

Town of Hugo, Colorado

Financial Statements

December 31, 2021

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Independent Auditor's Report

Member of Town Council
Town of Hugo, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Hugo (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

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

Management has elected to omit the management's discussion and analysis which is required by the Governmental Accounting Standards Board. The omission of this information does not affect our opinion.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison information, the local highway finance report, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 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.

rfarmer, llc

May 16, 2022

**Town of Hugo
Statement of Net Position
December 31, 2021**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 327,400	\$ 696,754	\$ 1,024,154
Investments	717,507	219,202	936,709
Receivables	222,721	132,250	354,971
Due from Other Governmental Agencies	-	163,887	163,887
Pension assets	19,130	-	19,130
Capital Assets:			
Land and improvements	2,007,001	97,413	2,104,414
Construction in progress	-	5,060,494	5,060,494
Buildings and equipment	1,258,501	322,619	1,581,120
Distribution/collection system	-	553,205	553,205
Less: Accumulated Depreciation	(1,605,778)	(502,409)	(2,108,187)
Total Capital Assets	<u>1,659,724</u>	<u>5,531,322</u>	<u>7,191,046</u>
Deferred Outflows:			
Pension	16,224		16,224
Total Assets	<u>2,962,706</u>	<u>6,743,415</u>	<u>9,706,121</u>
LIABILITIES			
Accounts payable and accrued expenses	20,319	93,251	113,570
Customer deposits	-	61,930	61,930
Unearned Revenues	48,399		
Long-term liabilities:			
Due in more than one year:			
Bond and note payable	-	2,647,476	2,647,476
Total liabilities	<u>68,718</u>	<u>2,802,657</u>	<u>2,822,976</u>
Deferred In-Flows of Resources:			
Pension	76	-	76
Deferred property taxes	194,552		194,552
Total deferred inflows	<u>194,628</u>	<u>-</u>	<u>194,628</u>
NET POSITION			
Net investment in capital assets	1,659,724	2,883,846	4,543,570
Unrestricted	1,039,636	1,056,912	2,096,548
Total net position	<u>\$ 2,699,360</u>	<u>\$ 3,940,758</u>	<u>\$ 6,640,118</u>

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

Town of Hugo
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenue		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government						
Governmental activities:						
General Government	\$ 280,032	\$ 20,897	\$ 177,302	\$ -	\$ -	\$ (81,833)
Public Safety	143,615	8,665	-	-	-	(134,950)
Public Works	71,207	-	-	-	-	(71,207)
Health insurance and miscellaneous	403,215	-	-	-	-	(403,215)
Culture and Recreation	135,454	1,860	76,617	-	-	(56,977)
Total governmental activities	1,033,523	31,422	253,919	-	-	(748,182)
Business-type activities:						
Water	197,480	224,254	-	-	26,774	26,774
Sewer	111,642	210,491	-	1,899,724	-	1,998,573
Solid Waste Disposal	96,176	95,717	-	-	(459)	(459)
Street Light	14,086	18,655	-	-	4,569	4,569
Total business-type activities	419,384	549,117	-	1,899,724	2,029,457	2,029,457
Total primary government	\$ 1,452,907	\$ 580,539	\$ 253,919	\$ 1,899,724	\$ 2,029,457	\$ 1,281,275
General revenues:						
Taxes:						
Property taxes, levied for general purposes		\$ 159,317			\$ -	\$ 159,317
Sales taxes and SO Tax		275,156			-	275,156
Franchise fees		61,403			-	61,403
Fines		76,610			-	76,610
Unrestricted investment earnings		149			400	549
Miscellaneous		357,178			-	357,178
Transfers		(49,250)			49,250	-
Total general revenues, special items, and transfers		880,363			49,650	930,213
Change in net position		132,381			2,079,107	2,211,488
Net position - beginning		2,566,979			1,861,651	4,428,630
Net position - ending		\$ 2,699,360			\$ 3,940,758	\$ 6,640,118

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

**Town of Hugo
Balance Sheet
Governmental Funds
December 31, 2021**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 249,562	\$ 77,838	\$ 327,400
Investments	717,507	-	717,507
Taxes receivable, net	194,552	-	194,552
Other receivables	28,169	-	28,169
Total assets	<u>1,189,790</u>	<u>77,838</u>	<u>1,267,628</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	20,317	-	20,317
Unearned revenues	48,399	-	48,399
Total liabilities	<u>68,716</u>	<u>-</u>	<u>68,716</u>
Deferred in-flows of resources:			
Deferred property taxes	194,552	-	194,552
Total deferred in-flows	<u>194,552</u>	<u>-</u>	<u>194,552</u>
Fund balance:			
Unassigned	926,522	-	926,522
Assigned:			
Special revenue funds	-	77,838	77,838
Total fund balance	<u>926,522</u>	<u>77,838</u>	<u>1,004,360</u>
Total liabilities and fund balance	<u>\$ 1,189,790</u>	<u>\$ 77,838</u>	<u>\$ 1,267,628</u>

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

Town of Hugo
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total fund balances, governmental funds	\$ 1,004,360
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,659,724
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	35,354
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(76)
Rounding	<u>(2)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 2,699,360</u></u>

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

Town of Hugo
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 159,317	\$ -	\$ 159,317
SO Tax	15,802	-	15,802
Sales taxes	259,354	-	259,354
Fines	76,610	8,665	85,275
Licenses and permits	9,974	-	9,974
Intergovernmental	238,759	12,960	251,719
Charges for services	10,923	1,860	12,783
Investment earnings	116	33	149
Miscellaneous	357,178	2,200	359,378
Franchise Fees	61,403	-	61,403
Total revenues	<u>1,189,436</u>	<u>25,718</u>	<u>1,215,154</u>
EXPENDITURES			
Current:			
General government	562,722	-	562,722
Public Safety	152,752	-	152,752
Public Works	71,207	-	71,207
Health and sanitation and Human Services	93,721	-	93,721
Culture and recreation	43,487	29,360	72,847
Capital Outlay	141,915	4,993	146,908
Total Expenditures	<u>1,065,804</u>	<u>34,353</u>	<u>1,100,157</u>
Excess (deficiency) of revenues over expenditures	<u>123,632</u>	<u>(8,635)</u>	<u>114,997</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	17,500	17,500
Transfers out	(66,750)	-	(66,750)
Total other financing sources and uses	<u>(66,750)</u>	<u>17,500</u>	<u>(49,250)</u>
Net change in fund balance	56,882	8,865	65,747
Fund balance - beginning	869,640	68,973	938,613
Fund balance - ending	<u>\$ 926,522</u>	<u>\$ 77,838</u>	<u>\$ 1,004,360</u>

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

Town of Hugo
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2021

Net change in fund balances - total governmental funds: \$ 65,747

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays of \$146,908 is more than depreciation of \$89,411 in the current period. 57,497

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:
FPPA pension income

9,137

Change in net positions of governmental activities \$ 132,381

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

**Town of Hugo
Statement of Net Position
Proprietary Funds
December 31, 2021**

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 326,681	\$ 265,197	\$ 59,999	\$ 44,877	\$ 696,754
Investments	147,895	71,307	-	-	219,202
Accounts Receivable, net	52,315	51,495	23,821	4,619	132,250
Receivables from other governments	-	163,887	-	-	163,887
Total current assets	<u>526,891</u>	<u>551,886</u>	<u>83,820</u>	<u>49,496</u>	<u>1,212,093</u>
Non-current assets:					
Capital Assets:					
Land	17,969	79,444	-	-	97,413
Construction in Progress	175,830	4,884,664	-	-	5,060,494
Buildings and equipment	137,616	9,550	175,453	-	322,619
Distribution/collection system	385,764	152,130	-	15,311	553,205
Less Accumulated depreciation	(334,820)	(94,237)	(69,216)	(4,136)	(502,409)
Total non-current assets	<u>382,359</u>	<u>5,031,551</u>	<u>106,237</u>	<u>11,175</u>	<u>5,531,322</u>
Total assets	<u><u>909,250</u></u>	<u><u>5,583,437</u></u>	<u><u>190,057</u></u>	<u><u>60,671</u></u>	<u><u>6,743,415</u></u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,750	88,925	1,430	1,146	93,251
Customer deposits	61,930	-	-	-	61,930
Total current liabilities	<u>63,680</u>	<u>88,925</u>	<u>1,430</u>	<u>1,146</u>	<u>155,181</u>
Non-current liabilities:					
Bonds, notes and loans payable	-	2,647,476	-	-	2,647,476
Total non-current liabilities	<u>-</u>	<u>2,647,476</u>	<u>-</u>	<u>-</u>	<u>2,647,476</u>
Total liabilities	<u>63,680</u>	<u>2,736,401</u>	<u>1,430</u>	<u>1,146</u>	<u>2,802,657</u>
NET POSITION					
Net investment in capital assets	382,359	2,384,075	106,237	11,175	2,883,846
Unrestricted	463,211	462,961	82,390	48,350	1,056,912
Total net position	<u>\$ 845,570</u>	<u>\$ 2,847,036</u>	<u>\$ 188,627</u>	<u>\$ 59,525</u>	<u>\$ 3,940,758</u>

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

Town of Hugo
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	
OPERATING REVENUES					
Charges for services	\$ 215,573	\$ 210,491	\$ 95,717	\$ 18,655	\$ 540,436
Miscellaneous revenue	8,681	-	-	-	8,681
Total operating revenues	<u>224,254</u>	<u>210,491</u>	<u>95,717</u>	<u>18,655</u>	<u>549,117</u>
OPERATING EXPENSES					
Personal services	127,875	62,751	66,614	-	257,240
Fuel, power, and utilities	11,673	2,665	2,582	13,500	30,420
Repairs and maintenance	28,977	10,500	-	-	39,477
Other supplies and expenses	2,524	19,467	3,194	-	25,185
Insurance claims and expenses	3,800	2,000	2,000	-	7,800
Audit and publication	4,000	-	1,300	-	5,300
Miscellaneous expenses	3,500	2,000	12,365	-	17,865
Depreciation	15,130	4,673	8,120	586	28,509
Total Operating Expenses	<u>197,479</u>	<u>104,056</u>	<u>96,175</u>	<u>14,086</u>	<u>411,796</u>
Operating income (loss)	<u>26,775</u>	<u>106,435</u>	<u>(458)</u>	<u>4,569</u>	<u>137,321</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	352	48	-	400
Grants	-	1,899,724	-	-	1,899,724
Interest expense	-	(7,587)	-	-	(7,587)
Total non-operating revenue (expenses)	<u>-</u>	<u>1,892,489</u>	<u>48</u>	<u>-</u>	<u>1,892,537</u>
Income (loss) before contributions and transfers	26,775	1,998,924	(410)	4,569	2,029,858
OTHER FINANCING SOURCES (USES)					
Transfers in	-	49,250	-	-	49,250
Change in net position	26,775	2,048,174	(410)	4,569	2,079,108
Total net position - beginning	818,795	798,862	189,037	54,956	1,861,650
Total net position - ending	<u>\$ 845,570</u>	<u>\$ 2,847,036</u>	<u>\$ 188,627</u>	<u>\$ 59,525</u>	<u>\$ 3,940,758</u>

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

**Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Disposal</u>	<u>Street Light</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Charges for Services	\$ 210,263	\$ 206,376	\$ 95,437	\$ 18,477	\$ 530,553
Cash Received from Miscellaneous Sources	8,681	-	-	-	8,681
Cash Payments to Suppliers for Goods & Services	(54,474)	(36,632)	(21,360)	(13,500)	(125,966)
Cash Payments for Salaries & Benefits	(127,875)	(62,751)	(66,614)	-	(257,240)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>36,595</u>	<u>106,993</u>	<u>7,463</u>	<u>4,977</u>	<u>156,028</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:					
Purchase of Fixed Assets	(5,123)	(4,454,710)	-	(3,377)	(4,463,210)
Proceeds from Capital Grant	-	1,899,724	-	-	1,899,724
Increase in Construction Loans	-	2,483,589	-	-	2,483,589
Increase (Decrease) in Customer Deposits	1,447	-	-	-	1,447
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,676)</u>	<u>(71,397)</u>	<u>-</u>	<u>(3,377)</u>	<u>(78,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received on Investment	-	353	48	-	401
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>353</u>	<u>48</u>	<u>-</u>	<u>401</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	<u>32,919</u>	<u>35,949</u>	<u>7,511</u>	<u>1,600</u>	<u>77,979</u>
Cash & Cash Equivalents:					
Beginning of Year	293,762	229,248	52,488	43,277	618,775
End of Year	<u>\$ 326,681</u>	<u>\$ 265,197</u>	<u>\$ 59,999</u>	<u>\$ 44,877</u>	<u>\$ 696,754</u>

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

**Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2021
(continued)**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Disposal</u>	<u>Street Light</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 26,775	\$ 106,435	\$ (458)	\$ 4,569	\$ 137,321
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:					
Depreciation	15,130	4,673	8,120	586	28,509
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivables	(5,310)	(4,115)	(280)	(178)	(9,883)
Increase (Decrease) in Accounts Payable	-	-	81	-	81
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 36,595</u>	<u>\$ 106,993</u>	<u>\$ 7,463</u>	<u>\$ 4,977</u>	<u>\$ 156,028</u>
Analysis of cash:					
Cash on hand and in banks	326,681	265,197	59,999	44,877	696,754
TOTAL	<u>\$ 326,681</u>	<u>\$ 265,197</u>	<u>\$ 59,999</u>	<u>\$ 44,877</u>	<u>\$ 696,754</u>

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

Town of Hugo, Colorado
Notes to the Financial Statements
December 31, 2021

Note 1 **Summary of Significant Accounting Policies**

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

Financial Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

Governmental Funds

The Town reports the following governmental funds:

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

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

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water Fund, Sewer Fund, Solid Waste Disposal Fund and Street Light Fund are classified as Enterprise Funds.

Budgets and Encumbrances

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

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

Property Taxes

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

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

Accounts Receivable

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

Compensated Absences

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

Deferred Inflows of Resources

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

Capital Assets

The Town's policy is to capitalize and inventory annually all purchases of long-lived assets. Street construction expenditures and other infrastructure assets, such as curb and gutter and sidewalks, are included in governmental activities capital assets as and improvements. Maintenance, repairs, and minor renewals are charged as expenditures when incurred. Major additions and betterments are capitalized.

Fund Balances

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

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

1. *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, and long-term loans and notes receivable.
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes as stipulated by external resource providers or by law through constitution provisions or enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes as determined by Town Board ordinance. An ordinance is required to establish, rescind, or modify a fund balance commitment.
4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. As of December 31, 2019, the nonmajor special revenue fund balances are classified as assigned.
5. *Unassigned* fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications.

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

Statement of Cash Flows

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

Note 2

Deposits and Investments

The State of Colorado Public Deposit Protection Act (PDPA) provides protection for public monies on deposit in state and national banks in Colorado above and beyond that provided by the Federal Deposit Insurance Corporation. The Act requires all eligible

public depositories to maintain a specified amount of eligible collateral as security for public deposits held. Alternatively, a public depository may elect to secure public deposits held by pledging eligible collateral having a market value equal to or greater than the aggregate of public deposits not insured by the Federal Deposit Insurance Corporation. As of December 31, 2020, the Town's cash deposits had a book balance as follows:

Deposits covered by federal insurance	\$ 250,000
Deposits covered by collateral required by the Act	1,710,863
	<u>\$ 1,960,863</u>

Note 3 Capital Assets

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

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

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

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Balance Jan 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Dec 31, 2021</u>
<u>Governmental Activities:</u>				
Land and Improvements	\$ 2,007,001	\$ -	\$ -	\$ 2,007,001
Buildings	301,828	-	-	301,828
Service Vehicles	291,896	-	-	291,896
Equipment	517,870	146,907	-	664,777
Total	3,118,595	146,907	-	3,265,502
Less Accumulated Depreciation	(1,516,367)	(89,411)	-	(1,605,778)
Net Governmental Activities	<u>\$ 1,602,228</u>	<u>\$ 57,496</u>	<u>\$ -</u>	<u>\$ 1,659,724</u>
	<u>Balance Jan 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Dec 31, 2021</u>
<u>Business-Type Activities:</u>				
Land	\$ 97,413	\$ -	\$ -	\$ 97,413
Buildings and Equipment	317,496	5,123	-	322,619
Distribution/Collection System	547,831	5,374	-	553,205
Total	962,740	10,497	-	973,237
Less Accumulated Depreciation	(471,904)	(30,505)	-	(502,409)
Net Business-Type Activities	<u>\$ 490,836</u>	<u>\$ (20,008)</u>	<u>\$ -</u>	<u>\$ 470,828</u>

The Town has \$5,060,494 of construction in progress.

Note 4**Interfund Transfers**

Fund	Transfer In	Transfer Out
General	\$ -	\$ 17,500 (b)
		49,250 (a)
Total General	-	66,750
Water		
Library	17,500 (b)	
Sewer	49,250 (a)	
Trash		
Firemen Pension		
Total All Funds	\$ 66,750	\$ 66,750

Note 5**Pension Plans**

The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

The Plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

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

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Through December 31, 2020, contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8.0 percent and 8.50 percent in 2020 and 2021, respectively. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0 percent and 8.0 percent, respectively, of pensionable earnings for a total contribution rate of 19.0 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.0 percent and 23.5 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4.0 percent and 4.25 percent in 2020 and 2021, respectively. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

The underlying financial information used to prepare the Schedule of Employer Contributions and Schedule of Collective Pension Amounts is based on FPPA's financial statements. FPPA follows the accounting principles and reporting guidelines as set forth

by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA.

Employer contributions received and processed within the year ended December 31, 2020 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA's Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2020 Annual Report, employer contributions to the SWDB plan were \$64,276,546 compared to total employer contributions of \$64,256,705 on the Schedule of Employer Contributions. Adjustments were made to reduce employer contributions to zero for departments that had no remaining members at year end and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

The collective total pension liability as of December 31, 2020 is based upon the January 1, 2021 actuarial valuation. The actuarially determined contributions as of December 31, 2020 are based upon the January 1, 2020 actuarial valuation.

The components of the calculation of the net pension liability/(asset) of the SWDB plan for participating departments as of December 31, 2020 are shown in the following table:

	Measurement Date December 31, 2020	Town of Hugo
Total Pension Liability (A)	\$ 3,230,485,701	\$ 284,655
Plan Fiduciary Net Position (B)	3,447,586,098	303,785
Employer's Net Pension Liability/(Asset) (A-B)	(217,100,397)	(19,130)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	106.7%	106.7%

The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2022	January 1, 2020
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-Term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
* Includes Inflation at	2.5%	2.5%

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

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income – Rates	10%	4.01%
Fixed Income – Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

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

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected

to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.00 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.00 percent.

Regarding the sensitivity of the net pension liability/(asset) to changes in the single discount rate, the following presents the plan's net pension liability/(asset), calculated using a single discount rate of 7.00 percent, as well as what the plan's net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 19,251	\$ (19,130)	\$ (50,914)

The following tables present the SWDB collective deferral reconciliations showing beginning deferrals as of December 31, 2019 adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending December 31, 2020 collective deferral amounts:

Deferred Outflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2019	\$ 16,865	\$ 9,462	\$ -
Deferral Amounts Added	1,909	-	-
Total Amortization Amounts Recognized in Pension Expense	(2,550)	(1,326)	-
Outstanding Deferral Amounts as of Measurement Date, December 31, 2020	\$ 16,224	\$ 8,136	\$ -

Deferred Inflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2019	\$ 97	\$ -	\$ 7,834
Deferral Amounts Added	-	-	17,141
Total Amortization Amounts Recognized in Pension Expense	(21)	-	(5,326)
Outstanding Deferral Amounts as of Measurement Date, December 31, 2020	\$ 76	\$ -	\$ 19,649

The following table presents the SWDB plan net amount of collective deferred inflows and outflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Recognized in Collective Pension Expense
2021	\$ (2,149)
2022	399
2023	(2,906)
2024	436
2025	3,510
Thereafter	\$ 5,345

The average of the expected remaining service lives of all members in the plan, including active and inactive members, is 9.1879 years determined as of the beginning of the December 31, 2020 measurement period.

Net Pension Liability/(Asset)

The collective net pension liability/(asset) is the total pension liability less the fiduciary net position for the SWDB.

Difference Between Actual and Expected Experience

The difference between actual and expected experience with regard to economic and demographic factors is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments

The difference between the actual earnings on pension plan investments compared to the SWDB's expected rate of return of 7.0 percent is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Total Deferred Outflows Excluding Employer Specific Amounts

The total deferred outflows excluding employer specific amounts resulting from the difference between actual and expected experience, the net difference between projected and actual investment earnings on pension plan investments, and the changes in assumptions.

Total Deferred Inflows Excluding Employer Specific Amounts

The total deferred inflows excluding employer specific amounts resulting from the difference between actual and expected experience and the changes in assumptions.

Collective Pension Plan Expense/(Income)

Collective pension plan expense/(income) includes changes in the collective net pension liability/(asset), projected earnings on pension plan investments, and the amortization of deferred outflows and inflows of resources in the current period. Pension income should be reported as a credit in pension expense.

During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Amendments to the related contribution rates and benefits of this plan are described above. Additionally, the stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension liability/(asset) of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.

Note 6

Long-Term Debt

The Town is in the process of completing a sewer improvement project. Long-term financing will be provided by United States Department of Agriculture-Rural Development (USDA-RD) through a loan and a grant with additional long-term financing provided by Colorado Water Resources and Power Development Authority, (CWRPDA) Pollution Control Revolving Fund. To finance the construction, the Town has a construction loan agreement with CoBank. Advances will be made as needed to pay the construction costs. During the construction phase interest only will be paid monthly. The rate of interest varies and is based on a LIBOR rate plus 1.25 percent. When the construction is completed the construction loan will be repaid with the long-term borrowings.

As of December 31, 2021, the Town had drawn down \$1,614,000 from CoBank that is the maximum amount of the interim construction loan. That amount will be refinanced as long-term debt during 2022. In addition, the Town drew down \$1,033,475 from CWRPDA with an additional \$466,525 to be drawn down in 2022.

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

The repayment terms of the USDA-RD financing will require semi-annual payments of principal and interest at an interest rate of 1.375 percent per annum. When the construction note is refinanced during 2022 the actual amounts will be determined.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 27,441	\$ 4,357	\$ 31,798
2023	47,308	7,304	54,612
2024	47,545	7,067	54,612
2025	47,783	6,829	54,612
2026	48,022	6,590	54,612
2027-2031	243,742	29,318	273,060
2032-2036	249,905	23,155	273,060
2037-2041	256,223	16,837	273,060
2042-2046	262,701	10,359	273,060
2047-2051	269,329	3,711	273,040
Total	<u>\$ 1,500,000</u>	<u>\$ 115,526</u>	<u>\$ 1,615,526</u>

Note 7 Sales Tax

During 1988 the Town passed a 2 percent sales tax ordinance that became effective on July 1, 1988. The funds collected are restricted to storm drainage and street improvements. The sales tax revenue is included in the General Fund. For 2021, sales tax revenue equaled \$259,354 and expenditures were \$0.

Note 8 Tax, Spending, and Debt Limitation

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

Note 9 Risk Management

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

Required Supplementary Information

**Town of Hugo
Budget and Actual
General
For the year ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 158,000	\$ 158,000	\$ 159,317
SO Taxes	15,000	15,000	15,802
Sales and miscellaneous taxes	260,000	260,000	320,757
Fees and fines	120,000	120,000	76,610
Licenses and permits	6,050	6,050	9,974
Intergovernmental	238,000	712,233	238,759
Charges for services	10,600	10,600	10,923
Investment earnings	500	500	116
Miscellaneous	38,750	50,055	357,178
Total revenues	<u>846,900</u>	<u>1,332,438</u>	<u>1,189,436</u>
EXPENDITURES			
Current:			
General government	320,000	145,700	562,722
Public Safety	160,040	171,940	152,752
Highways and roads	67,850	267,850	71,207
Health	97,500	114,500	93,721
Culture and recreation	64,850	64,850	43,487
Contingency	28,495	42,722	-
Capital Outlay	224,000	641,733	141,915
Total Expenditures	<u>962,735</u>	<u>1,449,295</u>	<u>1,065,804</u>
Excess (deficiency) of revenues over expenditures	<u>(115,835)</u>	<u>(116,857)</u>	<u>123,632</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,000	9,000	-
Transfers out	(17,500)	(17,500)	(66,750)
Total other financing sources and uses	<u>(8,500)</u>	<u>(8,500)</u>	<u>(66,750)</u>
Net change in fund balance	(124,335)	(125,357)	56,882
Fund balance - beginning	810,276	810,276	869,640
Fund balance - ending	<u>\$ 685,941</u>	<u>\$ 684,919</u>	<u>\$ 926,522</u>

Supplementary Information

**Town of Hugo
Balance Sheet
Other Governmental Funds
December 31, 2021**

	<u>Law Enforcement Assistance</u>	<u>Conservation Trust</u>	<u>Library</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 23,854	\$ 29,684	\$ 24,300	\$ 77,838
Total assets	<u>23,854</u>	<u>29,684</u>	<u>24,300</u>	<u>77,838</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Assigned	<u>23,854</u>	<u>29,684</u>	<u>24,300</u>	<u>77,838</u>
Fund balance	<u>23,854</u>	<u>29,684</u>	<u>24,300</u>	<u>77,838</u>
Total liabilities and fund balance	<u>\$ 23,854</u>	<u>\$ 29,684</u>	<u>\$ 24,300</u>	<u>\$ 77,838</u>

Town of Hugo
Statement of Revenues, Expenditures and Changes in Fund Balance
Other Governmental Funds
For the Year Ended December 31, 2021

	Law Enforcement Assistance	Conservation Trust	Library	Total-Other Governmental Funds
REVENUES				
Fees and fines	\$ 8,665	\$ -	\$ -	\$ 8,665
Intergovernmental	-	9,316	3,644	12,960
Charges for services	-	-	1,860	1,860
Investment earnings	-	18	15	33
Miscellaneous	-	-	2,200	2,200
Total revenues	8,665	9,334	7,719	25,718
EXPENDITURES				
Current:				
Culture and recreation	-	6,394	22,966	29,360
Capital Outlay	4,993	-	-	4,993
Total Expenditures	4,993	6,394	22,966	34,353
Excess (deficiency) of revenues over expenditures	3,672	2,940	(15,247)	(8,635)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	17,500	17,500
Total other financing sources and uses	-	-	17,500	17,500
Net change in fund balance	3,672	2,940	2,253	8,865
Fund balance - beginning	20,182	26,744	22,047	68,973
Fund balance - ending	\$ 23,854	\$ 29,684	\$ 24,300	\$ 77,838

**Town of Hugo
Budget and Actual
Conservation Trust
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 7,300	\$ 7,300	\$ 9,316
Investment earnings	20	20	18
Total revenues	<u>7,320</u>	<u>7,320</u>	<u>9,334</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>7,200</u>	<u>7,200</u>	<u>6,394</u>
Total Expenditures	<u>7,200</u>	<u>7,200</u>	<u>6,394</u>
Excess (deficiency) of revenues over expenditures	<u>120</u>	<u>120</u>	<u>2,940</u>
Net change in fund balance	120	120	2,940
Fund balance - beginning	26,434	26,434	26,744
Fund balance - ending	<u><u>\$ 26,554</u></u>	<u><u>\$ 26,554</u></u>	<u><u>\$ 29,684</u></u>

**Town of Hugo
Budget and Actual
Library
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Fees and fines	\$ 100	\$ 100	\$ -
Intergovernmental	3,500	3,500	3,644
Charges for services	3,500	3,500	1,860
Investment earnings	10	10	15
Miscellaneous	900	900	2,200
Total revenues	<u>8,010</u>	<u>8,010</u>	<u>7,719</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>24,350</u>	<u>24,350</u>	<u>22,966</u>
Total Expenditures	<u>24,350</u>	<u>24,350</u>	<u>22,966</u>
Excess (deficiency) of revenues over expenditures	<u>(16,340)</u>	<u>(16,340)</u>	<u>(15,247)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>
Total other financing sources and uses	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>
Net change in fund balance	1,160	1,160	2,253
Fund balance - beginning	22,042	22,042	22,047
Fund balance - ending	<u>\$ 23,202</u>	<u>\$ 23,202</u>	<u>\$ 24,300</u>

**Town of Hugo
Budget and Actual
Law Enforcement Assistance
For the year ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Fees and fines	\$ 11,000	\$ 11,000	\$ 8,665
Intergovernmental	2,000	2,000	-
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>8,665</u>
EXPENDITURES			
Current:			
Public Safety	4,000	4,000	-
Capital Outlay	9,000	9,000	4,993
Total Expenditures	<u>13,000</u>	<u>13,000</u>	<u>4,993</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,672</u>
Net change in fund balance	-	-	3,672
Fund balance - beginning	20,134	20,134	20,182
Fund balance - ending	<u>\$ 20,134</u>	<u>\$ 20,134</u>	<u>\$ 23,854</u>

**Town of Hugo
Budget and Actual
Water Fund
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 210,000	\$ 210,000	\$ 215,573
Miscellaneous	5,000	5,000	8,681
Total revenues	<u>215,000</u>	<u>215,000</u>	<u>224,254</u>
EXPENDITURES			
Personal services	127,950	127,950	127,875
Fuel, power, and utilities	14,200	14,200	11,673
Repairs and maintenance	25,000	25,000	28,977
Other supplies and expenses	3,200	3,200	2,524
Insurance claims and expenses	3,800	3,800	3,800
Audit and publication	4,600	4,600	4,000
Miscellaneous	4,000	4,000	3,500
Capital outlay	8,000	8,000	-
Total Operating Expenses	<u>190,750</u>	<u>190,750</u>	<u>182,349</u>
Operating income (loss)	24,250	24,250	41,905
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,000)	(5,000)	-
Total other financing sources and uses	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
RECONCILING ITEM			
Depreciation	-	-	(15,130)
Net change in net position	19,250	19,250	26,775
Net position - beginning	523,025	523,025	818,795
Net position - ending	<u>\$ 542,275</u>	<u>\$ 542,275</u>	<u>\$ 845,570</u>

**Town of Hugo
Budget and Actual
Sewer Fund
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 210,000	\$ 210,000	\$ 210,491
Grants and loans	5,361,000	5,361,000	4,383,313
Investment earnings	300	300	352
Total revenues	<u>5,571,300</u>	<u>5,571,300</u>	<u>4,594,156</u>
EXPENDITURES			
Personal services	63,700	63,700	62,751
Fuel, power, and utilities	3,600	3,600	2,665
Repairs and maintenance	15,000	15,000	10,500
Other supplies and expenses	18,500	18,500	19,467
Capital outlay	5,372,000	5,372,000	4,454,710
Insurance claims and expenses	2,000	2,000	2,000
Debt service principal	114,000	114,000	-
Interest	-	-	7,587
Total Operating Expenses	<u>5,588,800</u>	<u>5,588,800</u>	<u>4,559,680</u>
Operating income (loss)	<u>(17,500)</u>	<u>(17,500)</u>	<u>34,476</u>
OTHER FINANCING SOURCES (USES)			
Miscellaneous Expenses	(12,005)	(12,005)	(2,000)
Transfers in	-	-	49,250
Transfers out	(2,000)	(2,000)	-
Total other financing sources and uses	<u>(14,005)</u>	<u>(14,005)</u>	<u>47,250</u>
RECONCILING ITEM			
Depreciation	-	-	(4,673)
Loans	-	-	(2,483,589)
Capital outlay	-	-	4,454,710
Net change in net position	<u>(31,505)</u>	<u>(31,505)</u>	<u>2,048,174</u>
Net Position - beginning	303,347	303,347	798,862
Net Position - ending	<u>\$ 271,842</u>	<u>\$ 271,842</u>	<u>\$ 2,847,036</u>

**Town of Hugo
Budget and Actual
Solid Waste Disposal
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 93,000	\$ 93,000	\$ 95,717
Investment earnings	400	400	48
Total revenues	<u>93,400</u>	<u>93,400</u>	<u>95,765</u>
EXPENDITURES			
Personal services	66,700	66,700	66,614
Fuel, power, and utilities	4,300	4,300	2,582
Other supplies and expenses	9,000	9,000	4,494
Insurance claims and expenses	2,000	2,000	2,000
Miscellaneous	12,000	12,000	12,365
Total Operating Expenses	<u>94,000</u>	<u>94,000</u>	<u>88,055</u>
Operating income (loss)	(600)	(600)	7,710
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	-
Total other financing sources and uses	<u>(2,000)</u>	<u>(2,000)</u>	-
RECONCILING ITEM			
Depreciation	-	-	<u>(8,120)</u>
Net change in net position	(2,600)	(2,600)	(410)
Net position - beginning	<u>50,173</u>	<u>50,173</u>	<u>189,037</u>
Net position - ending	<u>\$ 47,573</u>	<u>\$ 47,573</u>	<u>\$ 188,627</u>

**Town of Hugo
Budget and Actual
Street Light
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 17,500	\$ 17,500	\$ 18,655
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>18,655</u>
EXPENDITURES			
Fuel, power, and utilities	14,000	14,000	13,500
Total Expenditures	<u>14,000</u>	<u>14,000</u>	<u>13,500</u>
Excess (deficiency) of revenues over expenditures	<u>3,500</u>	<u>3,500</u>	<u>5,155</u>
RECONCILING ITEM			
Depreciation	-	-	586
	<u>-</u>	<u>-</u>	<u>586</u>
Net change in net position	3,500	3,500	4,569
Net position - beginning	52,981	52,981	54,956
Net position - ending	<u>\$ 56,481</u>	<u>\$ 56,481</u>	<u>\$ 59,525</u>

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Hugo
	YEAR ENDING : December 2021
This Information From The Records Of (example - City of _ or County of _ Prepared By: Maria Nestor, Town Clerk Phone: 719-743-2485	

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)	125,466
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	100,000
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	10,000
2. General fund appropriations		b. Snow and ice removal	5,010
3. Other local imposts (from page 2)	275,156	c. Other	20,150
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	35,160
5. Transfers from toll facilities		4. General administration & miscellaneous	6,250
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	45,326
a. Bonds - Original Issues		6. Total (1 through 5)	312,202
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	275,156	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	37,046	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	312,202	b. Redemption	
		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)	312,202

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		312,202	312,202		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		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	259,354	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	15,802	g. Other Misc. Receipts	
6. Total (1. through 5.)	275,156	h. Other	
c. Total (a. + b.)	275,156	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	33,650	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	3,396	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	3,396	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	37,046	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		125,466	125,466
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	125,466	125,466
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	125,466	125,466
			(Carry forward to page 1)

Notes and Comments:

Single Audit

**Town of Hugo
Schedule of Federal Awards Expended
for the year ended December 31, 2021**

<u>GRANT TITLE</u>	<u>PASS-THRU AGENCY</u>	<u>FEDERAL ALN</u>	<u>AMOUNT OF AWARD EXPENDED</u>
DEPARTMENT OF TRANSPORTATION:			
Coronavirus Relief Funds		21.027	<u>\$ 25,563</u>
DEPARTMENT OF TREASURY:			
American Rescue Plan	Colo. Dept of Local Affairs	21.027	<u>49,250</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Water and Waste Disposal System	Colo. Water Resources and Power Development Authority	66.458	<u>576,295</u>
United States Department of Agriculture Water and Waste Disposal System	USDA-Rural Development	10.760	<u>857,234</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 1,508,342</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Hugo and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the federal requirements.

The Town does not use the minimum indirect cost rate.

Town of Hugo
Schedule of Findings and Questioned Costs
December 31, 2021

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	<u>X</u> None Reported
• Significant deficiency(ies) identified?	___ Yes	<u>X</u> None Reported
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> None noted

Federal Awards

Internal control over major federal programs:			
• Material weakness(es) identified?	___ Yes	<u>X</u> None noted	
• Significant deficiency(ies) identified?	___ Yes	<u>X</u> None noted	
Type of auditor's report issued on compliance for major federal programs: Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	<u>X</u> None noted	
Identification of major federal programs:			
Assistance Listing Number(s)	10.760 66.458	Name of Federal Program or Cluster	Waste Disposal System for Rural Communities
Dollar threshold used to distinguish between type A and type B programs:		\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	___ Yes	<u>X</u> No	

Section II: Financial Statement Findings

There were not any findings.

Section III: Federal Awards Findings

There were not any findings.

**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***

Independent Auditor's Report

Members of Town Council
Town of Hugo, 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 Hugo (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 May 16, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

rfarmer, llc

May 16, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Members of Town Council
Town of Hugo, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Hugo's (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town 's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town 's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town 's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town 's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

rfarmer, llc

May 16, 2022