

TOWN OF RICO, COLORADO

FINANCIAL STATEMENTS

December 31, 2021

TOWN OF RICO
TABLE OF CONTENTS
December 31, 2021

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	5
Statement of Activities	6
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	7
Reconciliation of the Statement of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	10
Statement of Net Position – Enterprise Funds.....	11
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds.....	12
Statement of Cash Flows – Enterprise Funds.....	13
Notes to Financial Statements	14 - 34
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	35
Street Fund.....	36
Pension Statements	37 - 38
Supplementary Information	
Combining Balance Sheet – Non-major Governmental Funds	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds.....	40
Budgetary Comparison Schedule – Conservation Trust Fund.....	41
Budgetary Comparison Schedule – Parks, Open Space, and Trails Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget (Non-GAAP Basis) and Actual – Enterprise Fund – Water Fund	43
Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget (Non-GAAP Basis) and Actual – Enterprise Fund – Sewer Fund.....	44
Supplemental Data for Oversight Agencies	
Local Highway Finance Report.....	45 - 46
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.....	47 – 48
Schedule of Findings and Responses.....	49



INDEPENDENT AUDITOR'S REPORT

July 27, 2022

Honorable Mayor and Board of Trustees
Town of Rico, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rico, Colorado (the "Town") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2021, 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 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'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's ability to continue as a going concern for 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as shown in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022 on our consideration of the Town'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's internal control over financial reporting and compliance.

ATLAS CPAs & Advisors PLLC

Phoenix, Arizona

July 27, 2022

Basic Financial Statements

TOWN OF RICO, COLORADO
STATEMENT OF NET POSITION
December 31, 2021

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 1,174,762	\$ 239,294	\$ 1,414,056
Investments	8,256	64,814	73,070
Taxes receivable	96,600	25,701	122,301
Accounts receivable	-	136,569	136,569
TOTAL CURRENT ASSETS	<u>1,279,618</u>	<u>466,378</u>	<u>1,745,996</u>
PROPERTY AND EQUIPMENT			
Capital assets	2,031,372	3,574,920	5,606,292
Less Accumulated depreciation	<u>(743,332)</u>	<u>(745,253)</u>	<u>(1,488,585)</u>
NET PROPERTY AND EQUIPMENT	<u>1,288,040</u>	<u>2,829,667</u>	<u>4,117,707</u>
NONCURRENT ASSET			
Net pension asset	<u>13,291</u>	<u>-</u>	<u>13,291</u>
TOTAL ASSETS	<u>2,580,949</u>	<u>3,296,045</u>	<u>5,876,994</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>20,642</u>	<u>-</u>	<u>20,642</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,601,591</u>	<u>\$ 3,296,045</u>	<u>\$ 5,897,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and other liabilities	\$ 14,154	\$ -	\$ 14,154
Accrued payroll	2,549	-	2,549
Capital leases - current portion	<u>98,865</u>	<u>-</u>	<u>98,865</u>
TOTAL CURRENT LIABILITIES	<u>115,568</u>	<u>-</u>	<u>115,568</u>
TOTAL LIABILITIES	<u>115,568</u>	<u>-</u>	<u>115,568</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax	113,672	25,701	139,373
Deferred inflows related to pensions	<u>115,192</u>	<u>-</u>	<u>115,192</u>
Total Deferred Inflows of Resources	<u>228,864</u>	<u>25,701</u>	<u>254,565</u>
NET POSITION			
Net Investment in Capital Assets	1,189,175	2,829,667	4,018,842
Restricted			
TABOR	17,422	-	17,422
Culture and recreation	40,874	-	40,874
Unrestricted	<u>1,009,688</u>	<u>440,677</u>	<u>1,450,365</u>
TOTAL NET POSITION	<u>\$ 2,257,159</u>	<u>\$ 3,270,344</u>	<u>\$ 5,527,503</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,601,591</u>	<u>\$ 3,296,045</u>	<u>\$ 5,897,636</u>

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

TOWN OF RICO, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities							
General Government	\$ 455,770	\$ 213,194	\$ -	\$ 26,653	\$ (215,923)	\$ -	\$ (215,923)
Public Safety	20,552	11,791	-	-	(8,761)	-	(8,761)
Public Works	91,291	20,000	-	-	(71,291)	-	(71,291)
Culture and Recreation	70,220	-	3,517	-	(66,703)	-	(66,703)
TOTAL GOVERNMENTAL ACTIVITIES	637,833	244,985	3,517	26,653	(362,678)	-	(362,678)
Business - Type Activities							
Current:							
Water Operations	223,804	175,947	-	132,311	-	84,454	84,454
Sewer	8,109	-	-	-	-	(8,109)	(8,109)
TOTAL BUSINESS-TYPE ACTIVITIES	231,913	175,947	-	132,311	-	76,345	76,345
TOTAL PRIMARY GOVERNMENT	\$ 869,746	\$ 420,932	\$ 3,517	\$ 158,964	(362,678)	76,345	(286,333)
GENERAL REVENUES							
Taxes:							
Property Taxes					88,784	23,621	112,405
Specific Ownership Taxes					5,125	1,363	6,488
Sales and Use Tax					228,546	-	228,546
Other Taxes					56,344	-	56,344
Miscellaneous					59,226	-	59,226
Interest Income					820	181	1,001
TOTAL GENERAL REVENUES					438,845	25,165	464,010
CHANGE IN NET POSITION					76,167	101,510	177,677
NET POSITION - Beginning of Year					2,180,992	3,168,834	5,349,826
NET POSITION - End of Year					\$ 2,257,159	\$ 3,270,344	\$ 5,527,503

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

TOWN OF RICO, COLORADO
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2021

	GENERAL	STREET	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS				
Cash and equivalents	\$ 959,511	\$ 72,611	\$ 142,640	\$ 1,174,762
Investments	8,256	-	-	8,256
Property taxes receivable	84,953	11,647	-	96,600
TOTAL ASSETS	<u>\$ 1,052,720</u>	<u>\$ 84,258</u>	<u>\$ 142,640</u>	<u>\$ 1,279,618</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 10,758	\$ 3,396	\$ -	\$ 14,154
Payroll related liabilities	2,549	-	-	2,549
TOTAL LIABILITIES	<u>\$ 13,307</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 16,703</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 102,025	\$ 11,647	\$ -	\$ 113,672
FUND BALANCE				
Restricted				
TABOR	\$ 17,422	\$ -	\$ -	\$ 17,422
Culture and recreation	-	-	40,874	40,874
Committed	-	72,611	101,766	174,377
Unassigned	919,966	(3,396)	-	916,570
TOTAL FUND BALANCE	<u>\$ 937,388</u>	<u>\$ 69,215</u>	<u>\$ 142,640</u>	<u>\$ 1,149,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,052,720</u>	<u>\$ 84,258</u>	<u>\$ 142,640</u>	<u>\$ 1,279,618</u>

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

TOWN OF RICO, COLORADO
RECONCILIATION OF THE STATEMENT OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2021

Total Fund Balances - Governmental Funds	\$	1,149,243
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		
Capital assets		2,031,372
Less: Accumulated depreciation		(743,332)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		20,642
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(115,192)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds:		
Capital leases payable		(98,865)
Net pension asset		13,291
		13,291
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>2,257,159</u>

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

TOWN OF RICO, COLORADO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	GENERAL	STREET	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Taxes:				
Property Tax	\$ 78,080	\$ 10,704	\$ -	\$ 88,784
Sales Tax	178,840	24,949	24,757	228,546
Other	6,279	38,861	2,867	48,007
Intergovernmental	42,493	-	-	42,493
General Government	188,454	-	-	188,454
Local Grants	-	20,000	-	20,000
Lottery Proceeds	-	-	3,517	3,517
Interest	728	44	48	820
Special Projects	26,653	-	-	26,653
Miscellaneous	59,199	-	7,527	66,726
TOTAL REVENUES	580,726	94,558	38,716	714,000
EXPENDITURES				
General Government	459,478	-	-	459,478
Public Safety	20,552	-	-	20,552
Culture and Recreation	47,868	63,263	21,220	132,351
Debt service	-	22,705	-	22,705
TOTAL EXPENDITURES	527,898	85,968	21,220	635,086
EXCESS OF REVENUES OVER EXPENDITURES	52,828	8,590	17,496	78,914
FUND BALANCE, Beginning	884,560	60,625	125,144	1,070,329
FUND BALANCE, Ending	<u>\$ 937,388</u>	<u>\$ 69,215</u>	<u>\$ 142,640</u>	<u>\$ 1,149,243</u>

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

TOWN OF RICO, 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, 2021

Net change in fund balances - total governmental funds	\$	78,914
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Depreciation is reported in the government-wide financial statements		(46,324)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Capital leases payable		22,704
Net pension liability		96,979
Deferred outflows of resources related to pensions		(32,333)
Deferred inflows of resources related to pensions		(43,774)
		(43,774)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>76,167</u>
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TOWN OF RICO, COLORADO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
December 31, 2021

	WATER	SEWER	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 23,169	\$ 216,125	\$ 239,294
Investments	64,814	-	64,814
Receivables	136,569	-	136,569
Taxes receivable	-	25,701	25,701
TOTAL CURRENT ASSETS	224,552	241,826	466,378
CAPITAL ASSETS			
Buildings	48,513	-	48,513
Water system	3,526,407	-	3,526,407
Total Capital Assets	3,574,920	-	3,574,920
Less: accumulated depreciation	(745,253)	-	(745,253)
NET CAPITAL ASSETS	2,829,667	-	2,829,667
TOTAL ASSETS	\$ 3,054,219	\$ 241,826	\$ 3,296,045
 DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ -	\$ 25,701	\$ 25,701
NET POSITION			
Net investment in capital assets	2,829,667	-	2,829,667
Unrestricted	224,552	216,125	440,677
TOTAL NET POSITION	\$ 3,054,219	\$ 216,125	\$ 3,270,344

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

TOWN OF RICO, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS
For the Year Ended December 31, 2021

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges to customers	\$ 174,952	\$ -	\$ 174,952
Other	995	-	995
TOTAL OPERATING REVENUES	<u>175,947</u>	<u>-</u>	<u>175,947</u>
OPERATING EXPENSES			
Salaries	103,737	-	103,737
Employee Benefits - Life	31	-	31
Insurance	4,612	-	4,612
Supplies	31,489	-	31,489
Water samples	2,158	-	2,158
Electric	5,069	-	5,069
Propane	3,000	-	3,000
Utilities-other	1,578	-	1,578
Dolores Water Conservancy	2,700	-	2,700
Miscellaneous	28	-	28
Treasurers fees	-	471	471
Other expense	-	7,638	7,638
Depreciation expense	69,402	-	69,402
TOTAL OPERATING EXPENSES	<u>223,804</u>	<u>8,109</u>	<u>231,913</u>
NET LOSS FROM OPERATIONS	<u>(47,857)</u>	<u>(8,109)</u>	<u>(55,966)</u>
NON-OPERATING REVENUE			
Interest income	76	105	181
Property taxes	-	23,621	23,621
Specific ownership taxes	-	1,363	1,363
Grants	132,311	-	132,311
TOTAL NON-OPERATING REVENUE	<u>132,387</u>	<u>25,089</u>	<u>157,476</u>
CHANGE IN NET POSITION	84,530	16,980	101,510
NET POSITION, Beginning	<u>2,969,689</u>	<u>199,145</u>	<u>3,168,834</u>
NET POSITION, Ending	<u>\$ 3,054,219</u>	<u>\$ 216,125</u>	<u>\$ 3,270,344</u>

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

TOWN OF RICO, COLORADO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended December 31, 2021

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 51,106	\$ -	\$ 51,106
Cash paid for expenses and employees	(156,979)	(8,109)	(165,088)
NET CASH USED BY OPERATING ACTIVITIES	(105,873)	(8,109)	(113,982)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of property and equipment	(163,855)	-	(163,855)
Grants	132,311	-	132,311
Property Taxes	-	23,621	23,621
Specific Ownership Taxes	-	1,363	1,363
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(31,544)	24,984	(6,560)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earned	77	105	182
NET CASH PROVIDED BY INVESTING ACTIVITIES	77	105	182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(137,340)	16,980	(120,360)
CASH AND CASH EQUIVALENTS, Beginning of Year	225,323	199,145	424,468
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 87,983</u>	<u>\$ 216,125</u>	<u>\$ 304,108</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (47,857)	\$ (8,109)	\$ (55,966)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation	69,402	-	69,402
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(124,841)	(1,951)	(126,792)
(Decrease) increase in:			
Accounts payable	(2,577)	-	(2,577)
Unavailable revenue	-	1,951	1,951
Total adjustments	<u>(58,016)</u>	<u>-</u>	<u>(58,016)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (105,873)</u>	<u>\$ (8,109)</u>	<u>\$ (113,982)</u>

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

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rico, Colorado (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. Definition of the Reporting Entity

The Town of Rico, Colorado was incorporated in October 11, 1897 in Dolores County, and is governed by a seven member elected Board of Trustees. As required by generally accepted accounting principles, these financial statements present the activities of the Town, which is legally separate and financially independent of other state and local governments.

The Town provides general government, public works (road and streets), water, sewer, and parks and recreation for the geographical area organized as the Town of Rico, Colorado. The Town contracts with the County for police protection. The Rico Fire Protection District (not a component unit) provides fire protection.

B. Fund Accounting

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

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

C. Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Financial Statements (Continued)

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

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

The Town reports two major governmental funds:

- **The General Fund** is the Town's primary operating fund. It accounts for the general operations of the Town, which includes the following departments: Legislative, Judicial, Administration, Public Safety-Police, Community Development and Public Works.
- **The Street Fund** accounts for expenditures designated for streets and infrastructure maintenance. Sources of revenue include 1.785 mills and 10% of Town sales tax.

The Town reports two non-major governmental funds:

- **The Conservation Trust Fund** accounts for State of Colorado lottery funds to be used for acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site.
- **The Parks, Open Space, and Trails Fund** accounts for special revenues and expenditures designated for operating and maintaining parks and recreation programs.

The Town reports the following major business-type activity funds:

- **The Water Fund** accounts for the Town's water distribution system.
- **The Sewer Fund** accounts for revenues collected to establish a solid waste facility.

D. Measurement Focus and Basis of Accounting

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

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt which is recognized when due and (2) compensated absences which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

F. Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at fair value according to institution reported balances at year-end.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make: (1) estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes

Property taxes for the current year are levied and attached 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. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue in the governmental and enterprise funds.

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of one or more years and for which the initial, individual value equals or exceeds the following dollar amounts:

<u>Assets Class</u>	<u>Dollar Value</u>
Land	No Minimum
Buildings	No Minimum
Building and Other Improvements	\$ 5,000
Furniture and Equipment	\$ 5,000
Infrastructure	\$ 5,000

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	25 – 50 years
Building and Other Improvements	20 years
Water and Sewer Systems	25 – 45 years
Furniture and Equipment	5 – 30 years
Infrastructure	15 – 40 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets since their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Liabilities

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise fund type statement of net position. Bond premium and discounts, are deferred and amortized over the term of the related debt using the straight-line method of amortization. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

K. Net Position

In the government-wide financial statements, net position represent the difference between assets and liabilities. Net capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position portion of equity is reported as restricted when there are limitations imposed on use, either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

L. Fund Balances

In the governmental fund financial statements, the following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority through an ordinance or resolution. Committed fund balance can also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority. The Capital Reserve amount reported is also described in the Town’s annual budget document.

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

When fund balance resources are available for a specific purpose in more than one classification, it is the Town’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The Town considers all unassigned fund balances to be “reserves” for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by grant agreements. Designations of fund balance represent tentative management plans that are subject to change.

M. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as “due to/from other funds”. Nonrecurring or nonroutine permanent transfers of equity and all interfund transfers are reported as transfers in and transfers out. Any residual balances outstanding between the governmental activities and business-type activities are either eliminated or reported in the government-wide financial statements as “internal balances”.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2: BUDGETARY REQUIREMENTS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. The Enterprise funds adopt budgets on the Non-GAAP basis wherein tap fees are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. All annual appropriations lapse at fiscal year-end.

By October 15, the Town Manager (not an elected official) of the Town submits a proposed operating budget for the fiscal year commencing the following January 1, to the Trustees (elected officials). The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing.

Public hearings are held at the regular Trustee meetings to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget ordinance. The Town Treasurer is authorized to transfer budgeted amounts within a department of any fund. The Trustees must approve revisions that change total expenditures of any fund or department within a fund.

Appropriations are controlled and the budget is only amended in conformity with Colorado Revised Statutes, which require a balanced budget. Expenditures in excess of appropriations may violate Colorado Revised Statutes and must be reported to the State Auditor.

The Combined Statements of Revenues, Expenditures and Changes in Fund Balances for all fund types include comparisons to budget. Financial statements of the Enterprise Funds are presented in the accompanying Financial Statements on a Non-GAAP and GAAP basis. Budget amounts, included in the financial statements, are as originally adopted and as amended by Board of Trustees.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between fund balances (total governmental funds and net position) and governmental activities, as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances and changes in net position of governmental activities, as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the government fund statements during the consolidation of governmental activities.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4: CASH, DEPOSITS AND INVESTMENTS

A. Cash

A summary of the Town's cash and investments at December 31, 2021 follows:

<u>Type</u>	<u>Rating</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 1,413,681
Cash with County Treasurer		<u>375</u>
		<u>1,414,056</u>
Investments:		
Colotrust (Fair Value)	AAAm by S & P	<u>73,070</u>
Total deposits and investments		<u>\$ 1,487,126</u>
Reconciliation to Statement of Net Position		
Current:		
Cash and Investments		<u>\$ 1,487,126</u>

B. Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

C. Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government.

Interest Rate Risk The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investment choices. At December 31, 2021 the Town's investment in the Colorado Government Liquid Assets Trust (COLOTRUST) was rated AAAm by Standard & Poor's.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4: CASH, DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk The Town places no limit on the amount the Town may invest in any one issuer.

The Town invests in one investment pool, the Colorado Liquid Assets Trust (COLOTRUST). The investment is not categorized because the investment is not evidenced by securities that exist in physical book entry form. At December 31, 2021, the Town had an investment of \$73,070 fair and carrying value.

NOTE 5: PROPERTY TAXES

Property taxes are collected on behalf of the Town by Dolores County and then remitted to the Town. The property tax is levied and certified in November of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year.

Secured property taxes are: (1) due in two equal installments on February 28 and June 15 and (2) delinquent after February 28 and June 15, respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, since they are not due until the following year. Property tax revenue is recognized when it is collected by Dolores County.

NOTE 6: CAPITAL ASSETS

Summary of changes in Capital Assets as of December 31, 2021 are:

	Balance January 1, 2021	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital Assets not being depreciated:				
Land	\$ 453,760	\$ -	\$ -	\$ 453,760
Capital Assets being depreciated:				
Improvements	7,230	-	-	7,230
Buildings	908,366	-	-	908,366
Equipment	59,058	-	-	59,058
Vehicles	385,564	-	-	385,564
Streets	<u>217,394</u>	<u>-</u>	<u>-</u>	<u>217,394</u>
	<u>1,577,611</u>	<u>-</u>	<u>-</u>	<u>1,577,611</u>
Less accumulated depreciation:				
Improvements	(7,230)	-	-	(7,230)
Buildings	(341,617)	(17,071)	-	(358,688)
Equipment	(44,562)	(1,225)	-	(45,787)
Vehicles	(209,594)	(24,214)	-	(233,808)
Streets	<u>(94,005)</u>	<u>(3,814)</u>	<u>-</u>	<u>(97,819)</u>
Total accumulated depreciation	<u>(697,008)</u>	<u>(46,324)</u>	<u>-</u>	<u>(743,332)</u>
Capital assets being depreciated, net	<u>880,604</u>	<u>(46,324)</u>	<u>-</u>	<u>834,280</u>
Total Governmental Activities Capital Assets	<u>\$ 1,334,364</u>	<u>\$ (46,324)</u>	<u>\$ -</u>	<u>\$ 1,288,040</u>

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6: CAPITAL ASSETS (Continued)

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
BUSINESS-TYPE ACTIVITIES				
Capital Assets being depreciated:				
Buildings	\$ 48,513	\$ -	\$ -	\$ 48,513
Water System	<u>3,362,552</u>	<u>163,855</u>	<u>-</u>	<u>3,526,407</u>
	<u>3,411,065</u>	<u>-</u>	<u>-</u>	<u>3,574,920</u>
Less accumulated depreciation:				
Buildings	(37,989)	(1,626)	-	(39,615)
Water System	<u>(637,862)</u>	<u>(67,776)</u>	<u>-</u>	<u>(705,638)</u>
Total accumulated depreciation	<u>(675,851)</u>	<u>(69,402)</u>	<u>-</u>	<u>(745,253)</u>
Capital assets being depreciated, net	<u>2,735,214</u>	<u>(69,402)</u>	<u>-</u>	<u>2,829,667</u>
Total Business-type Activities Capital Assets	<u>\$ 2,735,214</u>	<u>\$ 94,453</u>	<u>\$ -</u>	<u>\$ 2,829,667</u>

Depreciation expense was charged to functions of the Town for governmental activities as follows:

General Government	\$ 17,164
Public Works	28,028
Culture and Recreation	<u>1,132</u>
Total	<u>\$ 46,324</u>

NOTE 7: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2021 were:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Governmental Activities					
Loader Lease Purchase	<u>\$ 121,570</u>	<u>\$ -</u>	<u>\$ 22,705</u>	<u>\$ 98,865</u>	<u>\$ 98,865</u>

Governmental Activities

The Town entered into a lease agreement with Deere Credit, Inc. The lease is for a 4WD Loader and Angle Plow, with 5 annual payments of \$23,259 beginning January 2018, with last lease payment January 2022, and \$119,091 purchase option December 2022. Imputed interest is 2%.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

A summary of future debt payments are as follows:

Year	Principal	Interest	Total
2021	\$ 98,865	\$ 42,931	\$ 141,796
	\$ 98,865	\$ 42,931	\$ 141,796

NOTE 8: RETIREMENT COMMITMENTS

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The Town participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Town are provided with pensions through the LGDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

TOWN OF RICO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00 percent unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00 percent AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2021. Eligible employees of the Town and State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, *et seq* and § 24-51-413. Employee contribution rates for the period of January 1, 2021 through December 31, 2021 are summarized in the table below:

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31, 2021
Employee contribution (all employees other than State Troopers)	8.50%	8.50%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31, 2021
Employer contribution rate	10.50%	10.50%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to the LGDTF	9.48%	9.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.02%	0.02%
Total employer contribution rate to the LGDTF	13.20%	13.20%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Town were \$15,226 for the year ended December 31, 2021.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

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

At December 31, 2021, the Town reported an asset of \$(13,291) for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the total pension liability to December 31, 2021. The Town's proportion of the net pension liability/(asset) was based on the Town's contributions to the LGDTF for the calendar year 2021 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2021, the Town's proportion was 0.015502 percent, which was a decrease of 0.000557% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$(20,872). At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of</u> <u>Resources</u>	<u>Deferred Inflows</u> <u>of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 650	\$ 222
Changes of assumptions or other inputs	4,505	-
Net difference between projected and actual earnings on pension plan investments	-	114,970
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	15,487	-
Total	\$ 20,642	\$ 115,192

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

\$15,487 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2022	\$ (24,736)
2023	(43,610)
2024	(27,740)
2025	(13,951)
2026	-
Thereafter	-
Total	\$ (110,037)

Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.20 – 11.30
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure	1.00 percent
PERA benefit structure hired after 12/31/06	Financed by the Annual Increase Reserve

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8: RETIREMENT COMMITMENTS (Continued)

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the LGDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Town of Rico’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
	(6.25%)	Rate (7.25%)	(8.25%)
Proportionate share of the net pension liability (asset)	\$ 91,131	\$ (13,291)	\$ (100,636)

Pension plan fiduciary net position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 9: RISK MANAGEMENT- PUBLIC ENTITY RISK POOL

The Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

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

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 stated liability of 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 coverages at reasonable costs. All income and assets of CIRSA shall be at all times 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 ability to significantly affect the operations of the unit. The Town is not exposed to any significant risk of loss.

NOTE 10: CONTINGENCIES

Claims and Judgments: The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. It is the opinion of management that such reimbursements, if any, will not have a material effect on the Town's financial position.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 11: TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

In November of 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the Tabor Amendment (TABOR). The Amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to entities that are defined as Enterprise Funds. The governmental funds of the Town do not qualify as Enterprise Funds.

The Town passed a ballot question on November 7, 1997. The ballot question permitted the Town, to collect, retain and expend, the full revenues from state and federal grants and all other non-tax revenues, and without limiting in any year the amount of other revenues that may be collected and spent by the Town, regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution.

The amendment also requires the Town to establish an Emergency Reserve which must be equal to three (3) percent of the current allowed revenue. Conditions under which these reserves may be spent are severally limited.

The Town believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions are complex and subject to interpretation, and may not become fully understood without judicial determination.

NOTE 12: COMPLIANCE WITH STATE STATUTES

Expenditures in the Water Fund exceeded appropriations by \$29,851. This may be a violation of State statutes.

TOWN OF RICO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 13: NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance, with the exception of Statement No. 87, which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 14: SUBSEQUENT EVENTS

In preparing the financial statements, the Town has evaluated events and transactions for potential disclosure through July 27, 2022, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2021 that would require disclosure, except those noted below.

On January 3, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Town may be adversely affected through governmental and business closures resulting in a reduction of labor demand or supplies shortages. The Town will continue to monitor the situation surrounding COVID-19 and evaluate the impact it will have on future operations.

Required Supplementary Information

TOWN OF RICO, COLORADO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes				
Property tax	\$ 78,170	\$ 78,170	\$ 77,777	\$ (393)
Delinquent Tax & Interest	200	200	303	103
Sales and use tax	130,000	130,000	178,840	48,840
Specific ownership tax	3,800	3,800	4,507	707
Motor vehicle tax	1,300	1,300	1,772	472
Mineral leasing	15,000	15,000	13,077	(1,923)
Severance tax	1,320	1,320	385	(935)
Grants	6,000	6,000	29,031	23,031
Transfers - payroll	169,849	169,849	158,176	(11,673)
Fines and forfeitures	4,000	4,000	11,791	7,791
Interest	400	400	728	328
Licenses and permits	5,800	5,800	18,487	12,687
Special projects revenue	21,400	21,400	26,653	5,253
Miscellaneous	61,780	61,780	59,199	(2,581)
TOTAL REVENUES	<u>499,019</u>	<u>499,019</u>	<u>580,726</u>	<u>81,707</u>
EXPENDITURES				
Town Administrator	67,600	67,600	40,940	26,660
Town Clerk	33,732	33,732	33,732	-
Maintenance man	36,570	36,570	36,570	-
Part-time maintenance man	20,000	20,000	-	20,000
Payroll taxes	19,675	19,675	12,266	7,409
Town attorney	26,000	26,000	37,087	(11,087)
Auditor	12,500	12,500	6,375	6,125
Municipal Court Judge	4,500	4,500	4,500	-
Insurance	5,200	5,200	4,169	1,031
Supplies	12,000	12,000	15,796	(3,796)
Utilities	13,700	13,700	12,209	1,491
Water Technician	5,000	5,000	5,275	(275)
Public Safety	32,500	32,500	20,552	11,948
Miscellaneous	155,350	155,350	191,252	(35,902)
Employee Benefits	66,355	66,355	59,307	7,048
Special Projects/Capital Improvements	53,900	53,900	47,868	6,032
TOTAL EXPENDITURES	<u>564,582</u>	<u>564,582</u>	<u>527,898</u>	<u>36,684</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65,563)</u>	<u>(65,563)</u>	<u>52,828</u>	<u>118,391</u>
Fund Balance, Beginning	<u>884,560</u>	<u>884,560</u>	<u>884,560</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 818,997</u>	<u>\$ 818,997</u>	<u>\$ 937,388</u>	<u>\$ 118,391</u>

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO

BUDGETARY COMPARISON SCHEDULE
STREET FUND

For the Year Ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes				
Property tax	\$ 10,763	\$ 10,763	\$ 10,704	\$ (59)
Sales and use tax	11,000	11,000	24,949	13,949
Specific ownership tax	500	500	618	118
Franchise tax	6,000	6,000	6,227	227
Excise tax	1,500	1,500	1,806	306
Road and bridge	10,000	10,000	11,814	1,814
Highway users tax	13,500	13,500	18,396	4,896
Other revenues - local grant	20,000	20,000	20,000	-
Interest	140	140	44	(96)
TOTAL REVENUES	<u>73,403</u>	<u>73,403</u>	<u>94,558</u>	<u>21,155</u>
EXPENDITURES				
Payroll	37,017	37,017	37,631	(614)
Equipment rental	-	-	569	(569)
Snow removal	20,000	20,000	-	20,000
Fuel	8,000	8,000	7,918	82
Repairs and maintenance	12,000	12,000	4,652	7,348
Insurance	5,000	5,000	4,321	679
Supplies	6,000	6,000	3,521	2,479
Electricity	2,000	2,000	1,383	617
Street lights	2,000	2,000	1,128	872
Utilities - other	2,000	2,000	1,926	74
Treasurer fees	300	300	214	86
Debt service	23,000	23,000	22,705	295
TOTAL EXPENDITURES	<u>117,317</u>	<u>117,317</u>	<u>85,968</u>	<u>31,349</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,914)	(43,914)	8,590	52,504
Fund Balance, Beginning	<u>60,625</u>	<u>60,625</u>	<u>60,625</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 16,711</u></u>	<u><u>\$ 16,711</u></u>	<u><u>\$ 69,215</u></u>	<u><u>\$ 52,504</u></u>

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY/(ASSET)
LAST TEN FISCAL YEARS*
DECEMBER 31, 2021

Measurement period ending December 31,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Town's portion of the net pension liability/(asset)	0.015502%	0.016059%	0.014631%	0.015362%	0.014835%	0.018273%	0.023225%	0.024092%	0.024744%
Town's proportionate share of the net pension liability/(asset)	\$ (13,291)	\$ 83,688	\$ 107,011	\$ 193,131	\$ 165,182	\$ 246,747	\$ 256,058	\$ 215,694	\$ 203,623
Town's covered payroll	\$ 115,368	\$ 113,136	\$ 100,753	\$ 100,753	\$ 89,920	\$ 110,780	\$ 132,013	\$ 132,013	\$ 132,013
Town's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-12%	74%	106%	192%	184%	223%	194%	163%	154%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	101%	110%	116%	132%	136%	136%	130%	124%	129%

*Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF RICO, COLORADO
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST TEN FISCAL YEARS*
DECEMBER 31, 2021

Measurement period ending December 31,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 15,226	\$ 14,659	\$ 12,776	\$ 12,776	\$ 11,402	\$ 14,044	\$ 16,739	\$ 16,739	\$ 16,739
Contributions in relation to the contractually required contributions	\$ (15,226)	\$ (14,659)	\$ (12,776)	\$ (12,776)	\$ (11,402)	\$ (14,044)	\$ (16,739)	\$ (16,739)	\$ (16,739)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 115,368	\$ 113,136	\$ 100,753	\$ 100,753	\$ 89,920	\$ 110,780	\$ 132,013	\$ 132,013	\$ 132,013
Contributions as a percentage of covered payroll	13%	13%	13%	13%	13%	13%	13%	13%	13%

*Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Supplementary Information

**TOWN OF RICO, COLORADO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2021**

	<u>CONSERVATION TRUST</u>	<u>PARKS, OPEN SPACE & TRAILS</u>	<u>TOTALS</u>
ASSETS			
Cash and Equivalents	\$ 40,874	\$ 101,766	\$ 142,640
TOTAL ASSETS	<u>\$ 40,874</u>	<u>\$ 101,766</u>	<u>\$ 142,640</u>
LIABILITIES AND FUND BALANCE			
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE			
Restricted for Culture and Recreation	40,874	-	40,874
Committed for Parks and Open Space	<u>-</u>	<u>101,766</u>	<u>101,766</u>
TOTAL FUND BALANCE	<u>40,874</u>	<u>101,766</u>	<u>142,640</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 40,874</u>	<u>\$ 101,766</u>	<u>\$ 142,640</u>

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	CONSERVATION TRUST	PARKS, OPEN SPACE & TRAILS	TOTAL
REVENUES			
Taxes:			
Sales and use tax	\$ -	\$ 24,757	\$ 24,757
Lodging tax	-	869	869
Excise tax	-	1,998	1,998
Lottery Proceeds	3,517	-	3,517
Interest	-	48	48
Miscellaneous	-	7,527	7,527
TOTAL REVENUES	3,517	35,199	38,716
EXPENDITURES			
Parks and Recreation	-	2,184	2,184
Supplies	-	15,791	15,791
Insurance	-	3,245	3,245
TOTAL EXPENDITURES	-	21,220	21,220
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,517	13,979	17,496
FUND BALANCE, Beginning	37,357	87,787	125,144
FUND BALANCE, Ending	\$ 40,874	\$ 101,766	\$ 142,640

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
For the Year Ended December 31, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES				
Lottery proceeds	\$ 1,000	\$ 1,000	\$ 3,517	\$ 2,517
EXPENDITURES				
Parks and Recreation	5,000	5,000	-	5,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,000)	(4,000)	3,517	(2,483)
Fund Balance, Beginning	37,357	37,357	37,357	-
Fund Balance, Ending	\$ 33,357	\$ 33,357	\$ 40,874	\$ (2,483)

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
BUDGETARY COMPARISON SCHEDULE
PARKS, OPEN SPACE & TRAILS FUND
For the Year Ended December 31, 2021

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Sales and use tax	\$ 10,000	\$ 24,757	\$ 14,757
Lodging tax	250	869	619
Excise tax	2,000	1,998	(2)
Miscellaneous	-	7,527	7,527
Interest	35	48	13
TOTAL REVENUES	<u>12,285</u>	<u>35,199</u>	<u>22,914</u>
EXPENDITURES			
Parks and Recreation Programs	2,150	2,184	(34)
Supplies	30,400	15,791	14,609
Insurance	15,900	3,245	12,655
TOTAL EXPENDITURES	<u>48,450</u>	<u>21,220</u>	<u>27,230</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,165)	13,979	50,144
Fund Balance, Beginning	<u>87,787</u>	<u>87,787</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 51,622</u></u>	<u><u>\$ 101,766</u></u>	<u><u>\$ 50,144</u></u>

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION-
BUDGET AND ACTUAL
ENTERPRISE FUND - WATER
For the Year Ended December 31, 2021

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Charges to customers	\$ 147,250	\$ 174,952	\$ 27,702
Grants	240,051	132,311	(107,740)
Electric Reimbursement	1,750	995	(755)
Interest	100	76	(24)
	<u>389,151</u>	<u>308,334</u>	<u>(80,817)</u>
TOTAL REVENUES			
EXPENSES			
Salaries	108,390	103,737	4,653
Employee Benefits - Life	140	31	109
Repairs and maintenance	5,000	-	5,000
Insurance	6,000	4,612	1,388
Supplies	7,500	31,489	(23,989)
Water Samples	6,000	2,158	3,842
Electric	5,400	5,069	331
Propane	2,500	3,000	(500)
Utilities-other	2,100	1,578	522
Dolores Water Conservancy	2,700	2,700	-
Miscellaneous	10,125	28	10,097
Capital Outlay	132,551	163,855	(31,304)
	<u>288,406</u>	<u>318,257</u>	<u>(29,851)</u>
TOTAL EXPENSES			
CHANGE IN NET POSITION, Budget Basis	<u>\$ 100,745</u>	(9,923)	<u>\$ (110,668)</u>
ADJUSTMENTS TO GAAP BASIS:			
Add:			
Capitalized assets		163,855	
Less:			
Depreciation		<u>(69,402)</u>	
CHANGE IN NET POSITION, GAAP Basis		<u>\$ 84,530</u>	

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER
For the Year Ended December 31, 2021

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Property taxes	\$ 23,800	\$ 23,621	\$ (179)
Specific ownership tax	1,000	1,363	363
Interest	95	105	10
TOTAL REVENUES	<u>24,895</u>	<u>25,089</u>	<u>194</u>
EXPENSES			
Operating	<u>21,769</u>	<u>8,109</u>	<u>13,660</u>
TOTAL EXPENSES	<u>21,769</u>	<u>8,109</u>	<u>13,660</u>
NET INCOME	<u>\$ 3,126</u>	<u>\$ 16,980</u>	<u>\$ 13,854</u>

See the accompanying Independent Auditor's Report.

Supplemental Data for Oversight Agencies

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Rico
		YEAR ENDING : December 2021
This Information From The Records Of (example - City of _ or County of _ Town of Rico	Prepared By: Phone:	Chauncey McCarthy, Town Manager 970-967-2863

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)	27,923
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	58,045
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations		b. Snow and ice removal	0
3. Other local imposts (from page 2)	42,498	c. Other	0
4. Miscellaneous local receipts (from page 2)	1,850	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	0
a. Bonds - Original Issues		6. Total (1 through 5)	85,968
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	44,348	b. Redemption	0
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	50,210	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	94,558	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)	
			85,968

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	60,625	94,558	85,968	69,215	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2021

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	10,704	a. Interest on investments	44
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	24,949	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	6,845	g. Other Misc. Receipts	
6. Total (1. through 5.)	31,794	h. Other	1,806
c. Total (a. + b.)	42,498	i. Total (a. through h.)	1,850
	(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	18,396	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		d. Federal Transit Admin	
d. Other -Rico Center Grant	20,000	e. U.S. Corps of Engineers	
e. Other (Specify) Road & Bridge	11,814	f. Other Federal	
f. Total (a. through e.)	31,814	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	50,210	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		27,921	27,923
(3). System Preservation		0	0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	27,923	27,923
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	27,923	27,923
			(Carry forward to page 1)

Notes and Comments:



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*

Honorable Mayor and Board of Trustees
Town of Rico, Colorado

We have audited, in accordance with 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 Rico, Colorado (the “Town”) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated July 27, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

Town of Rico's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

ATLAS CPAs & Auditors PLLC

Phoenix, Arizona
July 27, 2022

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2021-001

Material Weakness in Internal Control over Financial Reporting—Inadequate Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently, the same individuals perform all duties at the Town.

Context: We observed inadequate segregation of duties by reviewing an organizational chart, observing the small number of staff present at the Town, and through interviews of personnel and management.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Same finding as 2020-001 – segregation of duties.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. It is typical for smaller entities like the Town to contract a fee accountant or have Board members provide additional internal control.

Management's Response: Staffing levels at the Town make it impossible to have complete segregation of duties over the accounting functions. The Town will continue to evaluate internal controls and implement procedures when necessary to safeguard assets and prevent errors and fraud. The Town will also continue contracting with a fee accountant to add a layer of internal control and provide accounting expertise during year-end closeout.