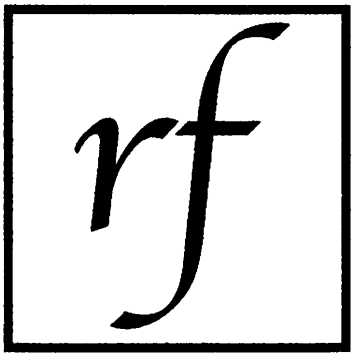


Town of Hugo, Colorado

Financial Statements

December 31, 2025

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Independent Auditor's Report

Members of Town Council
Town of Hugo
Hugo CO

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hugo (the "Town"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

rfarmer, llc a certified public accounting and consulting firm

po box 1173 122 north main street lamar, colorado 81052 719.336.7428 719.336.2982

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budget to actual information on page 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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

Management has elected to omit the management's discussion and analysis. Although not a part of the basic financial statements, the management's discussion and analysis is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The omission of this information does not affect our opinion on the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information on pages 30 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

rfarmer, llc

September 30, 2026

Basic Financial Statements

Town of Hugo
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	$ 33,816	$ 211,496	$ 245,312
Investments	1,052,617	859,454	1,912,071
Receivables	649,923	87,889	737,812
Internal Balances	(217,998)	217,998	-
Capital Assets:			
Land and improvements	2,125,868	97,413	2,223,281
Buildings and equipment	1,794,583	377,243	2,171,826
Distribution/collection system	-	9,023,668	9,023,668
Less: Accumulated Depreciation	(2,067,225)	(1,025,126)	(3,092,351)
Total Capital Assets	1,853,226	8,473,198	10,326,424
Deferred Outflows:			
Pension	97,461	-	97,461
Total Assets	3,469,045	9,850,035	13,319,080
LIABILITIES			
Accounts payable and accrued expenses	11,006	-	11,006
Customer deposits	-	59,040	59,040
Long-term liabilities:			
Due within one year:			
Note payable	-	100,284	100,284
Due in more than one year:			
Note payable	-	3,556,080	3,556,080
Total liabilities	11,006	3,715,404	3,726,410
Deferred In-Flows of Resources:			
Pension	1,015	-	1,015
Deferred property taxes	183,588	-	183,588
Total deferred inflows	184,603	-	184,603
NET POSITION			
Net investment in capital assets	1,853,226	4,816,835	6,670,061
Unrestricted	1,420,210	1,317,796	2,738,006
Total net position	$ 3,273,436	$ 6,134,631	$ 9,408,067

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

Town of Hugo
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities:							
General Government	$ 608,090	$ 71,080	$ 606,359	$ -	$ 69,349	$ -	$ 69,349
Public Safety	95,522	9,305	-	224	(85,993)	-	(85,993)
Public Works	167,322	-	-	-	(167,322)	-	(167,322)
Culture and Recreation	1,043,013	5,922	418,111	-	(618,980)	-	(618,980)
Total governmental activities	1,913,947	86,307	1,024,470	224	(802,946)	-	(802,946)
Business-type activities:							
Water	307,849	325,131	65,574	-	-	82,856	82,856
Sewer	342,108	283,378	-	588,341	-	529,611	529,611
Solid Waste Disposal	88,291	124,941	-	-	-	36,650	36,650
Street Light	13,843	18,921	-	-	-	5,078	5,078
Total business-type activities	752,091	752,371	65,574	588,341	-	654,195	654,195
Total primary government	$ 2,666,038	$ 838,678	$ 1,090,044	$ 588,565	(802,946)	654,195	(148,751)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 183,775	$ -	$ 183,775
Miscellaneous taxes					69,749	-	69,749
Franchise fees					9,740	-	9,740
Sales, Use, and SO taxes					313,917	-	313,917
Unrestricted investment earnings					54,911	49,978	104,889
Miscellaneous					27,214	-	27,214
Special item - gain on sale of asset					12,107	-	12,107
Total general revenues, special items, and transfers					671,413	49,978	721,391
Change in net position					(131,533)	704,173	572,640
Net position - beginning, restated					3,404,969	5,430,458	8,835,427
Net position - ending					$ 3,273,436	$ 6,134,631	$ 9,408,067

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

Town of Hugo
Balance Sheet
Governmental Funds
December 31, 2025

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ (51,172)	$ 25,922	$ (25,250)
Investments	1,089,891	21,789	1,111,680
Taxes receivable, net	183,588	-	183,588
Due from other funds	-	123,399	123,399
Other receivables	463,570	2,766	466,336
Total assets	1,685,877	173,876	1,859,753
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	9,708	1,297	11,005
Due to other funds	340,250	1,147	341,397
Total liabilities	349,958	2,444	352,402
Deferred in-flows of resources:			
Deferred property taxes	183,588	-	183,588
Total deferred in-flows	183,588	-	183,588
Fund balance:			
Unassigned	1,152,331	-	1,152,331
Assigned:			
Special revenue funds	-	171,432	171,432
Total fund balance	1,152,331	171,432	1,323,763
Total liabilities and fund balance	$ 1,685,877	$ 173,876	$ 1,859,753

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

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

Total fund balances, governmental funds	$	1,323,763
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		1,853,228
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		97,461
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(1,015)
Net Position of Governmental Activities in the Statement of Net Position	$	3,273,437

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 183,775	$ -	$ 183,775
SO Tax	19,284	-	19,284
Sales taxes	294,633	-	294,633
Fines	-	9,721	9,721
Licenses and permits	65,688	-	65,688
Intergovernmental	1,059,980	14,106	1,074,086
Charges for services	10,899	-	10,899
Investment earnings	47,809	7,102	54,911
Miscellaneous	44,697	962	45,659
Franchise Fees	9,740	-	9,740
Total revenues	1,736,505	31,891	1,768,396
EXPENDITURES			
Current:			
General government	485,435	-	485,435
Public Safety	89,762	3,849	93,611
Public Works	167,322	-	167,322
Culture and recreation	1,017,896	26,217	1,044,113
Interest and other charges	2,813	-	2,813
Capital Outlay	-	24,632	24,632
Total Expenditures	1,763,228	54,698	1,817,926
Excess (deficiency) of revenues over expenditures	(26,723)	(22,807)	(49,530)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,319	2,319
Transfers out	(2,319)	-	(2,319)
Total other financing sources and uses	(2,319)	2,319	-
SPECIAL ITEM			
Proceeds from sale of land	30,883	-	30,883
Net change in fund balance	1,841	(20,488)	(18,647)
Fund balance - beginning	1,150,490	191,920	1,342,410
Fund balance - ending	$ 1,152,331	$ 171,432	$ 1,323,763

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

Town of Hugo
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances - total governmental funds:	$	(18,647)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
This is the amount by which capital outlays of $24,632 is less than depreciation of $132,147 in the current period.		(107,515)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in Net Position differs from the change in fund balance by the cost of the asset sold.		(18,776)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
FPPA pension (income) expense		13,406
Change in net positions of governmental activities	$	(131,532)

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

Town of Hugo
Statement of Net Position
Proprietary Funds
December 31, 2025

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 36,480	$ 64,489	$ 59,150	$ 51,374	$ 211,493
Investments	371,800	399,758	87,897	-	859,455
Accounts Receivable, net	45,139	28,317	12,540	1,893	87,889
Due from other funds	263,297	-	-	-	263,297
Total current assets	716,716	492,564	159,587	53,267	1,422,134
Non-current assets:					
Capital Assets:					
Land	17,969	79,444	-	-	97,413
Buildings and equipment	192,240	9,550	175,453	-	377,243
Distribution/collection system	661,351	8,345,117	-	17,201	9,023,669
Less Accumulated depreciation	(408,336)	(506,583)	(101,696)	(8,511)	(1,025,126)
Total non-current assets	463,224	7,927,528	73,757	8,690	8,473,199
Total assets	1,179,940	8,420,092	233,344	61,957	9,895,333
LIABILITIES					
Current Liabilities:					
Due to other funds	-	38,445	6,840	14	45,299
Customer deposits	59,040	-	-	-	59,040
Bonds, notes and loans payable	-	100,284	-	-	100,284
Total current liabilities	59,040	138,729	6,840	14	204,623
Non-current liabilities:					
Bonds, notes and loans payable	-	3,556,080	-	-	3,556,080
Total non-current liabilities	-	3,556,080	-	-	3,556,080
Total liabilities	59,040	3,694,809	6,840	14	3,760,703
NET POSITION					
Net investment in capital assets	463,224	4,271,164	73,757	8,690	4,816,835
Unrestricted	657,676	454,119	152,747	53,253	1,317,795
Total net position	$ 1,120,900	$ 4,725,283	$ 226,504	$ 61,943	$ 6,134,630

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

Town of Hugo
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	Total
OPERATING REVENUES					
Charges for services	$ 323,906	$ 283,378	$ 124,941	$ 18,921	$ 751,146
Miscellaneous revenue	1,225	2,110	-	-	3,335
Total operating revenues	325,131	285,488	124,941	18,921	754,481
OPERATING EXPENSES					
Personal services	143,694	141,012	50,367	-	335,073
Fuel, power, and utilities	8,314	2,531	-	12,351	23,196
Repairs and maintenance	73,382	4,862	-	307	78,551
Other supplies and expenses	29,835	38,814	413	-	69,062
Insurance claims and expenses	7,213	6,000	7,936	-	21,149
Audit and publication	29,332	-	18,443	-	47,775
Miscellaneous expenses	(1,282)	16,402	3,012	-	18,132
Depreciation	17,362	126,450	8,120	1,185	153,117
Total Operating Expenses	307,850	336,071	88,291	13,843	746,055
Operating income (loss)	17,281	(50,583)	36,650	5,078	8,426
NON-OPERATING REVENUES (EXPENSES)					
Interest income	25,627	20,635	3,716	-	49,978
Capital Grant	65,574	588,341	-	-	653,915
Interest expense	-	(8,148)	-	-	(8,148)
Total non-operating revenue (expenses)	91,201	600,828	3,716	-	695,745
Income (loss) before contributions and transfers	108,482	550,245	40,366	5,078	704,171
OTHER FINANCING SOURCES (USES)					
Change in net position	108,482	550,245	40,366	5,078	704,171
Total net position - beginning	1,012,418	4,175,038.	186,138	56,865	5,430,459
Total net position - ending	$ 1,120,900	$ 4,725,283	$ 226,504	$ 61,943	$6,134,630

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

Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2025

	Enterprise Funds				
	Water	Sewer	Solid Waste Disposal	Street Light	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Charges for Services	$ 305,056	$ 278,225	$ 122,570	$ 18,656	$ 724,507
Cash Received from Miscellaneous Sources	1,225	2,110	-	-	3,335
Cash Payments to Suppliers for Goods & Services	(146,619)	(68,609)	(29,804)	(12,658)	(257,690)
Cash Payments for Salaries & Benefits	(143,694)	(141,012)	(50,367)	-	(335,073)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	15,968	70,714	42,399	5,998	135,079
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
(Increase) in due from balances	(249,167)	-	-	-	(249,167)
Increase (Decrease) in due to balances	-	(46,069)	4,365	13	(41,691)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(249,167)	(46,069)	4,365	13	(290,858)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:					
Purchase (of) or proceeds from Investments	238,419	97,679	(3,716)	-	332,382
Purchase of Fixed Assets	(81,262)	(1,005,436)	-	-	(1,086,698)
Proceeds from Capital Grant	65,574	588,341	-	-	653,915
Increase in Long Term Financing	-	420,499	-	-	420,499
Payment of principal on long term debt	-	(98,980)	-	-	(98,980)
Interest Paid on Long-term Debt	-	(8,148)	-	-	(8,148)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	222,731	(6,045)	(3,716)	-	212,970
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received on Investment	25,627	20,635	3,716	-	49,978
NET CASH PROVIDED BY INVESTING ACTIVITIES	25,627	20,635	3,716	-	49,978
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	15,159	39,235	46,764	6,011	107,169
Cash & Cash Equivalents:					
Beginning of Year	21,321	25,254	12,386	45,363	104,324
End of Year	$ 36,480	$ 64,489	$ 59,150	$ 51,374	$ 211,493

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

Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2025
(continued)

	Enterprise Funds				
	Water	Sewer	Solid Waste Disposal	Street Light	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	$ 17,281	$ (50,583)	$ 36,650	$ 5,078	$ 8,426
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:					
Depreciation	17,362	126,450	8,120	1,185	153,117
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivables	(18,500)	(5,153)	(2,371)	(265)	(26,289)
Increase (Decrease) in Accounts Payable	(175)	-	-	-	(175)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 15,968	$ 70,714	$ 42,399	$ 5,998	$ 135,079
Analysis of cash:					
Cash on hand and in banks	36,480	64,489	59,150	51,374	211,493
TOTAL	$ 36,480	$ 64,489	$ 59,150	$ 51,374	$ 211,493

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

Note 1 Summary of Significant Accounting Policies

The Town of Hugo, Colorado (the "Town") is a statutory town, incorporated in 1909 and organized under the laws of the State of Colorado. The legislative and corporate authority of the Town is vested in a board of trustees, consisting of one elected mayor and six elected trustees. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's policies are described below.

Financial Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; and (2) operating grants and contributions which finance annual operating

activities. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

Governmental Funds

The Town reports the following governmental funds:

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

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

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses

including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water Fund, Sewer Fund, Solid Waste Disposal Fund and Street Light Fund are classified as Enterprise Funds.

Budgets and Encumbrances

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

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

Property Taxes

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

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

Accounts Receivable

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

Compensated Absences

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

Deferred Inflows of Resources

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

Capital Assets

The Town's policy is to capitalize and inventory annually all purchases of long-lived assets. Street construction expenditures and other infrastructure assets, such as curbs, gutters and sidewalks, are included in governmental activities capital assets as improvements. Maintenance,

repairs, and minor renewals are charged as expenditures when incurred. Major additions and betterments are capitalized.

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

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

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

Fund Balances

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

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

1. *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, and long-term loans and notes receivable.

2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes as stipulated by external resource providers or by law through constitution provisions or enabling legislation.

3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes as determined by Town Board ordinance. An ordinance is required to establish, rescind, or modify a fund balance commitment.

4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

5. *Unassigned* fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications.

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

Statement of Cash Flows

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

Note 2 **Deposits and Investments**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. As of December 31, 2025, the Town's cash deposits had a book balance as follows:

Deposits covered by federal insurance	$ 250,000
Deposits covered by collateral required by the PDPA	323,033
COLOTRUST	1,581,994
	$ 2,155,027

The Town also had cash on hand of $300 and cash with the County Treasurer of $2,056.

Investments

Colorado statutes specify in which instrument the local government may invest, which include:

1. Repurchase agreements in obligations of the United States;
2. Obligations of the United States or obligations unconditionally guaranteed by the United States;
3. General obligation or revenue bonds of any state, District of Columbia, U. S. territory or any of their subdivisions, with certain limitations;
4. Bankers' acceptance issued by a state or national bank, with certain limitations;
5. Commercial paper, with certain limitations;
6. Any obligation, certificate of participation or lease/purchase of the investing public entity;
7. Money market fund, with certain limitations, which invest in the types of securities listed above;
8. Guaranteed investment contracts, with certain limitations;
9. Participation with other local governments in pooled investment funds (trust). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments. These trusts are "COLOTRUST," "CSIP" and "CSAFE."

Colorado Revised Statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds and local government investment pools with a maturity date no more than five years from the date of purchase. Investments are reported at fair value, which approximates cost, except for non-participating contracts, which are reported at amortized cost.

COLOTRUST pools are a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: COLOTRUST Portfolios are rated AAAm by S&P.
- Custodial credit risk: COLOTRUST participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Note 3 Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land and Improvements	$ 2,125,868	$ -	$ -	$ 2,125,868
Buildings	301,828	-	-	301,828
Service Vehicles	321,452	-	(33,056)	288,396
Equipment	1,179,727	24,632	-	1,204,359
Total	3,928,875	24,632	(33,056)	3,920,451
Less Accumulated Depreciation	(1,949,358)	(122,865)	4,998	(2,067,225)
Net Governmental Activities	$ 1,979,517	$ (98,233)	$ (28,058)	$ 1,853,226

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Land	$ 97,413	$ -	$ -	$ 97,413
Buildings and Equipment	377,243	-	-	377,243
Distribution/Collection System	6,924,720	2,098,949	-	9,023,669
Total	7,399,376	2,098,949	-	9,498,325
Less Accumulated Depreciation	(872,009)	(153,117)	-	(1,025,126)
Net Business-Type Activities	$ 6,527,367	$ 1,945,832	$ -	$ 8,473,199

Note 4 State Fire and Police Pension Plan (FPPA)

Plan Description

The Statewide Retirement Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 229 participating employer fire and police departments.

The Defined Benefit Component and Social Security Component cover substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. Employers once had the option to withdraw from the Plan, but a change in state statutes eliminated this option effective January 1, 1988, unless the employer elects and is determined to be eligible to participate in the Statewide Money Purchase Plan.

In 2003, legislation was enacted that allows departments who cover their firefighters and police officers in money purchase plans to elect coverage under the Plan. As of August 5, 2003, clerical and other personnel from fire districts whose services are auxiliary to fire protection may also participate in the Plan. As of January 1, 2020, Colorado police and sheriff departments who participate in Social Security have the option of affiliating for coverage under the Plan.

The Plan assets are in the Fire & Police Members' Benefit Investment Fund Long-Term Pool and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Money Purchase Component assets). The Long-Term Pool is designed primarily for open plans with a longer time horizon, appropriate risk tolerance, and lower liquidity needs. The investment return assumption is 7.00 percent.

Members participating in DROP or in the Money Purchase Component choose among various investment options offered by an outside investment manager.

The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available annual comprehensive financial report that can be obtained on FPPA's website at http://www.FPPAco.org.

Description of Benefits

The FPPA Board of Directors may change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The Normal Retirement Age should not be less than age 55 or more than age 60. Any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Members with combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

A member is eligible for retirement after attainment of age 55 with at least five years of credited service.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis.

The annual retirement benefit for the Defined Benefit Component is 2.0 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent of the average of the member's highest three years' base salary for each year of service thereafter.

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to ten years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members

of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62.

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

Upon termination, a member may elect to have their member contributions, along with 5.0 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

Contributions

Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22.0 percent.

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2024, the total minimum required member and employer contribution rate was 22.2 percent.
Members of the Social Security Component contribute 6.0 percent of base salary. Per the 2020 legislation, employer contribution rates will increase 0.25 percent annually through 2030 to a total of 6.5 percent of base salary. These increases result in a combined contribution rate of 12.5 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 11.00 percent.

The Hybrid Defined Benefit Component and Money Purchase Component members and their employers are currently each contributing at the rate determined by the individual employer. Effective January 1, 2023, the employer and member minimum contribution rates will increase

by 0.125 percent annually until they reach a minimum rate of 9 percent each and at least a combined rate of 18 percent in 2030. In 2024, the total minimum combined member and employer contribution rate was 17.0 percent.

The Hybrid Defined Benefit Component sets contribution rates at a level that enables the defined benefits to be fully funded at the member's retirement date. The amount allocated to the Hybrid Defined Benefit Component is set annually by the FPPA Board of Directors. The Hybrid Defined Benefit Component contribution rate from July 2, 2024 through June 30, 2025 is 14.56 percent. The Hybrid Defined Benefit Component contribution rate from July 1 2023 through June 30, 2024 was 14.24 percent. Contributions in excess of those necessary to fund the defined benefit are allocated to the member's self-directed account in the Money Purchase Component.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service and to be 100 percent vested after five years of service or the attainment of age 55. Employer and member contributions are invested in funds at the discretion of members.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

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

At December 31, 2024, the Town reported a liability of $-0- for its proportionate share of the net pension asset. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset was based upon the January 1, 2025 actuarial valuation. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2024, the Town's proportion was 0.01355 percent, which is approximately the same as its proportion measured as of December 31, 2023.

The components of the calculation of the net pension liability/(asset) of the SWDB plan for participating departments as of December 31, 2024 are shown in the following table:

	Town of Hugo
Total Pension Liability (A)	$ 636,912
Plan Fiduciary Net Position (B)	636,912
Employer's Net Pension Liability/(Asset) (A-B)	$ -
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	100%

For the year ended December 31, 2024, the Town recognized pension expense of $13,406. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 32,451	$ 1,015
Changes of assumptions or other inputs	11,614	-
Net difference between projected and actual earnings on pension plan investments	45,124	-
Contributions subsequent to the measurement date	8,272	-
Total	$ 97,461	$ 1,015

$8,272 in total reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2025	$ 13,272
2026	19,611
2027	1,387
2028	2,057
2029	4,521
Thereafter	$ 6,811

Actuarial Assumptions

The actuarial valuations for the plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2024. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarial Defined Contributions
Actuarial Valuation Date	January 1, 2025	January 1, 2024
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % Payroll, Open
Amortization Period	N/A	30 Years
Long-term investment rate of return	7.0%	7.0%
Projected salary increases	4.25% – 11.75%	4.25% – 11.75%
Cost of Living Adjustment	0%	0%
Inflation	2.5%	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

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

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2022 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2023. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent).

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	33.00%	7.00%
Equity Long/Short	6.00%	6.20%
Private Markets	34.00%	8.80%
Fixed Income – Rates	7.00%	5.00%
Fixed Income – Credit	7.00%	6.50%
Absolute Return	9.00%	5.70%
Cash	4.00%	4.20%
Total	100%	

Discount Rate

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

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 4.08 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00 percent.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00 percent) or 1- percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Simple Discount Rate Assumption (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability/(asset)	$ 65,901	$ -0-	$ -0-

Collective Pension Plan Expense(Income)	For the Plan Year Ended December 31, 2024
Service cost	$ 33,461
Interest on total pension liability	40,312
Current-period benefit changes*	654
IRC 414(h)(2) employer-paid member contributions	(17,500)
Member purchases of service credit	(1,236)
Projected earnings on plan investments	(40,233)
Pension plan administrative expense	975
Other changes in plan fiduciary net position	(13)
Recognition of outflow of resources due to liabilities	10,657
Recognition of outflow of resources due to assets	(2,149)
Total pension plan expense/(income)	$ 24,929

Pension Plan Fiduciary Net Position
Detailed information about the SWDB's fiduciary net position is available in FPPA's annual comprehensive financial report, which can be obtained at https://fppaco.org

Note 5 **Long-Term Debt**

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

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

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

Year	Principal	Interest	Total
2026	$ 7,263	$ 4,083	$ 11,346
2027	7,354	3,992	11,346
2028	7,446	3,900	11,346
2029	7,540	3,806	11,346
2030	7,635	3,711	11,346
2031-2035	39,638	17,092	56,730
2036-2040	42,193	14,537	56,730
2041-2045	44,913	11,817	56,730
2046-2050	47,807	8,923	56,730
2051-2055	50,889	5,841	56,730
2056-2060	54,170	2,560	56,730
2061-2062	13,132	105	13,237
Total	$ 329,980	$ 80,367	$ 410,347

Year	Principal	Interest	Total
2026	$ 32,834	$ 18,461	$ 51,295
2027	33,247	18,048	51,295
2028	33,665	17,630	51,295
2029	34,088	17,207	51,295
2030	34,517	16,778	51,295
2031-2035	179,204	77,271	256,475
2036-2040	190,756	65,719	256,475
2041-2045	203,053	53,422	256,475
2046-2050	216,142	40,333	256,475
2051-2055	230,074	26,401	256,475
2056-2060	244,894	11,581	256,475
2061-2062	59,380	464	59,844
Total	$1,491,854	$ 363,315	$ 1,855,169

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

Year	Principal	Interest	Total
2026	$ 48,022	$ 6,590	$ 54,612
2027	48,263	6,349	54,612
2028	48,504	6,108	54,612
2029	48,747	5,865	54,612
2030	48,991	5,621	54,612
2031-2035	248,660	24,400	273,060
2036-2040	254,947	18,113	273,060
2041-2045	261,393	11,667	273,060
2046-2050	268,001	5,059	273,060
2051	54,402	190	54,592
Total	$ 1,329,930	$ 89,962	$ 1,419,892

During 2024, the Town entered into a loan agreement with the Water Pollution Control Revolving Fund Disadvantaged Communities Loan Program for a total loan amount of $1,093,000. Of the total amount, $569,755 was forgiven upfront. The remaining balance of $523,245 will be repaid. The terms of repayment call for semi-annual payments of $12,979, principal and interest, until paid in full. The interest rate is 2.75% for the 30 year loan term.

Year	Principal	Interest	Total
2026	$ 12,165	$ 13,794	$ 25,959
2027	12,503	13,456	25,959
2028	12,848	13,111	25,959
2029	13,204	12,755	25,959
2030	13,569	12,390	25,959
2031-2035	73,699	56,097	129,796
2036-2040	84,482	45,314	129,796
2041-2045	96,843	32,953	129,796
2046-2050	111,016	18,780	129,796
2051-2053	74,271	3,606	77,877
Total	$ 504,600	$ 222,256	$ 726,856

Note 6 Sales Tax

During 1988 the Town passed a 2% sales tax ordinance that became effective on July 1, 1988. The funds collected are restricted to storm drainage and street improvements. The sales tax revenue is included in the General Fund. For 2025, sales tax revenue was $294,632 and expenditures for street maintenance were $165,158.

Note 7 Tax, Spending, and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several abilities, and other specific requirements of the state and local governments. The

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

Note 8 Risk Management

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

Required Supplementary Information

Town of Hugo
Budget and Actual
General
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	$ 174,020	$ 174,020	$ 183,775
SO Taxes	16,000	16,000	19,284
Sales and miscellaneous taxes	535,553	535,553	304,373
Fees and fines	205,000	205,000	-
Licenses and permits	12,748	12,748	65,688
Intergovernmental	2,588,343	2,588,343	1,059,980
Charges for services	12,500	12,500	10,899
Interest income	7,000	7,000	47,809
Miscellaneous	7,990	7,990	44,697
Total revenues	3,559,154	3,559,154	1,736,505
EXPENDITURES			
Current:			
General government	1,751,762	1,751,762	485,435
Public safety	597,224	597,224	89,762
Public works	622,700	622,700	167,322
Culture and recreation	665,173	665,173	1,017,896
Debt Service:			
Interest	-	-	2,813
Total Expenditures	3,636,859	3,636,859	1,763,228
Excess (deficiency) of revenues over expenditures	(77,705)	(77,705)	(26,723)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	(2,319)
Total other financing sources and uses	-	-	(2,319)
SPECIAL ITEM			
Proceeds from sale capital assets	-	-	30,883
Net change in fund balance	(77,705)	(77,705)	1,841
Fund balance - beginning	1,131,164	1,131,164	1,150,490
Fund balance - ending	$ 1,053,459	$ 1,053,459	$ 1,152,331

Supplementary Information

Town of Hugo
Balance Sheet
Other Governmental Funds
December 31, 2025

	Law Enforcement Assistance	Conservation Trust	Library	Total-Other Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,887	$ -	$ 24,035	$ 25,922
Investments	531	21,258	-	21,789
Due from other funds	120,983	2,416	-	123,399
Other receivables	1,051	1,123	592	2,766
Total assets	124,452	24,797	24,627	173,876
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	-	-	1,297	1,297
Due to other funds	-	-	1,147	1,147
Total liabilities	-	-	2,444	2,444
Fund balance:				
Assigned	124,452	24,797	22,183	171,432
Fund balance	124,452	24,797	22,183	171,432
Total liabilities and fund balance	$ 124,452	$ 24,797	$ 24,627	$ 173,876

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

	Law Enforcement Assistance	Conservation Trust	Library	Total-Other Governmental Funds
REVENUES				
Fees and fines	$ 9,305	$ -	$ 416	$ 9,721
Intergovernmental	224	9,382	4,500	14,106
Investment earnings	5,856	1,120	126	7,102
Miscellaneous	-	-	962	962
Total revenues	15,385	10,502	6,004	31,891
EXPENDITURES				
Current:				
Public Safety	3,849	-	-	3,849
Culture and recreation	-	16,760	9,457	26,217
Capital Outlay	24,632	-	-	24,632
Total Expenditures	28,481	16,760	9,457	54,698
Excess (deficiency) of revenues over expenditures	(13,096)	(6,258)	(3,453)	(22,807)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,319	2,319
Total other financing sources and uses	-	-	2,319	2,319
Net change in fund balance	(13,096)	(6,258)	(1,134)	(20,488)
Fund balance - beginning	137,548	31,055	23,317	191,920
Fund balance - ending	$ 124,452	$ 24,797	$ 22,183	$ 171,432

Town of Hugo
Budget and Actual
Conservation Trust
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	$ -	$ 10,000	$ 9,382
Interest income	10,000	-	1,120
Total revenues	10,000	10,000	10,502
EXPENDITURES			
Current:			
Culture and recreation	13,000	18,000	16,760
Total Expenditures	13,000	18,000	16,760
Excess (deficiency) of revenues over expenditures	(3,000)	(8,000)	(6,258)
Net change in fund balance	(3,000)	(8,000)	(6,258)
Fund balance - beginning	26,800	26,800	31,055
Fund balance - ending	$ 23,800	$ 18,800	$ 24,797

Town of Hugo
Budget and Actual
Library
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	$ 4,500	$ 4,500	$ 4,500
Charges for services	200	200	-
Interest income	145	145	126
Miscellaneous	950	950	962
Total revenues	5,795	5,795	6,004
EXPENDITURES			
Current:			
Culture and recreation	10,105	10,105	9,457
Total Expenditures	10,105	10,105	9,457
Excess (deficiency) of revenues over expenditures	(4,310)	(4,310)	(3,453)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,310	4,310	2,319
Total other financing sources and uses	4,310	4,310	2,319
Net change in fund balance	-	-	(1,134)
Fund balance - beginning	21,800	21,800	23,317
Fund balance - ending	$ 21,800	$ 21,800	$ 22,183

Town of Hugo
Budget and Actual
Law Enforcement Assistance
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Fees and fines	$ 50,000	$ 50,000	$ 9,305
Intergovernmental	-	-	224
Interest income	4,500	4,500	5,856
Total revenues	54,500	54,500	15,385
EXPENDITURES			
Current:			
Public Safety	24,000	33,000	3,849
Capital Outlay	-	-	24,632
Total Expenditures	24,000	33,000	28,481
Excess (deficiency) of revenues over expenditures	30,500	21,500	(13,096)
Net change in fund balance	30,500	21,500	(13,096)
Fund balance - beginning	165,687	165,687	137,548
Fund balance - ending	$ 196,187	$ 187,187	$ 124,452

Town of Hugo
Budget and Actual
Water Fund
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	$ 372,000	$ 372,000	$ 323,906
Interest income	20,000	20,000	25,627
Grants	5,161,000	5,161,000	65,574
Miscellaneous	2,000	2,000	1,225
Total revenues	5,555,000	5,555,000	416,332
EXPENDITURES			
Personal services	154,743	154,743	143,694
Fuel, power, and utilities	15,000	15,000	8,314
Repairs and maintenance	101,000	101,000	73,382
Other supplies and expenses	5,500	5,500	29,835
Insurance	7,200	7,200	7,213
Audit and publication	6,500	6,500	29,332
Interest	5,000	5,000	-
Miscellaneous	13,950	13,950	(1,282)
Debt service principal	30,562	30,562	-
Capital outlay	5,161,000	5,161,000	81,262
Total Operating Expenses	5,500,455	5,500,455	371,750
Operating income (loss)	54,545	54,545	44,582
RECONCILING ITEM TO GAAP			
Capital outlay	-	-	81,262
Depreciation	-	-	(17,362)
Net change in net position	54,545	54,545	108,482
Net position - beginning	700,710	700,710	1,012,418
Net position - ending	$ 755,255	$ 755,255	$ 1,120,900

Town of Hugo
Budget and Actual
Sewer Fund
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	$ 280,000	$ 280,000	$ 283,378
Grants and loans	969,430	969,430	588,341
Interest income	17,000	17,000	20,635
Miscellaneous	1,000	1,000	2,110
Total revenues	1,267,430	1,267,430	894,464
EXPENDITURES			
Personal services	153,998	153,998	141,012
Fuel, power, and utilities	-	-	2,531
Utilities	2,800	2,800	-
Repairs and maintenance	16,250	16,250	4,862
Other supplies and expenses	11,750	11,750	38,814
Capital outlay	987,427	987,427	1,005,436
Insurance	6,000	6,000	6,000
Debt service principal	132,842	132,842	98,980
Interest	-	-	8,148
Miscellaneous Expenses	16,700	16,700	16,402
Total Operating Expenses	1,327,767	1,327,767	1,322,185
Operating income (loss)	(60,337)	(60,337)	(427,721)
RECONCILING ITEMS TO GAAP			
Depreciation	-	-	(126,450)
Debt service principal	-	-	98,980
Capital outlay	-	-	1,005,436
	-	-	977,966
Net change in net position	(60,337)	(60,337)	550,245
Net Position - beginning	540,200	540,200	4,175,038
Net Position - ending	$ 479,863	$ 479,863	$ 4,725,283

Town of Hugo
Budget and Actual
Solid Waste Disposal
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	$ 117,677	$ 117,677	$ 124,941
Interest income	4,500	4,500	3,716
Total revenues	122,177	122,177	128,657
EXPENDITURES			
Personal services	54,218	54,218	50,367
Fuel, power, and utilities	4,500	4,500	-
Other supplies and expenses	16,000	16,000	18,856
Insurance	6,000	6,000	7,936
Miscellaneous	5,019	5,019	3,012
Total Operating Expenses	85,737	85,737	80,171
Operating income (loss)	36,440	36,440	48,486
RECONCILING ITEM			
Depreciation	-	-	(8,120)
Net change in net position	36,440	36,440	40,366
Net position - beginning	133,600	133,600	186,138
Net position - ending	$ 170,040	$ 170,040	$ 226,504

Town of Hugo
Budget and Actual
Street Light
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	$ 16,000	$ 16,000	$ 18,921
Total revenues	16,000	16,000	18,921
EXPENDITURES			
Fuel, power, and utilities	12,608	12,608	12,351
Repairs and maintenance	-	-	307
Capital outlay	3,000	3,000	-
Total Expenditures	15,608	15,608	12,658
Excess (deficiency) of revenues over expenditures	392	392	6,263
RECONCILING ITEM			
Depreciation	-	-	1,185
	-	-	1,185
Net change in net position	392	392	5,078
Net position - beginning	47,000	47,000	56,865
Net position - ending	$ 47,392	$ 47,392	$ 61,943

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)	$ 268,980.69
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ 37,500.20
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)	$ 306,480.89
B. Private Contributions	
C. Receipts from State government (from page 1, Item II.C.4)	$ 42,715.03
D. Receipts from Federal government (from page 1, Item II.D.3)	$ -
E. Total receipts (A.7 + B + C + D)	$ 349,195.92

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital Outlay (from page 1, Item III.A1.d)	$ 192,460.99
2. Maintenance:	20,000.00
3. Road and Street Services:	
a. Snow and Ice Removal	5,000.00
b. Other & Traffic Control Operations	20,000.00
c. Total (a + b)	$ 25,000.00
4. General Administration & Miscellaneous	
5. Highway Law Enforcement and Safety	15,000.00
6. Total (1 through 5)	$ 252,460.99
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)	$ 252,460.99

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)		$ -		

LOCAL HIGHWAY FINANCE REPORT

STATE:	
COLORADO	

THIS INFORMATION FROM THE RECORDS OF:	PREPARED BY:	REPORT YEAR ENDING DATE(mm/yyyy):
Town of Hugo	Sara Lancaster clerkadministrator@townofhugoco	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	37,500.20
b. Non-property Taxes and Assessments Imposts	268,980.69	b. Other Misc. Local Receipts	
c. Total (a + b)	$ 268,980.69	**c. Total (a + b)**	$ 37,500.20

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	42,715.03	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			
c. Total (a + b)	$ -		
4. Total (1 + 2 + 3c)	$ 42,715.03	**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	192,460.99
d. Total Capital Outlay (a+ b + c)	$ 192,460.99

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