not provided as the uncollectible amounts were determined to be negligible based on an analysis of historical trends. Property taxes are levied before December 22 each year and attach as an enforceable lien on the property as of January 1 of the following year. Taxes are payable in full on April 30 or in two installments due on February 28 and June 15.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. 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.

Building, improvements, utility systems, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Building and improvements	10-40
Utility systems	20-50
Equipment	3-10

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. The Town has no items that qualify for reporting in this category.

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 Town has one type of item that qualifies for reporting in this category.

Property Taxes - The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and in the proprietary fund types financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

FUND BALANCES / NET POSITION

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCES / NET POSITION (Continued)

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

The Town implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

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

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

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

The Trustees establish (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGETS

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

Prior to October 15, the Town Clerk submits to the Town Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments. Prior to December 15, the budget is legally enacted through passage of an ordinance.

The budgetary presentation of the proprietary funds varies from GAAP in that expenditures for capital outlay and debt retirement are recognized for budgetary reporting. Revisions that alter the total expenditures of any fund generally must be approved by Town Trustees. Budget amounts in the accompanying financial statements include revisions to the original appropriation ordinance.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year. Expenditures may not legally exceed appropriations at the fund level.

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2025, expenditures exceeded appropriations in the General Fund, Conservation Trust Fund, Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund. These funds are in violation of the Colorado Local Government Budget Law.

NOTE -2 DEPOSITS AND INVESTMENTS

Deposits

The Town's investment policies are approved by the Town Trustees and governed by Colorado statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determined eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 102% of the uninsured deposits.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2025, $13,147 of the Town's bank balance of $274,193 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2025, the Town's bank balance and corresponding carrying balance were as follows:

	Carrying Balance	Bank Balance
Insured (FDIC)	$ 102,423	$ 261,046
Uninsured, Collateralized under the Public Deposit Protection Act	-	13,147
Cash with County Treasurer	274	-
Cash on Hand	382	-
	$ 103,079	$ 274,193

The carrying amount is reflected in the accompanying financial statements as follows:

Governmental Activities - Cash	$ 39,561
Business-Type Activities – Cash	63,518
	$ 103,079

Credit Risk – State law limits investments for local governments to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

Concentration of Credit Risk – The Town does not have a formal policy restricting the amount that can be invested in any issuer.

NOTE -3 PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, $16,700 of property taxes was deemed unavailable.

NOTE -4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Transfers Increases	Transfers Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	$ 128,447	$ -	$ -	$ 128,447
Water Shares	14,400	-	-	14,400
Construction in Process	666,501	376,007	-	1,042,508
	809,348	376,007	-	1,185,355
Capital assets being depreciated				
Buildings and Improvements	96,194	-	-	96,194
Equipment and Vehicles	471,736	-	-	471,736
	567,930	-	-	567,930
Less accumulated depreciation for				
Buildings and Improvements	(80,436)	(383)	-	(80,819)
Equipment and Vehicles	(470,696)	(770)	-	(471,466)
	(551,132)	(1,153)	-	(552,285)
Governmental Activities Net Capital Assets	$ 826,146	$ 374,854	$ -	$ 1,201,000
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,500	$ -	$ -	$ 2,500
Construction in Process	3,402,046	367,361	(3,402,046)	367,361
	3,404,546	367,361	(3,402,046)	369,861
Capital assets being depreciated				
Buildings and Improvements	$ 12,940	$ -	$ -	$ 12,940
Water and Sewer Systems	1,725,703	3,402,046	(371,841)	4,755,908
Equipment and Vehicles	188,961	-	-	188,961
	1,927,604	3,402,046	(371,841)	4,957,809
Less accumulated depreciation for				
Buildings and Improvements	(8,493)	(312)	-	(8,805)
Water and Sewer Systems	(1,134,082)	(103,266)	269,300	(968,048)
Equipment and Vehicles	(148,569)	(8,014)	-	(156,583)
	(1,291,144)	(111,592)	269,300	(1,133,436)
Business-type Activities Net Capital Assets	$ 4,041,006	$ 3,657,815	$(3,504,587)	$ 4,194,234

NOTE -4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 1,153
Public Safety	-
Public Works	-
Total depreciation expense – governmental activities	$ 1,153
Business-Type Activities:	
Water Utility	$ 77,661
Sewer Utility	25,917
Garbage Utility	8,014
Total depreciation expense – business-type activities	$ 111,592

NOTE -5 LONG-TERM DEBT

PROMISSORY NOTE PAYABLE

The Town entered into a promissory note agreement with First National Bank of Colorado on June 3, 2025. The total loan commitment is $210,075. The loan proceeds were used to finance the remaining construction of a multi-age recreation and fitness complex for the Town and surrounding area. The loan carries an interest rate of 5.90%. The loan is payable in one payment of all outstanding principal plus all accrued unpaid interest on January 1, 2026. The loan is collateralized by a Commercial Pledge agreement dated June 3, 2025 for GOCO funds. The loan is payable from revenues generated from the GOCO grant. The balance due and current as of December 31, 2025 was $124,366.

LOANS PAYABLE

The Water Utility Fund entered into a loan agreement with Colorado Water Resources and Power Development Authority on May 12, 2022. The total loan commitment is $1,013,500 of which $810,800 will be principal forgiveness. The loan proceeds were used to finance upgrades to the existing water plant and to install equipment to remove radium and to construct a new elevated water storage tank. The loan carries an interest rate of 0.50%. The loan is payable in semi-annual installments of $3,689 beginning May 1, 2023 and maturing November 1, 2052. The loan is collateralized by a first lien (but not necessarily an exclusive lien) on the Water Utility Fund revenues. The loan is payable from the Water Utility Fund revenues generated from the system. The balance due as of December 31, 2025 was $186,174.

The Water Utility Fund entered into a loan agreement with Colorado Water Resources and Power Development Authority on May 12, 2022. The total loan commitment is $866,700 of which $693,360 will be principal forgiveness. The loan proceeds were used to finance upgrades to the existing water plant and to install equipment to remove radium and to construct a new elevated water storage tank. The loan carries an interest rate of 0.50%. The loan is payable in semi-annual installments of $3,155 beginning May 1, 2023 and maturing November 1, 2052. The loan is collateralized by a first lien (but not necessarily an exclusive lien) on the Water Utility Fund revenues. The loan is payable from the Water Utility Fund revenues generated from the system. The balance due as of December 31, 2025 was $159,209.

Annual debt service requirements to maturity are as follow for Business-Type Activities:

	PRINCIPAL	INTEREST	TOTAL
2026	$ 11,978	$ 1,713	$ 13,691
2027	12,039	1,652	13,691
2028	12,099	1,592	13,691
2029	12,160	1,531	13,691
2030	12,221	1,470	13,691
2031-2035	62,027	6,427	68,454
2036-2040	63,594	4,860	68,454
2041-2045	65,203	3,251	68,454
2046-2050	66,851	1,603	68,454
2051-2052	27,211	170	27,381
	$ 345,383	$ 24,269	$ 369,652

NOTE -5 LONG-TERM DEBT (Continued)

LOANS PAYABLE (Continued)

In connection with the above notes payable, the Town is subject to various covenants and is required to maintain an operation and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation. As of December 31, 2025, the Town was not in compliance with all covenants and maintained the required reserve of $22,400.

ESTIMATED CLOSURE AND POST CLOSURE CARE COSTS

In 1995 the Town entered into an intergovernmental agreement with Otero County and other municipalities within the County to form the Otero County Landfill, Inc., (OCLI) to operate the landfill within the County. The agreement transfers the liability for closure and post closure costs to the new organization. The Town and all participating entitles are responsible for a portion of the costs based on an average of the population and assessed valuation of each entity to the total of all entities. Based on the current allocation the Town's share is approximately 0.49% of the estimated $2,137,000 in closure and post closure costs amounting to approximately $10,500. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Town and other municipalities are required by state and federal laws and regulations to make certain financial assurances. These have been based on the same percentage as stated above. The Town expects that future inflation costs may need to be covered by charges to future landfill users or other future revenues.

			OTERO #2		
	MANZANOLA	OTERO #1	MODULE #1	MODULE #2	MODULE #3
Percent of capacity	100%	100%	85%	84%	50%
Estimated closure date	2026	Closed	2028	2028	2035
Estimated final monitoring date	-	2049	-	-	-

SUMMARY OF LONG-TERM DEBT

The following is a summary of bond and other financing transactions of the Town for the year ended December 31, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Promissory note payable	$ -	$ 124,366	$ -	$ 124,366	$ 124,366
Business-type activities:					
Loans payable	$ 357,303	$ -	$ (11,920)	$ 345,383	$ 11,978
Estimated closure and post-closure care costs	8,600	1,900	-	10,500	1,050
Business-type activity long-term liabilities	$ 365,903	$ 1,900	$ (11,920)	$ 355,883	$ 13,028

For the year ended December 31, 2025, interest incurred and expensed was $1,449 of which $288 was reported as accrued interest payable, all in the Water Utility Fund.

NOTE -6 RISK MANAGEMENT

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. The Town utilizes commercial insurance to meet its insurance needs including workers' compensation. The Town's claims have not exceeded its coverage in any of the last three years.

NOTE -7 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Town's management believes a significant portion of its operations qualify for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Emergency reserves have been provided for as required by Article X, Section 20 of the constitution of the State of Colorado. Per TABOR, $11,300 of the fund balance has been reserved in compliance with this requirement.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the Town's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenue unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue has been made in the financial statements.

NOTE -8 COMPLIANCE WITH ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION

During the fiscal year, the Town entered into a promissory note for $210,075 to complete the construction of the Cheraw Community Complex. The promissory note was executed on June 3, 2025 and matured on January 1, 2026, placing the repayment obligation into a subsequent fiscal year and making the note a multiple-fiscal-year obligation. Article X, Section 20 of the Colorado Constitution requires prior voter approval for any multiple-fiscal year direct or indirect debt or financial obligations. The Town did not obtain voter approval before executing the promissory note agreement, which constitutes material noncompliance with TABOR provisions. Consequently, the promissory note agreement may be deemed legally unenforceable, creating a potential litigation contingency if challenged by taxpayers. The outstanding principal balance of this unauthorized obligation stands at $124,366 as of December 31, 2025. The Town of Cheraw is in the final stages of constructing the Cheraw Community Complex which upon completion the promissory note will be paid in full with GOCO grant funds. The project is anticipated to be completed in 2026.

NOTE - 9 RELATED PARTY TRANSACTION

As indicated in Note -1, the Town entered into an intergovernmental agreement with the Otero County Landfill, Inc., (OCLI) regarding a landfill operation. For the year ended December 31, 2025, the Town had paid OCLI $5,174 for its share of the costs of which $454 is recorded in accounts payable in the Garbage Utility Fund. The Town has recognized $10,500 for its share of estimated closure and post closure care costs.

NOTE -10 NET POSITION

Restricted net position represents net position whose users are subject to constraints that are either 1.) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or 2.) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2025 is as follows:

NOTE -10 NET POSITION (Continued)

	Governmental Activities	Business-Type Activities	Total
Emergencies - TABOR	$ 11,300	$ -	$ 11,300
Parks and Recreation	18,026	-	18,026
Operations and Maintenance	-	22,400	22,400
	$ 29,326	$ 22,400	$ 51,726

Restricted for Emergencies – TABOR – This represents approximately 3% of the Town's 2025 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the Town's net position can be used for declared emergencies only and the Town must maintain 3% or more of its spending in this restricted account. The Town does not believe this restriction meets the definition of a stabilization arrangement under generally accepted accounting principles.

Restricted for Parks and Recreation – This represents money received from the Colorado state for parks and open space related projects.

Restricted for Operations and Maintenance – The Town is required to maintain an operation and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation as set forth by the creditor.

NOTE -11 FUND BALANCES

At December 31, 2025, fund balances for governmental funds consist of the following:

	Restricted Fund Balance		
	Emergencies TABOR	Conservation Trust	Total
General Fund	$ 11,300	$ -	$ 11,300
Conservation Trust Fund	-	18,026	18,026
Total	$ 11,300	$ 18,026	$ 29,326

NOTE -12 INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables:
During the course of operations, numerous transactions occur between the Town's funds for the reimbursement of expenditures. Related interfund receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet and statement of net position and will be settled within one year. The composition of due to / from other funds as of December 31, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Utility Fund	$ 4,764
General Fund	Garbage Utility Fund	16,996
		$ 21,760
Water Utility Fund	General Fund	$ 13,113

NOTE -13 CONTINGENT LIABILITIES

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

NOTE -14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHERAW, COLORADO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$ 26,900	$ 26,900	$ 24,250	$ (2,650)
Intergovernmental	9,392	9,392	12,373	2,981
Grants	-	-	346,007	346,007
Other	75	75	164	89
TOTAL REVENUES	36,367	36,367	382,794	346,427
EXPENDITURES				
General government	20,300	20,300	17,745	2,555
Public works	10,450	10,450	7,404	3,046
Public safety	-	-	4,565	(4,565)
Culture & recreation	-	-	346,007	(346,007)
TOTAL EXPENDITURES	30,750	30,750	375,721	(344,971)
REVENUES OVER (UNDER) EXPENDITURES	5,617	5,617	7,073	1,456
OTHER FINANCING SOURCES (USES)				
Short-term loan proceeds	-	-	124,366	124,366
TOTAL OTHER FINANCING SOURCES	-	-	124,366	124,366
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	5,617	5,617	131,439	125,822
FUND BALANCE JANUARY 1	36,427	36,427	36,427	-
FUND BALANCE DECEMBER 31	$ 42,044	$ 42,044	$ 167,866	$ 125,822

TOWN OF CHERAW, COLORADO

CONSERVATION TRUST FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Intergovernmental	$ -	$ -	$ 2,766	$ 2,766
Interest	-	-	34	34
TOTAL REVENUE	-	-	2,800	2,800
EXPENDITURES				
Recreation	-	-	30,000	(30,000)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(27,200)	(27,200)
FUND BALANCE JANUARY 1	45,226	45,226	45,226	-
FUND BALANCE DECEMBER 31	$ 45,226	$ 45,226	$ 18,026	$ (27,200)

SUPPLEMENTARY INFORMATION

TOWN OF CHERAW, COLORADO

WATER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Charges for services	$ 53,000	$ 53,000	$ 73,628	$ 20,628
Interest	-	-	4	4
Grant proceeds	-	-	206,876	206,876
TOTAL REVENUES	53,000	53,000	280,508	227,508
EXPENDITURES				
Salaries	10,000	10,000	11,190	(1,190)
Payroll taxes	630	630	875	(245)
Insurance	3,500	3,500	3,658	(158)
Repairs and maintenance	5,550	5,550	20,269	(14,719)
Supplies	5,000	5,000	5,360	(360)
Fuel	400	400	713	(313)
Utilities	20,000	20,000	28,107	(8,107)
Depreciation	-	-	77,661	(77,661)
Professional services	5,800	5,800	16,813	(11,013)
Miscellaneous	1,500	1,500	1,506	(6)
Capital outlay	-	-	157,576	(157,576)
Debt payments	-	-	11,920	(11,920)
Interest expense	-	-	1,449	(1,449)
Loss on disposal of assets	-	-	102,540	(102,540)
TOTAL EXPENDITURES	52,380	52,380	439,637	(387,257)
REVENUES OVER (UNDER) EXPENDITURES	620	620	(159,129)	(159,749)
ADJUSTMENT TO RECONCILE BUDGETARY BASIS TO GAAP BASIS - ADJUSTMENTS FOR:				
Debt payments			11,920	
Capitalization of fixed assets			157,576	
CHANGE IN NET POSITION			10,367	
NET POSITION JANUARY 1			3,296,646	
NET POSITION DECEMBER 31			$ 3,307,013	

TOWN OF CHERAW, COLORADO

SEWER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Charges for services	$ 27,000	$ 27,000	$ 36,506	$ 9,506
Interest income	-	-	640	640
Grant proceeds	-	-	156,013	156,013
TOTAL REVENUES	27,000	27,000	193,159	166,159
EXPENDITURES				
Salaries	13,500	13,500	30,046	(16,546)
Payroll taxes	1,030	1,030	2,338	(1,308)
Insurance	3,500	3,500	3,658	(158)
Repairs and maintenance	2,000	2,000	18,956	(16,956)
Depreciation	-	-	25,917	(25,917)
Professional services	3,000	3,000	787	2,213
Miscellaneous	500	500	2,829	(2,329)
TOTAL EXPENDITURES	23,530	23,530	84,531	(61,001)
REVENUES OVER (UNDER) EXPENDITURES	3,470	3,470	108,628	105,158
NET POSITION JANUARY 1			413,091	
NET POSITION DECEMBER 31			$ 521,719	

TOWN OF CHERAW, COLORADO

GARBAGE UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Charges for services	$ 60,120	$ 60,120	$ 67,056	$ 6,936
Interest income	-	-	3	3
TOTAL REVENUES	60,120	60,120	67,059	6,939
EXPENDITURES				
Salaries	41,000	41,000	30,046	10,954
Payroll taxes	4,200	4,200	2,337	1,863
Insurance	-	-	3,658	(3,658)
Repairs and maintenance	1,200	1,200	7,218	(6,018)
Supplies	-	-	538	(538)
Fuel	3,500	3,500	5,051	(1,551)
Depreciation	-	-	8,014	(8,014)
Professional services	3,000	3,000	2,575	425
Miscellaneous	-	-	1,522	(1,522)
Landfill charges	4,770	4,770	7,404	(2,634)
TOTAL EXPENDITURES	57,670	57,670	68,363	(10,693)
REVENUES OVER (UNDER) EXPENDITURES	2,450	2,450	(1,304)	(3,754)
NET POSITION JANUARY 1			17,557	
NET POSITION DECEMBER 31			$ 16,253	

LOCAL HIGHWAY FINANCE REPORT

LOCAL HIGHWAY FINANCE REPORT

STATE:
COLORADO

THIS INFORMATION FROM THE RECORDS OF:	PREPARED BY:	REPORT YEAR ENDING DATE(mm/yyyy):
TOWN OF CHERAW, COLORADO	TIFFANY RADER townofcherawco@gmail.com	12/2025

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other Local Imposts:		**A.4. Miscellaneous Local Receipts:**	
a. Property Taxes and Assesments		a. Interest on investments	
b. Non-property Taxes and Assessments Imposts	2,181.00	b. Other Misc. Local Receipts	
c. Total (a + b)	$ 2,181.00	**c. Total (a + b)**	$ -

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	10,468.00	1. FHWA (from Item I.D.5.)	
2. State General Funds		2. Other Federal Agencies:	
3. Other State funds:			
a. State Bond Proceeds			
b. Non-State Bond Proceeds	928.00		
c. Total (a + b)	$ 928.00		
4. Total (1 + 2 + 3c)	$ 11,396.00	**3. Total (1 + 2)**	$ -

III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL

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

LOCAL HIGHWAY FINANCE REPORT

STATE: COLORADO

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

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

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Amount used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from Local Sources:	
1. Local Highway-user Taxes	
a. Motor Fuel (from Item I.A.1)	
b. Motor Vehicle (from Item I.B.1)	
c. Total (a + b)	
2. General Fund Appropriations	
3. Other Local Imposts (from page 1, Item II.A3.c)	$ 2,181.00
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ -
5. Transfers from Toll Facilities	
6. Proceeds of Sale of Bonds and Notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a + b + c)	$ -
7. Total (1 through 6)	$ 2,181.00
B. Private Contributions	
C. Receipts from State government (from page 1, Item II.C.4)	$ 11,396.00
D. Receipts from Federal government (from page 1, Item II.D.3)	$ -
E. Total receipts (A.7 + B + C + D)	$ 13,577.00

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital Outlay (from page 1, Item III.A1.d)	$ -
2. Maintenance:	8,802.00
3. Road and Street Services:	
a. Snow and Ice Removal	
b. Other & Traffic Control Operations	
c. Total (a + b)	$ -
4. General Administration & Miscellaneous	0.00
5. Highway Law Enforcement and Safety	
6. Total (1 through 5)	$ 8,802.00
B. Debt Service on Local Obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
3. Total (1c + 2c)	$ -
C. Payments to State for Highways	
D. Payments to Toll Facilities	
E. Total Expenditures (A6 + B3 + C + D)	$ 8,802.00

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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