



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF HOT SULPHUR SPRINGS, COLORADO

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TOWN OF HOT SULPHUR SPRINGS, COLORADO

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and Board
Hot Sulphur Springs, Colorado

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hot Sulphur Springs, Colorado's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hot Sulphur Springs, Colorado's basic financial statements. The budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report are presented for purposes of additional analysis as required by the State of Colorado and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2024 on our consideration of the Town of Hot Sulphur Springs, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hot Sulphur Springs, Colorado's internal control over financial reporting and compliance.

HintonBurdick, PLLC

St. George, Utah
September 18, 2024

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TOWN OF HOT SULPHUR SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

As management of the Town of Hot Sulphur Springs (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2023. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total combined governmental and business-type net position decreased from \$6.62 million to \$6.19 million during 2023.
- The general fund unassigned fund balance at the end of 2023 was \$396,789, which is 61% of total General fund expenditures.
- Property tax revenues increased from \$124,018 in 2022 to \$33,156 in 2023.
- Local sales tax collections of \$252,882 increased by \$26,500 from the previous fiscal year.
- Governmental fund expenditures decreased by \$9,895 in 2023.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$6.19 million as of December 31, 2023 as shown in the following condensed statement of net position. Of this amount, \$620,355 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$5,266,642 (85.15% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

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

The following table summarizes the Town's governmental and business-type net assets as of December 31, 2023 and 2022:

TOWN OF HOT SULPHUR SPRINGS, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Current and other assets	\$ 691,037	\$ 892,246	\$ 526,184	\$ 375,171	\$ 1,217,221	\$ 1,267,417
Capital assets	1,484,002	1,519,225	4,741,425	5,015,950	6,225,427	6,535,175
Total assets	<u>2,175,039</u>	<u>2,411,471</u>	<u>5,267,609</u>	<u>5,391,121</u>	<u>7,442,648</u>	<u>7,802,592</u>
Long-term liabilities outstanding	2,160	2,160	960,921	957,680	963,081	959,840
Other liabilities	49,028	39,854	82,413	59,863	131,441	99,717
Total liabilities	<u>51,188</u>	<u>42,014</u>	<u>1,043,334</u>	<u>1,017,543</u>	<u>1,094,522</u>	<u>1,059,557</u>
Deferred inflows of resources	162,969	125,490	-	-	162,969	125,490
Net position:						
Net investment in capital assets	1,484,002	1,519,225	3,782,640	4,060,406	5,266,642	5,579,631
Restricted	82,251	58,427	215,909	169,954	298,160	228,381
Unrestricted	394,629	666,315	225,726	143,218	620,355	809,533
Total net position	<u>\$ 1,960,882</u>	<u>\$ 2,243,967</u>	<u>\$ 4,224,275</u>	<u>\$ 4,373,578</u>	<u>\$ 6,185,157</u>	<u>\$ 6,617,545</u>

An additional portion of net position, \$298,160, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$620,355 (10.03% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$693,195. As shown in the Changes in Net Position statement below. \$59,169 of this cost was paid for by those who directly benefited from the programs. \$174,826 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$233,995. General taxes and investment earnings totaled \$456,115.

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

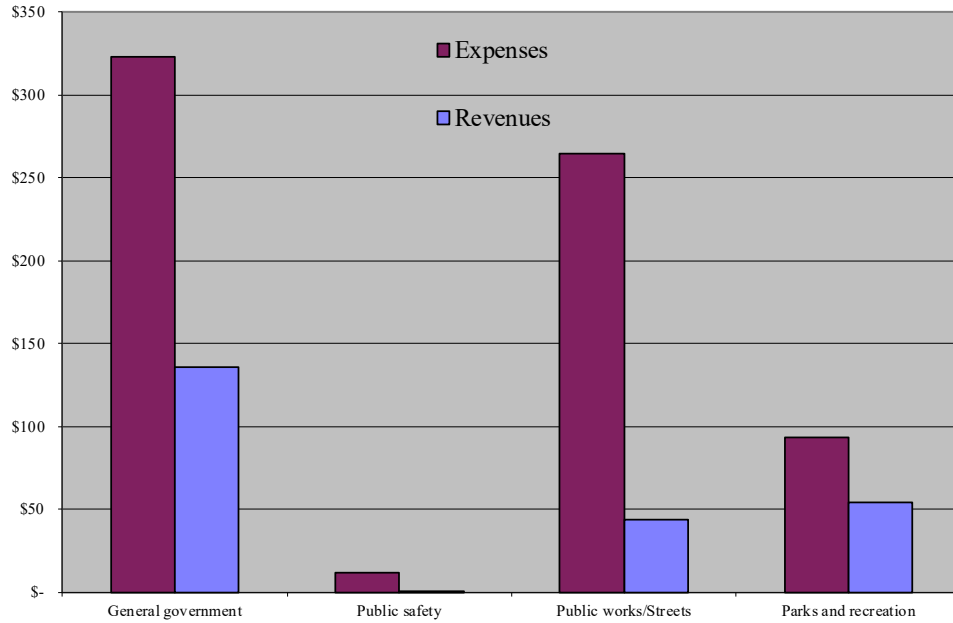
TOWN OF HOT SULPHUR SPRINGS, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Revenues:						
Program revenues:						
Charges for services	\$ 59,169	\$ 24,222	\$ 689,299	\$ 659,002	\$ 748,468	\$ 683,224
Operating grants and contributions	144,047	188,631	-	-	144,047	188,631
Capital grants and contributions	30,779	-	40,000	16,500	70,779	16,500
General revenues:						
Taxes	440,123	405,480	-	-	440,123	405,480
Investment earnings	15,992	4,866	-	-	15,992	4,866
Other revenue/(expense)	-	-	19,877	6,708	19,877	6,708
Total revenues	<u>690,110</u>	<u>623,199</u>	<u>749,176</u>	<u>682,210</u>	<u>1,439,286</u>	<u>1,305,409</u>
Expenses:						
General government	323,113	398,545	-	-	323,113	398,545
Public safety	11,867	11,867	-	-	11,867	11,867
Public works/Streets	264,695	167,470	-	-	264,695	167,470
Parks and recreation	93,520	86,804	-	-	93,520	86,804
Water	-	-	771,975	469,459	771,975	469,459
Sewer	-	-	406,504	425,757	406,504	425,757
Total expenses	<u>693,195</u>	<u>664,686</u>	<u>1,178,479</u>	<u>895,216</u>	<u>1,871,674</u>	<u>1,559,902</u>
Increase (Decrease) in net position before transfers	(3,085)	(41,487)	(429,303)	(213,006)	(432,388)	(254,493)
Transfers	(280,000)	-	280,000	-	-	-
Net position, beginning	<u>2,243,967</u>	<u>2,285,454</u>	<u>4,373,578</u>	<u>4,586,584</u>	<u>6,617,545</u>	<u>6,872,038</u>
Net position, ending	<u>\$ 1,960,882</u>	<u>\$ 2,243,967</u>	<u>\$ 4,224,275</u>	<u>\$ 4,373,578</u>	<u>\$ 6,185,157</u>	<u>\$ 6,617,545</u>

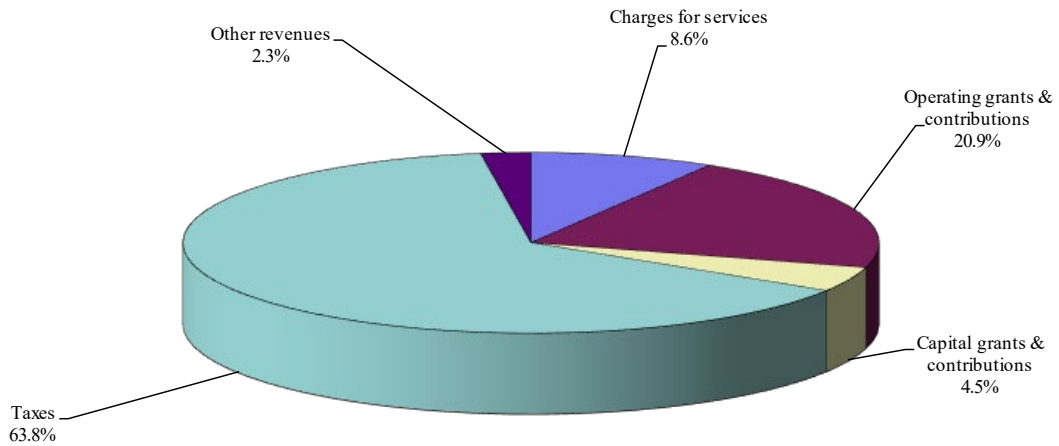
Total resources available during the year to finance governmental operations were \$2,934,077 consisting of Net position as adjusted at January 1, 2023 of \$2,243,967, program revenues of \$233,995 and General Revenues of \$456,115. Total Governmental Activities during the year were \$693,195 and transfers out were \$280,000; thus Governmental Net Position was decreased by \$283,085 resulting in an ending net position of \$1,960,882.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



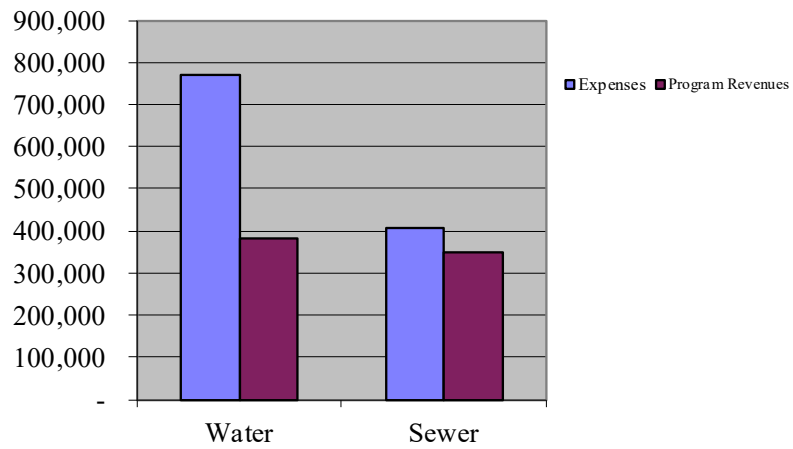
Revenue By Source - Governmental Activities



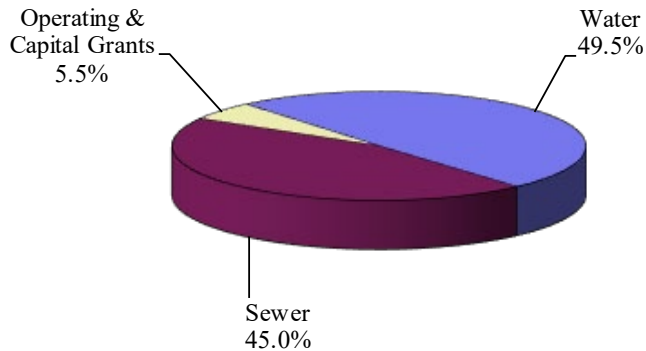
Business Type Activities

Net position of the Business Type activities at December 31, 2023, as reflected in the Statement of Net Position was \$4.22 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,178,479. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$689,299 and there was \$40,000 subsidized by capital grants and contributions. Investment earnings and other revenues were \$19,877. The Net Position decreased by \$149,303, including a transfer of \$280,000 from governmental activities.

Expenses and Program Revenues - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$479,040 a decrease of \$247,862 in comparison with the prior year. Approximately 82.83%, or \$396,789 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for emergency reserves of \$52,661 or for parks and recreation of \$29,590.

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

At December 31, 2023, unassigned fund balance in the General Fund was \$396,789. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 61% and total fund balance represents 69% of total General fund expenditures. The fund balance of the Town's General fund decreased by \$257,184 for the year ended December 31, 2023. General fund revenues increased by \$56,208 compared to the prior year mainly due to increases from taxes and intergovernmental revenues.

At December 31, 2023, restricted fund balance in the Conservation Trust Fund was \$29,590. The fund balance of the Town's Conservation Trust Fund increased by \$9,322 for the year ended December 31, 2023. Parks and recreation costs of \$9,750 were offset with intergovernmental revenues of \$9,750.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2023 for the Town's two enterprise funds (Water and Sewer) are as follows:

	Water	Sewer	Total
Unrestricted net position	\$ 144,720	\$ 81,006	\$ 225,726
Total net position	2,827,460	1,396,815	4,224,275
Change in net position	(94,539)	(54,764)	(149,303)

Budgetary Highlights

General fund revenues of \$671,038 were less than budgeted revenues by \$3,812. The most significant factor contributing to this decrease is related to sales tax revenues which were less than budget by \$47,118. Actual expenditures were \$155,720 less than appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2023, net capital assets of the government activities totaled \$1.48 million and the net capital assets of the business-type activities totaled \$4.74 million. The most significant capital additions were for Himebaugh Gulch trail improvements totaling \$36,010. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

Debt

At year-end, the Town did not have governmental type debt, and \$958,785 in proprietary debt. During the current fiscal year, the Town's total debt increased by \$3,241, net of the payments made. See note 8 for more information.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2023, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall General Fund operating expenditures were budgeted to maintain the current level of service at an increased cost mostly due to additional public work projects.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 462,571	\$ 2,156	\$ 464,727
Receivables (net of allowance)	228,466	300,221	528,687
Internal balances	-	-	-
Deposits	-	7,898	7,898
Temporarily restricted assets:			
Cash and cash equivalents	-	215,909	215,909
Capital assets (net of accumulated depreciation):			
Land	606,812	55,900	662,712
Construction in progress	-	-	-
Buildings	17,646	-	17,646
Improvements	715,811	-	715,811
System improvements	-	4,515,302	4,515,302
Furniture, equipment & vehicles	46,904	170,223	217,127
Infrastructure/Roads	96,829	-	96,829
Total assets	<u>2,175,039</u>	<u>5,267,609</u>	<u>7,442,648</u>
Liabilities			
Accounts payable and other current liabilities	49,028	80,797	129,825
Interest payable	-	1,616	1,616
Noncurrent liabilities:			
Due within one year	2,160	109,638	111,798
Due in more than one year	-	851,283	851,283
Total liabilities	<u>51,188</u>	<u>1,043,334</u>	<u>1,094,522</u>
Deferred Inflows of Resources			
Deferred revenue-property taxes	<u>162,969</u>	<u>-</u>	<u>162,969</u>
Net Position			
Net investment in capital assets	1,484,002	3,782,640	5,266,642
Restricted for:			
Emergencies	52,661	-	52,661
Parks and recreation	29,590	-	29,590
Debt service	-	215,909	215,909
Unrestricted	<u>394,629</u>	<u>225,726</u>	<u>620,355</u>
Total Net Position	<u>\$ 1,960,882</u>	<u>\$ 4,224,275</u>	<u>\$ 6,185,157</u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 323,113	\$ 44,849	\$ 90,682	\$ -	\$ (187,582)	\$ -	\$ (187,582)
Public safety	11,867	527	-	-	(11,340)	-	(11,340)
Public works/Streets	264,695	5,775	37,844	-	(221,076)	-	(221,076)
Parks and recreation	93,520	8,018	15,521	30,779	(39,202)	-	(39,202)
Total governmental activities	693,195	59,169	144,047	30,779	(459,200)	-	(459,200)
Business-type activities:							
Water	771,975	361,295	-	20,000	-	(390,680)	(390,680)
Sewer	406,504	328,004	-	20,000	-	(58,500)	(58,500)
Total business-type activities	1,178,479	689,299	-	40,000	-	(449,180)	(449,180)
Total Primary Government	1,871,674	748,468	144,047	70,779	(459,200)	(449,180)	(908,380)
General Revenues:							
Taxes:							
Property tax					133,156	-	133,156
Sales tax					252,882	-	252,882
Other taxes					14,336	-	14,336
Franchise tax					39,749	-	39,749
Unrestricted investment earnings					15,992	19,877	35,869
Transfers					(280,000)	280,000	-
Total general revenues & transfers					176,115	299,877	475,992
Change in net position					(283,085)	(149,303)	(432,388)
Net position - beginning					2,243,967	4,373,578	6,617,545
Net position - ending					\$ 1,960,882	\$ 4,224,275	\$ 6,185,157

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO

**Balance Sheet
Governmental Funds
December 31, 2023**

Assets	<u>General Fund</u>	<u>Non-major Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 432,981	\$ 29,590	\$ 462,571
Receivables, net:			
Taxes receivable	162,969	-	162,969
Intergovernmental	65,497	-	65,497
	<u>661,447</u>	<u>29,590</u>	<u>691,037</u>
Total Assets	<u>\$ 661,447</u>	<u>\$ 29,590</u>	<u>\$ 691,037</u>
 Liabilities			
Accounts payable	\$ 25,331	\$ -	\$ 25,331
Accrued wages	3,107	-	3,107
Accrued liabilities	20,590	-	20,590
	<u>49,028</u>	<u>-</u>	<u>49,028</u>
Total Liabilities	<u>49,028</u>	<u>-</u>	<u>49,028</u>
 Deferred Inflows of Resources			
Deferred revenue-property taxes	162,969	-	162,969
	<u>162,969</u>	<u>-</u>	<u>162,969</u>
 Fund Balances:			
Restricted for:			
Parks and recreation	-	29,590	29,590
Emergencies	52,661	-	52,661
Unassigned	396,789	-	396,789
	<u>449,450</u>	<u>29,590</u>	<u>479,040</u>
Total fund balances	<u>449,450</u>	<u>29,590</u>	<u>479,040</u>
Total Liabilities, deferred inflows of resources, and fund balances	<u>\$ 661,447</u>	<u>\$ 29,590</u>	<u>\$ 691,037</u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023

Total fund balances - governmental funds \$ 479,040

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

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

Governmental capital assets	2,185,476	
Accumulated depreciation	<u>(701,474)</u>	
		1,484,002

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (2,160)

Total net position - governmental activities	\$ 1,960,882
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2023

REVENUES	General Fund	Non-major Conservation Trust Fund	Total Governmental Funds
Taxes	\$ 440,123	\$ -	\$ 440,123
Licenses and permits	7,442	-	7,442
Intergovernmental	155,555	19,072	174,627
Interest revenue	15,992	-	15,992
Other revenues	51,926	-	51,926
Total Revenues	<u>671,038</u>	<u>19,072</u>	<u>690,110</u>
 EXPENDITURES			
Current:			
General government	321,623	-	321,623
Public safety	11,867	-	11,867
Public works/streets	229,468	-	229,468
Parks and recreation	85,264	9,750	95,014
Total Expenditures	<u>648,222</u>	<u>9,750</u>	<u>657,972</u>
Excess of Revenues Over Expenditures	22,816	9,322	32,138
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	<u>(280,000)</u>	<u>-</u>	<u>(280,000)</u>
Total Other Financing Sources (Uses)	<u>(280,000)</u>	<u>-</u>	<u>(280,000)</u>
Net change in fund balances	(257,184)	9,322	(247,862)
Fund balances, beginning of year	<u>706,634</u>	<u>20,268</u>	<u>726,902</u>
Fund balances, end of year	<u>\$ 449,450</u>	<u>\$ 29,590</u>	<u>\$ 479,040</u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2023

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

Net change in fund balances - total governmental funds	\$ (247,862)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlays in the current period.

Capital outlay	64,030
Depreciation expense	(74,933)
	(10,903)

Change in net position of governmental activities	\$ (283,085)
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2023

	Water Fund	Sewer Fund	Combined Total
Assets			
Current Assets:			
Cash	\$ 2,156	\$ -	\$ 2,156
Receivables (net of allowance)	207,931	92,290	300,221
Deposits	3,949	3,949	7,898
Total current assets	<u>214,036</u>	<u>96,239</u>	<u>310,275</u>
Noncurrent assets:			
Restricted cash and investments	122,020	93,889	215,909
Land	40,345	15,555	55,900
Utility systems and improvements	5,104,997	2,760,908	7,865,905
Machinery, equipment and vehicles	1,265,215	18,022	1,283,237
Accumulated depreciation	(3,243,642)	(1,219,975)	(4,463,617)
Total noncurrent assets	<u>3,288,935</u>	<u>1,668,399</u>	<u>4,957,334</u>
Total Assets	<u><u>\$ 3,502,971</u></u>	<u><u>\$ 1,764,638</u></u>	<u><u>\$ 5,267,609</u></u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 54,216	\$ -	\$ 54,216
Accrued Wages and Benefits	13,398	13,183	26,581
Interest payable	-	1,616	1,616
Loans payable - current	71,371	36,131	107,502
Compensated absences - current	1,702	434	2,136
Total current liabilities	<u>140,687</u>	<u>51,364</u>	<u>192,051</u>
Noncurrent liabilities:			
Loans payable, net of current portion	534,824	316,459	851,283
Total long-term debt	<u>534,824</u>	<u>316,459</u>	<u>851,283</u>
Total Liabilities	<u>675,511</u>	<u>367,823</u>	<u>1,043,334</u>
Net Position			
Net investment in capital assets	2,560,720	1,221,920	3,782,640
Restricted	122,020	93,889	215,909
Unrestricted	144,720	81,006	225,726
Total net position	<u><u>\$ 2,827,460</u></u>	<u><u>\$ 1,396,815</u></u>	<u><u>\$ 4,224,275</u></u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Water Fund	Sewer Fund	Combined Total
Operating Revenues			
Charges for services	\$ 325,651	\$ 327,779	\$ 653,430
Other revenues	35,644	225	35,869
Total Operating Revenues	<u>361,295</u>	<u>328,004</u>	<u>689,299</u>
Operating Expenses			
Salaries	167,437	166,157	333,594
Employee benefits	53,559	52,782	106,341
Outside services	122,589	7,014	129,603
Repairs and maintenance	119,124	65,169	184,293
Supplies	33,211	3,415	36,626
Utilities	31,738	23,080	54,818
Miscellaneous	28,997	21,156	50,153
Depreciation	214,378	60,147	274,525
Total Operating Expenses	<u>771,033</u>	<u>398,920</u>	<u>1,169,953</u>
Operating Income (Loss)	<u>(409,738)</u>	<u>(70,916)</u>	<u>(480,654)</u>
Non-operating Revenues (Expenses)			
Interest income	16,141	3,736	19,877
Interest expense and fiscal charges	(942)	(7,584)	(8,526)
Connection and tap fees	20,000	20,000	40,000
Total Non-Operating Revenue (Expense)	<u>35,199</u>	<u>16,152</u>	<u>51,351</u>
Income (loss) before contributions and transfers	(374,539)	(54,764)	(429,303)
Contributions and Transfers:			
Transfers in	280,000	-	280,000
Transfers out	-	-	-
Total contributions and transfers	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Change in net position	(94,539)	(54,764)	(149,303)
Net position, beginning of year	<u>2,921,999</u>	<u>1,451,579</u>	<u>4,373,578</u>
Net position, end of year	<u>\$ 2,827,460</u>	<u>\$ 1,396,815</u>	<u>\$ 4,224,275</u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Water Fund	Sewer Fund	Combined Total
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$ 334,089	\$ 316,203	\$ 650,292
Cash received from customers, other	35,644	225	35,869
Cash paid to suppliers	(296,240)	(140,837)	(437,077)
Cash paid to employees	(211,970)	(223,832)	(435,802)
Net cash flows from operating activities	<u>(138,477)</u>	<u>(48,241)</u>	<u>(186,718)</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds/(payments) to other funds	(110,000)	-	(110,000)
Transfers from/(to) other funds	280,000	-	280,000
Net cash flows from noncapital financing activities	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Cash Flows From Capital and Related Financing Activities:			
Principal paid on long-term debt	(71,339)	(35,419)	(106,758)
Interest paid	(942)	(7,584)	(8,526)
Connection and tap fees	20,000	20,000	40,000
Net cash flows from capital and related financing activities	<u>(52,281)</u>	<u>(23,003)</u>	<u>(75,284)</u>
Cash Flows From Investing Activities:			
Interest on investments	16,141	3,736	19,877
Net change in cash and cash equivalents	(4,617)	(67,508)	(72,125)
Cash and cash equivalents, beginning of year	128,793	161,397	290,190
Cash and Cash Equivalents, End of Year	<u>\$ 124,176</u>	<u>\$ 93,889</u>	<u>\$ 218,065</u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income/(loss)	\$ (409,738)	\$ (70,916)	\$ (480,654)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	214,378	60,147	274,525
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	8,438	(11,576)	(3,138)
Increase/(decrease) in payables	39,419	(21,003)	18,416
Increase/(decrease) in accrued liabilities & deposits	9,026	(4,893)	4,133
Net cash flows from operating activities	<u>\$ (138,477)</u>	<u>\$ (48,241)</u>	<u>\$ (186,718)</u>

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

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

Reporting Entity

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

Basis of Presentation – Government-Wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the *current financial resources measurement* focus and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Deposits and Investments

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

Receivables and Payables

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Inventories

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

Capital Assets

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

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

Fund balance flow assumptions

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

Fund balance policies

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

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

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

Compensated Absences

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

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

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

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 3. Stewardship, Compliance, and Accountability, Continued

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

Expenditures over Appropriations

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

Tax, Spending and Debt Limitations

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

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

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

Debt Covenants

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 4. Deposits and Investments

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

Cash on hand	\$	320
Cash in bank		(13,579)
Colorado Trust		693,895
Total cash and investments		\$ 680,636

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government’s deposit may not be returned to it. The City does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2023 cash on hand was \$320 and the carrying amount of the Town’s deposits was \$667,057. As of December 31, 2023 the bank balance of the Town’s deposits was \$711,236 of which \$17,341 was insured by federal depository insurance and \$693,895 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers’ acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town’s investment policy follows Colorado statutes. At December 31, 2023 the Town’s investments included certificates of deposit and funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 4. Deposits and Investments, Continued

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

As of December 31, 2023, the Town had \$693,895 invested in the COLOTRUST with a fair market value of \$693,895 and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

Interest rate risk

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

Credit risk

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

Note 5. Restricted Assets

The Town has set aside funds for the Operation and Maintenance Reserve Fund as required by the Colorado Water Resources and Power Development Authority Loan Agreement. The water fund reserve at year-end is \$122,020 and is equal to the \$122,020 required for three months of operations and maintenance excluding depreciation, of the system as set forth in the Town's annual budget. The sewer fund reserve at year-end is \$93,889 and is less than the \$102,467 required three months of operations and maintenance excluding depreciation, of the system as set forth in the Town's annual budget.

Note 6. Segment Information – Enterprise Funds

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 7. Capital Assets

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

Governmental Activities:	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Capital assets, not being depreciated:				
Land	\$ 606,812	\$ -	\$ -	\$ 606,812
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>606,812</u>	<u>-</u>	<u>-</u>	<u>606,812</u>
Capital assets, being depreciated:				
Buildings	32,204	-	-	32,204
Improvements	986,532	36,010	-	1,022,542
Furniture, equipment & vehicles	270,767	28,020	(41,691)	257,096
Infrastructure	266,822	-	-	266,822
Total capital assets, being depreciated	<u>1,556,325</u>	<u>64,030</u>	<u>(41,691)</u>	<u>1,578,664</u>
Less accumulated depreciation for:				
Buildings	(13,860)	(698)	-	(14,558)
Improvements	(260,163)	(46,568)	-	(306,731)
Furniture, equipment & vehicles	(214,085)	(13,478)	17,371	(210,192)
Infrastructure	(155,804)	(14,189)	-	(169,993)
Total accumulated depreciation	<u>(643,912)</u>	<u>(74,933)</u>	<u>17,371</u>	<u>(701,474)</u>
Total capital assets, being depreciated, net	<u>912,413</u>	<u>(10,903)</u>	<u>(24,320)</u>	<u>877,190</u>
Governmental activities capital assets, net	<u>\$ 1,519,225</u>	<u>\$ (10,903)</u>	<u>\$ (24,320)</u>	<u>\$ 1,484,002</u>

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

Governmental Activities:	
General government	\$ 1,490
Public works/streets	38,927
Parks & recreation	34,516
Total depreciation expense - governmental activities	<u>\$ 74,933</u>

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 7. Capital Assets, Continued

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

Business Type Activities:	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Capital assets not being depreciated:				
Land and water rights	\$ 55,900	\$ -	\$ -	\$ 55,900
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>55,900</u>	<u>-</u>	<u>-</u>	<u>55,900</u>
Capital assets being depreciated:				
Water system and improvements	5,104,997	-	-	5,104,997
Sewer system and improvements	2,760,908	-	-	2,760,908
Furniture, equipment & vehicles	1,283,237	-	-	1,283,237
Total capital assets, being depreciated	<u>9,149,142</u>	<u>-</u>	<u>-</u>	<u>9,149,142</u>
Less accumulated depreciation for:				
Water system and improvements	(2,012,928)	(135,722)	-	(2,148,650)
Sewer system and improvements	(1,141,806)	(60,147)	-	(1,201,953)
Furniture, equipment & vehicles	(1,034,358)	(78,656)	-	(1,113,014)
Total accumulated depreciation	<u>(4,189,092)</u>	<u>(274,525)</u>	<u>-</u>	<u>(4,463,617)</u>
Total capital assets, being depreciated, net	<u>4,960,050</u>	<u>(274,525)</u>	<u>-</u>	<u>4,685,525</u>
Business-type activities capital assets, net	<u>\$ 5,015,950</u>	<u>\$ (274,525)</u>	<u>\$ -</u>	<u>\$ 4,741,425</u>

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

Business-Type Activities:	
Water	\$ 214,378
Sewer	60,147
Total depreciation expense - business-type activities	<u>\$ 274,525</u>

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 8. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2023:

	Balance 12/31/22	Additions	Retirements	Balance 12/31/23	Current Portion
Governmental Activities:					
Compensated absences	\$ 2,160	\$ -	\$ -	\$ 2,160	\$ 2,160
Total Governmental activity					
Long-term liabilities	<u>\$ 2,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,160</u>	<u>\$ 2,160</u>
Business-Type Activities:					
Direct Borrowings:					
Loan Payable - Sewer - CWRPDA	\$ 388,009	\$ -	\$ (35,419)	\$ 352,590	\$ 36,131
Loan Payable - Water - 2020 CWRPDA	80,035	110,000	(6,340)	183,695	6,371
Loan Payable - Water - CWRPDA	<u>487,500</u>	<u>-</u>	<u>(65,000)</u>	<u>422,500</u>	<u>65,000</u>
Total direct borrowings	<u>955,544</u>	<u>110,000</u>	<u>(106,759)</u>	<u>958,785</u>	<u>107,502</u>
Other long-term liabilities					
Compensated absences	<u>2,136</u>		<u>-</u>	<u>2,136</u>	<u>2,136</u>
Total Business-type activity					
Long-term liabilities	<u>\$ 957,680</u>	<u>\$ 110,000</u>	<u>\$ (106,759)</u>	<u>\$ 960,921</u>	<u>\$ 109,638</u>

The following is a listing of Loans and Notes Payable outstanding as of December 31, 2023:

Direct Borrowings

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 2%, due in semi-annual principal installments of \$21,502, maturing November 1, 2032. This loan was approved in September 2012 with a maximum principal balance of \$706,000. \$ 352,590

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 0.5%, due in semi-annual principal installments of \$3,641, maturing November 1, 2050. This loan was approved in November 2020 with a maximum principal balance of \$200,000. 183,695

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 0%, due in semi-annual principal installments of \$32,500, maturing May 1, 2030. This loan was approved in September 2009 with a maximum principal balance of \$3,300,000. On the date of the loan closing, \$2 million of the principal amount of the loan was forgiven by the Authority in the form of a grant to the Town. 422,500

Total Loans and Notes Payable \$ 958,785

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 8. Long-Term Debt, Continued

Note payable debt service maturities are as follows:

Years ending June 30:	Business-Type Activities	
	Principal	Interest
2024	107,502	7,783
2025	108,260	7,025
2026	109,033	6,252
2027	109,821	5,464
2028	110,625	4,660
2029-2033	295,015	10,907
2034-2038	33,823	2,587
2039-2043	34,679	1,731
2044-2048	35,555	855
2049-2050	14,472	92
	\$ 958,785	\$ 47,356

The Town has no unused lines of credit as of December 31, 2023

Note 9. Retirement and Pension Plans

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

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 10. 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. Claims have not exceeded coverage in any of the last three fiscal years.

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

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

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

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

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverage's. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town. It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall at all times be dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2023

Note 11. Contingencies and Commitments

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

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

Note 12. Interfund Balances and Transfers

As of December 31, 2023, the Town didn’t have any interfund balance.

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid within one year.

There Town had the following interfund transfers for the year ended December 31, 2023.

	Transfers In	
Transfers Out:	Water fund	Total
General Fund	\$ 280,000	\$ 280,000
	\$ 280,000	\$ 280,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 13. Expenditures Under Investigation

During 2023, there were several expenditures and undocumented credit card transactions that the auditors were unable to review and verify. The Colorado Bureau of Investigation is currently reviewing the transactions, and the parties involved in the transactions. The outcome of the investigation is still uncertain as of the date of the financial statements. These transactions have been designated in the General Fund as “Expenditures under investigation” of \$64,063.

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TOWN OF HOT SULPHUR SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund – Detail Budget and Actual

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual
For the Year Ended December 31, 2023

REVENUES:	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property tax	\$ 125,490	\$ 125,490	\$ 133,156	\$ 7,666
Sales tax	300,000	300,000	252,882	(47,118)
Other taxes	24,050	24,050	14,336	(9,714)
Franchise tax	30,000	30,000	39,749	9,749
Total Taxes	<u>479,540</u>	<u>479,540</u>	<u>440,123</u>	<u>(39,417)</u>
Licenses, Permits and Fees:				
Licenses, permits and fees	4,250	4,250	4,612	362
Building permits	600	600	2,830	2,230
Total Licenses, Permits and Fees	<u>4,850</u>	<u>4,850</u>	<u>7,442</u>	<u>2,592</u>
Intergovernmental:				
Highway users tax	32,500	32,500	37,844	5,344
Grant revenues	134,510	134,510	117,711	(16,799)
Total Intergovernmental	<u>167,010</u>	<u>167,010</u>	<u>155,555</u>	<u>(11,455)</u>
Interest:				
Interest revenue	3,250	3,250	15,992	12,742
Total Interest	<u>3,250</u>	<u>3,250</u>	<u>15,992</u>	<u>12,742</u>
Other Revenues:				
HSS special events	18,500	18,500	20,717	2,217
Misc. revenue	1,700	1,700	31,209	29,509
Total Other Revenues	<u>20,200</u>	<u>20,200</u>	<u>51,926</u>	<u>31,726</u>
TOTAL REVENUES	<u>\$ 674,850</u>	<u>\$ 674,850</u>	<u>\$ 671,038</u>	<u>\$ (3,812)</u>

(continued)

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual (Continued)
For the Year Ended December 31, 2023

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Professional services	\$ 170,026	\$ 170,026	\$ 177,974	\$ (7,948)
Expenditures under investigation	-	-	64,063	(64,063)
Administrative	98,822	98,822	79,586	19,236
Total General Government	<u>268,848</u>	<u>268,848</u>	<u>321,623</u>	<u>(52,775)</u>
Public Safety:				
Communication center/dispatch	37,000	37,000	11,867	25,133
Total Public Safety	<u>37,000</u>	<u>37,000</u>	<u>11,867</u>	<u>25,133</u>
Public Works:				
Buildings	23,200	23,200	9,959	13,241
Streets	309,794	309,794	219,509	90,285
Total Public Works	<u>332,994</u>	<u>332,994</u>	<u>229,468</u>	<u>103,526</u>
Parks and Recreation:				
Donations/community support	2,500	2,500	2,500	-
Town park	142,600	142,600	65,397	77,203
Pioneer park	10,000	10,000	12,659	(2,659)
Park street river park	10,000	10,000	4,708	5,292
Total Parks & Recreation	<u>165,100</u>	<u>165,100</u>	<u>85,264</u>	<u>79,836</u>
TOTAL EXPENDITURES	<u>803,942</u>	<u>803,942</u>	<u>648,222</u>	<u>155,720</u>
Excess of Revenues Over (Under) Expenditures	<u>(129,092)</u>	<u>(129,092)</u>	<u>22,816</u>	<u>151,908</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfer out	-	-	(280,000)	(280,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(280,000)</u>	<u>(280,000)</u>
Net change in fund balance	(129,092)	(129,092)	(257,184)	(128,092)
Fund balance, beginning of year	<u>706,634</u>	<u>706,634</u>	<u>706,634</u>	<u>-</u>
Fund balance, end of year	<u>\$ 577,542</u>	<u>\$ 577,542</u>	<u>\$ 449,450</u>	<u>\$ (128,092)</u>

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SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING FUNDS:

Non-major Special Revenue Fund

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

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

Major Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

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

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
Conservation Trust Special Revenue Fund
Budget and Actual
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
State lottery	\$ 6,900	\$ 6,900	\$ 9,322	\$ 2,422
Local grants	-	-	9,750	9,750
Total intergovernmental revenue	<u>6,900</u>	<u>6,900</u>	<u>19,072</u>	<u>12,172</u>
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,900</u>	<u>6,900</u>	<u>19,072</u>	<u>12,172</u>
EXPENDITURES:				
Parks and recreation	<u>1,630</u>	<u>1,630</u>	<u>9,750</u>	<u>(8,120)</u>
Total Expenditures	<u>1,630</u>	<u>1,630</u>	<u>9,750</u>	<u>(8,120)</u>
Excess of Revenues Over (Under) Expenditures	<u>5,270</u>	<u>5,270</u>	<u>9,322</u>	<u>4,052</u>
Net change in fund balance	<u>5,270</u>	<u>5,270</u>	<u>9,322</u>	<u>4,052</u>
Fund balance (deficit), beginning of year	<u>20,268</u>	<u>20,268</u>	<u>20,268</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 25,538</u></u>	<u><u>\$ 25,538</u></u>	<u><u>\$ 29,590</u></u>	<u><u>\$ 4,052</u></u>

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Schedule of Revenues, Expenses and Changes in Available Resources
Water Fund
Budget and Actual
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Operating Revenues				
Charges for services	\$ 413,282	\$ 413,282	\$ 325,651	\$ (87,631)
Other revenues	2,750	2,750	35,644	32,894
Total Operating Revenues	<u>416,032</u>	<u>416,032</u>	<u>361,295</u>	<u>(54,737)</u>
Operating Expenses				
Salaries	156,138	156,138	167,437	(11,299)
Employee benefits	42,251	42,251	53,559	(11,308)
Outside services	73,000	73,000	122,589	(49,589)
Repairs and maintenance	152,750	152,750	119,124	33,626
Supplies	29,500	29,500	33,211	(3,711)
Utilities	23,540	23,540	31,738	(8,198)
Miscellaneous	30,901	30,901	28,997	1,904
Total Operating Expenses	<u>508,080</u>	<u>508,080</u>	<u>556,655</u>	<u>(48,575)</u>
Operating Income (loss) excluding depreciation	<u>(92,048)</u>	<u>(92,048)</u>	<u>(195,360)</u>	<u>(103,312)</u>
Non-operating Revenues (Expenses)				
Interest income	300	300	16,141	15,841
Grant revenue	125,000	125,000	-	(125,000)
Connection and tap fees	40,000	40,000	20,000	(20,000)
Total Non-Operating Revenue (Expense)	<u>165,300</u>	<u>165,300</u>	<u>36,141</u>	<u>(129,159)</u>
Income (loss) before contributions, transfers and capital and related financing activities				
	73,252	73,252	(159,219)	(232,471)
Contributions, Transfers and Capital and Related Financing Activities:				
Increase in prior year debt issue	-	-	110,000	110,000
Debt service	(72,282)	(72,282)	(72,282)	-
Transfers in	-	-	280,000	280,000
Transfers out	-	-	-	-
Change in available resources	<u>970</u>	<u>970</u>	<u>158,499</u>	<u>157,529</u>
Available resources, beginning of year	<u>108,241</u>	<u>108,241</u>	<u>108,241</u>	<u>-</u>
Available resources, end of year	<u><u>\$ 109,211</u></u>	<u><u>\$ 109,211</u></u>	<u><u>\$ 266,740</u></u>	<u><u>\$ 157,529</u></u>

TOWN OF HOT SULPHUR SPRINGS, COLORADO
Schedule of Revenues, Expenses and Changes in Available Resources
Sewer Fund
Budget and Actual
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Operating Revenues				
Charges for services	\$ 328,193	\$ 328,193	\$ 327,779	\$ (414)
Other revenues	300	300	225	(75)
Total Operating Revenues	<u>328,493</u>	<u>328,493</u>	<u>328,004</u>	<u>(489)</u>
Operating Expenses				
Salaries	165,989	165,989	166,157	(168)
Employee benefits	44,606	44,606	52,782	(8,176)
Outside services	14,000	14,000	7,014	6,986
Repairs and maintenance	128,750	128,750	65,169	63,581
Supplies	11,000	11,000	3,415	7,585
Utilities	26,970	26,970	23,080	3,890
Miscellaneous	18,551	18,551	21,156	(2,605)
Total Operating Expenses	<u>409,866</u>	<u>409,866</u>	<u>338,773</u>	<u>71,093</u>
Operating Income excluding depreciation	<u>(81,373)</u>	<u>(81,373)</u>	<u>(10,769)</u>	<u>70,604</u>
Non-operating Revenues (Expenses)				
Interest income	300	300	3,736	3,436
Grant revenue	75,000	75,000	-	(75,000)
Connection and tap fees	49,500	49,500	20,000	(29,500)
Total Non-Operating Revenue (Expense)	<u>124,800</u>	<u>124,800</u>	<u>23,736</u>	<u>(101,064)</u>
Income (loss) before contributions, transfers and capital and related financing activities	43,427	43,427	12,967	(30,460)
Contributions, Transfers and Capital and Related Financing Activities:				
Debt service	<u>(43,003)</u>	<u>(43,003)</u>	<u>(43,003)</u>	<u>-</u>
Change in available resources	424	424	(30,036)	(30,460)
Available resources, beginning of year	<u>204,931</u>	<u>204,931</u>	<u>204,931</u>	<u>-</u>
Available resources, end of year	<u>\$ 205,355</u>	<u>\$ 205,355</u>	<u>\$ 174,895</u>	<u>\$ (30,460)</u>

TOWN OF HOT SULPHUR SPRINGS, COLORADO

SUPPLEMENTARY INFORMATION

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOAN COVENANTS AND REQUIREMENTS

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2023, the Town appears to be in compliance with all covenants and restrictions as set forth in Exhibit F, Additional Covenants and Requirements. See footnote 8 for details on the loan. The following are additional disclosures required by the loan agreement.

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

Summary of 2021 Gross Revenue Requirement	Water	Sewer
Total Gross Revenue requirement	\$ 637,676	\$ 386,077
Total water fund revenues, excluding capital grants	\$ 397,435	\$ 351,740
Excess (deficiency) of gross revenues	\$ (240,240)	\$ (34,337)

Rate covenant calculation

Net revenue (Exp) before depreciation and interest expense	(161,459)	12,967
Debt service	65,000	43,003
Percentage of net revenue to debt svc	-248.40%	30.15%

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

SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Hot Sulphur Springs, CO
	YEAR ENDING : December 2023
Prepared By: Katie LaDrig, Town Clerk Phone: 970-725-3933	

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	4,708
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	62,749
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	186,373	b. Snow and ice removal	7,200
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	7,200
5. Transfers from toll facilities		4. General administration & miscellaneous	149,560
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	224,217
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	186,373	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	37,844	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	224,217	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	224,217

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

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		224,217	224,217		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2023

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

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

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	37,844	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	
d. Other (Specify) - WQCD Grants	0	e. U.S. Corps of Engineers	0
e. Other (Specify)-		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	37,844	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		4,708	4,708
(4). System Enhancement & Operation			0
(5). Total Construction (1)+(2)+(3)+(4)	0	4,708	4,708
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	4,708	4,708
			(Carry forward to page 1)

Notes and Comments:



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

The Honorable Mayor and Board
Hot Sulphur Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Sulphur Springs, Colorado, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 18, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the separate schedule of findings and recommendations letter dated September 18, 2024, that we consider to be material weaknesses.

2022-001	Monthly Review of Financial Statements by the Board of Trustees
2021-001	Bank Reconciliations
2009-001	Accounting Adjustments
2009-002	Segregation of Duties

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the Town in a separate letter dated September 18, 2024.

Purpose of this Report

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

HintonBurdick, PLLC

St. George, Utah
September 18, 2024

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