TOWN OF RICO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Rico
Rico, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, 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, 2022 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2022, 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 Opinion

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 opinion.

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, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, 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 are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were 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 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 July 20, 2023 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 20, 2023

TOWN OF RICO, COLORADO
STATEMENT OF NET POSITION
December 31, 2022

	Governmental Activities	Business - Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	$ 1,030,324	$ 503,244	$ 1,533,568
Investments, at fair value	301,832	-	301,832
Taxes receivable	98,278	26,148	124,426
Accounts receivable	-	6,811	6,811
TOTAL CURRENT ASSETS	1,430,434	536,203	1,966,637
PROPERTY AND EQUIPMENT			
Capital assets	2,031,372	3,574,920	5,606,292
Less Accumulated depreciation	(789,641)	(831,434)	(1,621,075)
NET PROPERTY AND EQUIPMENT	1,241,731	2,743,486	3,985,217
TOTAL ASSETS	2,672,165	3,279,689	5,951,854
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	103,867	-	103,867
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,776,032	$ 3,279,689	$ 6,055,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and other liabilities	$ 38,953	$ -	$ 38,953
Accrued payroll	5,101	-	5,101
TOTAL CURRENT LIABILITIES	44,054	-	44,054
LONG-TERM LIABILITIES			
Net pension liability	196,626	-	196,626
TOTAL LONG-TERM LIABILITIES	196,626	-	196,626
TOTAL LIABILITIES	240,680	-	240,680
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax	115,350	26,148	141,498
Deferred inflows related to pensions	980	-	980
Total Deferred Inflows of Resources	116,330	26,148	142,478
NET POSITION			
Net Investment in Capital Assets	1,241,731	2,743,486	3,985,217
Restricted			
TABOR	27,232	-	27,232
Culture and recreation	44,596	-	44,596
Unrestricted	1,105,463	510,055	1,615,518
TOTAL NET POSITION	$ 2,419,022	$ 3,253,541	$ 5,672,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,776,032	$ 3,279,689	$ 6,055,721

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

TOWN OF RICO, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
					PRIMARY GOVERNMENT		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities							
General Government	$ 677,287	$ 155,535	$ -	$ 41,300	$ (480,452)	$ -	$ (480,452)
Public Safety	15,118	16,171	-	-	1,053	-	1,053
Public Works	104,176	-	-	-	(104,176)	-	(104,176)
Culture and Recreation	140,878	-	-	-	(140,878)	-	(140,878)
TOTAL GOVERNMENTAL ACTIVITIES	937,459	171,706	-	41,300	(724,453)	-	(724,453)
Business - Type Activities							
Current:							
Water Operations	214,547	175,310	-	-	-	(39,237)	(39,237)
Sewer	7,079	-	-	-	-	(7,079)	(7,079)
TOTAL BUSINESS-TYPE ACTIVITIES	221,626	175,310	-	-	-	(46,316)	(46,316)
TOTAL PRIMARY GOVERNMENT	$ 1,159,085	$ 347,016	$ -	$ 41,300	(724,453)	(46,316)	(770,769)
GENERAL REVENUES							
Taxes:							
Property Taxes					103,863	27,161	131,024
Specific Ownership Taxes					5,472	1,456	6,928
Sales and Use Tax					315,183	-	315,183
Other Taxes					85,604	-	85,604
Miscellaneous					373,569	-	373,569
Interest Income					2,625	896	3,521
TOTAL GENERAL REVENUES					886,316	29,513	915,829
CHANGE IN NET POSITION					161,863	(16,803)	145,060
NET POSITION - Beginning of Year					2,257,159	3,270,344	5,527,503
NET POSITION - End of Year					$ 2,419,022	$ 3,253,541	$ 5,672,563

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

TOWN OF RICO, COLORADO
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2022

	GENERAL	STREET	NON-MAJOR GOVERMENTAL FUNDS	TOTAL
ASSETS				
Cash and equivalents	$ 747,858	$ 145,829	$ 136,637	$ 1,030,324
Investments, at fair value	301,832	-	-	301,832
Property taxes receivable	86,429	11,849	-	98,278
TOTAL ASSETS	$ 1,136,119	$ 157,678	$ 136,637	$ 1,430,434
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	$ 38,953	$ -	$ -	$ 38,953
Payroll related liabilities	5,101	-	-	5,101
TOTAL LIABILITIES	$ 44,054	$ -	$ -	$ 44,054
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	103,501	11,849	$ -	$ 115,350
FUND BALANCE				
Restricted				
TABOR	$ 27,232	$ -	$ -	$ 27,232
Culture and recreation	-	-	44,596	44,596
Committed	-	145,829	92,041	237,870
Unassigned	961,332	-	-	961,332
TOTAL FUND BALANCE	$ 988,564	$ 145,829	$ 136,637	$ 1,271,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,136,119	$ 157,678	$ 136,637	$ 1,430,434

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, 2022

Total Fund Balances - Governmental Funds	$	1,271,030
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		(789,641)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		103,867
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(980)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds:		
Net pension liability		(196,626)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	2,419,022

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, 2022

	GENERAL	STREET	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Taxes:				
Property Tax	$ 91,555	$ 12,308	$ -	$ 103,863
Sales Tax	253,611	30,786	30,786	315,183
Other	16,859	68,101	4,245	89,205
Intergovernmental	285	-	-	285
General Government	169,570	-	-	169,570
Local Grants	-	33,000	-	33,000
Lottery Proceeds	-	-	3,722	3,722
Interest	2,499	67	59	2,625
Special Projects	8,300	-	-	8,300
Miscellaneous	365,069	8,500	-	373,569
TOTAL REVENUES	907,748	152,762	38,812	1,099,322
EXPENDITURES				
General Government	627,432	-	-	627,432
Public Safety	15,118	-	-	15,118
Public Works	-	76,148	-	76,148
Culture and Recreation	94,931	-	44,815	139,746
Debt service	119,091	-	-	119,091
TOTAL EXPENDITURES	856,572	76,148	44,815	977,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	51,176	76,614	(6,003)	121,787
FUND BALANCE, Beginning	937,388	69,215	142,640	1,149,243
FUND BALANCE, Ending	$ 988,564	$ 145,829	$ 136,637	$ 1,271,030

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, 2022

Net change in fund balances - total governmental funds	$ 121,787
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 activitieis.	
Depreciation is reported in the government-wide financial statements	(46,309)
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.	
Finance leases payable	98,865
Net pension liability	184,957
Deferred outflows of resources related to pensions	(83,225)
Deferred inflows of resources related to pensions	(114,212)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 161,863

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

TOWN OF RICO, COLORADO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
December 31, 2022

	WATER	SEWER	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	$ 265,448	$ 237,796	$ 503,244
Receivables	6,811	-	6,811
Taxes receivable	-	26,148	26,148
TOTAL CURRENT ASSETS	272,259	263,944	536,203
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	(831,434)	-	(831,434)
NET CAPITAL ASSETS	2,743,486	-	2,743,486
TOTAL ASSETS	$ 3,015,745	$ 263,944	$ 3,279,689
DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ -	$ 26,148	$ 26,148
NET POSITION			
Net investment in capital assets	2,743,486	-	2,743,486
Unrestricted	272,259	237,796	510,055
TOTAL NET POSITION	$ 3,015,745	$ 237,796	$ 3,253,541

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, 2022

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges to customers	$ 175,310	$ -	$ 175,310
TOTAL OPERATING REVENUES	175,310	-	175,310
OPERATING EXPENSES			
Salaries	82,945	-	82,945
Repairs and maintenance	12,051	-	12,051
Insurance	80	-	80
Supplies	12,416	-	12,416
Water samples	1,170	-	1,170
Electric	3,621	-	3,621
Propane	4,064	-	4,064
Utilities-other	1,495	-	1,495
Dolores Water Conservancy	2,700	-	2,700
Miscellaneous	7,824	-	7,824
Treasurers fees	-	537	537
Other expense	-	6,542	6,542
Depreciation expense	86,181	-	86,181
TOTAL OPERATING EXPENSES	214,547	7,079	221,626
NET (LOSS) FROM OPERATIONS	(39,237)	(7,079)	(46,316)
NON-OPERATING REVENUE			
Interest income	763	133	896
Property taxes	-	27,161	27,161
Specific ownership taxes	-	1,456	1,456
TOTAL NON-OPERATING REVENUE	763	28,750	29,513
CHANGE IN NET POSITION	(38,474)	21,671	(16,803)
NET POSITION, Beginning	3,054,219	216,125	3,270,344
NET POSITION, Ending	$ 3,015,745	$ 237,796	$ 3,253,541

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, 2022

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 305,068	$ -	$ 305,068
Cash paid for expenses and employees	(128,366)	(7,079)	(135,445)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	176,702	(7,079)	169,623
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Property Taxes	-	27,161	27,161
Specific Ownership Taxes	-	1,456	1,456
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	28,617	28,617
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earned	763	133	896
NET CASH PROVIDED BY INVESTING ACTIVITIES	763	133	896
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	177,465	21,671	199,136
CASH AND CASH EQUIVALENTS, Beginning of Year	87,983	216,125	304,108
CASH AND CASH EQUIVALENTS, End of Year	$ 265,448	$ 237,796	$ 503,244
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	$ (39,237)	$ (7,079)	$ (46,316)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation	86,181	-	86,181
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	129,758	-	129,758
Total adjustments	215,939	-	215,939
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 176,702	$ (7,079)	$ 169,623

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

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.

Definition of the Reporting Entity

The Town 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.

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.

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.

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:

- 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.
- 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:

- 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.
- 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:

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

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.

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.

Cash and Cash Equivalents

For 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.

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.

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.

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.

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:

Asset Class	Dollar Value
Land	No minimum
Buildings	No minimum
Buildings 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:

Asset Class	Useful Life
Land	25 – 50 years
Buildings	20 years
Buildings and Other Improvements	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.

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.

Net Position

In the government-wide financial statements, net position represents 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.

Fund Balances

In the government 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.

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.

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".

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government- wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods 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: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Pensions

The Town participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multi-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.

Leases

Effective January 1, 2022, the District implemented GASB No. 87, Leases. As the lessee, the Town determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as short-term leases. Lease agreements that transfer ownership of the underlying asset to the Town at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right to use lease asset. An Intangible right to use lease asset represents the Town's right to use an underlying asset during the lease term and the lease liability represents the Town's obligation to make lease payments arising from the lease. Intangible right to use lease assets and lease liabilities are recognized at lease commencement based upon the estimate prevent value of unpaid lease payments over the lease term. The Town uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments. As the lessor, the Town applies the same criteria but recognizes a lease receivable and a deferred inflow of resources equal to the present value of the lease payments. The Town did not have any material leases to be implemented under GASB 87, leases.

Coronavirus Disease (COVID-19)

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.

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.

NOTE 4: CASH AND INVESTMENTS

Cash

A summary of the Town's cash and investments at December 31, 2022 are as follows:

Type	Rating		Carrying Value
Deposits:			
Demand deposits		$	1,533,193
Cash with County Treasurer			375
			1,533,568
Investments:			
CSAFE	AAAm		301,832
Total deposits and investments:		$	1,835,400
Reconciliation to Statement of Net Position			
Current:			
Cash and Investments		$	1,835,400

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.

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.

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 Surplus Asset Fund Trust (CSAFE). The investment is not categorized because the investment is not evidenced by securities that exist in physical book entry form. At December 31, 2022, the Town had an investment of $301,832 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, 2022 are as follows:

Governmental Activities	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Not depreciated:				
Land	$ 453,760	$ -	$ -	$ 453,760
Depreciable capital assets:				
Improvements	7,230	-	-	7,230
Buildings	908,366	-	-	908,366
Equipment	59,058	-	-	59,058
Vehicles	385,564	-	-	385,564
Streets	217,394	-	-	217,394
Total Depreciable Assets:	1,577,611	-	-	1,577,611
Less: Accumulated Depreciation				
Improvements	(7,230)	-	-	(7,230)
Buildings	(358,688)	(17,071)	-	(375,759)
Equipment	(45,787)	(1,210)	-	(46,997)
Vehicles	(233,808)	(24,214)	-	(258,022)
Streets	(97,819)	(3,814)	-	(101,633)
Total Accumulated Depreciation	(743,332)	(46,309)	-	(789,641)
Depreciable capital assets, net	834,280	(46,309)	-	787,971
Total Governmental Activities, Capital Assets	$ 1,288,040	$ (46,309)	$ -	$ 1,241,731

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

General Government	$ 17,149
Public Works	28,028
Culture and Recreation	1,132
Total	$ 46,309

Business-Type Activities	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Depreciable capital assets:				
Buildings	$ 48,513	$ -	$ -	$ 48,513
Water System	3,526,407	-	-	3,526,407
Total Depreciable Assets:	3,574,920	-	-	3,574,920
Less: Accumulated Depreciation				
Buildings	(39,615)	(1,627)	-	(41,242)
Water System	(705,638)	(84,554)	-	(790,192)
Total Accumulated Depreciation	(745,253)	(86,181)	-	(831,434)
Depreciable capital assets, net	2,829,667	(86,181)	-	(831,434)
Total Business-Type Activities, Capital Assets	$ 2,829,667	$ (86,181)	$ -	$ 2,743,486

NOTE 7: DEFINED BENEFIT PENSION PLAN - PERA

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.

Plan description: Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund – 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 comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided: 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:

- 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 the 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 percent or 100 percent 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the LGDTF.

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: Eligible employees of the Town and State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Employee contribution rates for the period of January 1, 2022 through December 31, 2022 are summarized in the table below:

	January 1, 2022 through June 30, 2022	July 1, 2022 through December 31, 2022
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:

Years Ended December 31:	January 1, 2022 through June 30, 2022		July 1, 2022 through December 31, 2022	
Employer contribution rate as a percentage of salary	10.50	%	11.00	%
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		9.98	
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	0.03		0.03	
Total Employer Contribution Rate to the LGDTF	13.21	%	13.71	%

**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 District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $21,614 for the year ended December 31, 2022.

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

At December 31, 2022 the Town reported a liability of $196,626 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the total pension liability to December 31, 2022. The Town's proportion of the net pension liability/(asset) were based on the Town's contributions to the LGDTF for the calendar year 2022 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2022, the Town's proportion was .019612 percent, and was .015502 percent for the year ended December 31, 2021.

For the year ended December 31, 2022, the Town recognized pension expense of 16,265. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2022		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	-	$	980
Net difference between projected and actual earnings on pension plan investments		80,272		-
Contributions subsequent to the measurement date		23,595		-
Total	$	103,867	$	980

Deferred outflows of resources related to pensions of $23,595, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31		Amount
2023	$	19,314
2024		19,314
2025		19,314
2026		21,350
Total	$	79,292

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Price inflation	2.3 percent
Real wage growth	0.7 percent
Wage inflation	3.0 percent
Salary increases, including wage inflation	3.2 – 11.3 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increase: PERA	
Benefit Structure hired prior to 1/1/07 (automatic)	1.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

The actuarial assumptions used in the December 31, 2020, valuations were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on November 20, 2020.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a long-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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current 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. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability 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 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:

December 31, 2022	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (asset)	$ 330,086	$ 196,626	$ 84,898

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.

Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

NOTE 8: 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 9: 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.

NOTE 10: 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 11: COMPLIANCE WITH STATE STATUTES

The Town did not have any expenditures which exceeded appropriations for the year ended December 31, 2022.

NOTE 12: NEW GASB PRONOUNCEMENTS

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

- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

NOTE 13: SUBSEQUENT EVENTS

In preparing the financial statements, the Town has evaluated transactions for potential disclosure through July 20, 2023, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2022 that would require disclosure.

TOWN OF RICO, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES				
Taxes				
Property tax	$ 86,100	$ 86,100	85,724	$ (376)
Delinquent Tax & Interest	200	200	5,831	5,631
Sales and use tax	126,752	175,000	253,611	78,611
Specific ownership tax	4,000	4,000	4,812	812
Motor vehicle tax	1,500	1,500	395	(1,105)
Excise tax	-	-	5,204	5,204
Lodging tax	-	4,000	6,448	2,448
Mineral leasing	5,000	5,000	-	(5,000)
Severence tax	-	-	285	285
Transfers - payroll	212,000	211,650	141,712	(69,938)
Fines and forfeitures	10,000	10,000	16,171	6,171
Interest	475	475	2,499	2,024
Licenses and permits	25,675	25,675	11,687	(13,988)
Special projects revenue	23,400	23,400	8,300	(15,100)
Miscellaneous	5,990	34,990	365,069	330,079
TOTAL REVENUES	501,092	581,990	907,748	325,758
EXPENDITURES				
Town administrator	70,000	70,000	71,500	(1,500)
Town clerk	43,000	43,000	41,208	1,792
Maintenance man	37,000	37,045	41,839	(4,794)
Part-time maintenance man	10,000	35,000	34,175	825
Payroll taxes	35,000	35,000	4,700	30,300
Town attorney	20,000	30,000	33,426	(3,426)
Auditor	12,000	12,000	12,165	(165)
Municipal court judge	4,500	4,500	4,500	-
Insurance	5,337	5,337	8,022	(2,685)
Supplies	12,000	12,000	11,033	967
Utilities	14,200	14,200	12,868	1,332
Water technician	4,000	4,000	1,644	2,356
Public safety	28,500	30,000	15,118	14,882
Miscellaneous	208,350	184,750	282,886	(98,136)
Employee benefits	73,000	73,000	67,466	5,534
Special projects/Capital improvements	58,060	155,158	94,931	60,227
Debt service	-	120,000	119,091	909
TOTAL EXPENDITURES	634,947	864,990	856,572	8,418
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,855)	(283,000)	51,176	334,176
Fund Balance, Beginning	818,997	818,997	937,388	(118,391)
Fund Balance, Ending	$ 685,142	$ 535,997	$ 988,564	$ 215,785

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO

BUDGETARY COMPARISON SCHEDULE
STREET FUND

For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES				
Taxes				
Property tax	$ 11,805	$ 11,805	$ 12,308	$ 503
Sales and use tax	20,000	20,000	30,786	10,786
Specific ownership tax	500	500	660	160
Franchise tax	7,300	7,300	6,401	(899)
Excise tax	1,800	1,800	3,072	1,272
Road and bridge	11,800	11,800	13,050	1,250
Highway users tax	12,800	12,800	18,093	5,293
Other taxes	-	-	26,825	26,825
Miscellaneous	500	500	8,500	8,000
Other revenues - local grant	-	33,000	33,000	-
Interest	45	45	67	22
TOTAL REVENUES	66,550	99,550	152,762	53,212
EXPENDITURES				
Payroll	30,555	40,000	41,026	(1,026)
Snow removal	5,000	5,000	-	5,000
Fuel	7,500	7,500	8,387	(887)
Repairs and maintenance	15,000	15,000	8,772	6,228
Insurance	6,500	6,500	6,428	72
Supplies	2,500	2,500	6,179	(3,679)
Electricity	2,000	2,000	1,185	815
Street lights	1,500	1,500	1,128	372
Utilities - other	2,500	2,500	2,799	(299)
Treasurer fees	350	350	244	106
Debt service	25,500	25,500	-	25,500
TOTAL EXPENDITURES	98,905	108,350	76,148	32,202
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,355)	(8,800)	76,614	85,414
Fund Balance, Beginning	16,711	16,711	69,215	52,504
Fund Balance, Ending	$ (15,644)	$ 7,911	$ 145,829	$ 137,918

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, 2022

Measurement period ending December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Town's portion of the net pension liability/(asset)	0.019612%	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)	$ 196,626	$ (13,291)	$ 83,688	$ 107,011	$ 193,131	$ 165,182	$ 246,747	$ 256,058	$ 215,694	$ 203,623
Town's covered payroll	$ 259,637	$ 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	76%	-12%	74%	106%	192%	184%	223%	194%	163%	154%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	83%	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, 2022

Measurement period ending December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	$ 21,614	$ 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	$ (21,614)	$ (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	$ 259,637	$ 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	8%	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.

TOWN OF RICO, COLORADO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	CONSERVATION TRUST	PARKS, OPEN SPACE & TRAILS	TOTALS
ASSETS			
Cash and Equivalents	$ 44,596	$ 92,041	$ 136,637
TOTAL ASSETS	$ 44,596	$ 92,041	$ 136,637
LIABILITIES AND FUND BALANCE			
TOTAL LIABILITIES	$ -	$ -	$ -
FUND BALANCE			
Restricted for Culture and Recreation	44,596	-	44,596
Committed for Parks and Open Space	-	92,041	92,041
TOTAL FUND BALANCE	44,596	92,041	136,637
TOTAL LIABILITIES AND FUND BALANCE	$ 44,596	$ 92,041	$ 136,637

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, 2022

	CONSERVATION TRUST	PARKS, OPEN SPACE & TRAILS	TOTAL
REVENUES			
Taxes:			
Sales and use tax	$ -	$ 30,786	$ 30,786
Lodging tax	-	1,173	1,173
Excise tax	-	3,072	3,072
Lottery Proceeds	3,722	-	3,722
Interest	-	59	59
TOTAL REVENUES	3,722	35,090	38,812
EXPENDITURES			
Parks and Recreation	-	21,744	21,744
Supplies	-	13,731	13,731
Insurance	-	9,340	9,340
TOTAL EXPENDITURES	-	44,815	44,815
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,722	(9,725)	(6,003)
FUND BALANCE, Beginning	40,874	101,766	142,640
FUND BALANCE, Ending	$ 44,596	$ 92,041	$ 136,637

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES				
Lottery proceeds	$ 2,000	$ 2,000	$ 3,722	$ 1,722
EXPENDITURES				
Parks and Recreation	30,000	30,000	-	30,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,000)	(28,000)	3,722	(28,278)
Fund Balance, Beginning	40,874	40,874	40,874	-
Fund Balance, Ending	$ 12,874	$ 12,874	$ 44,596	$ (28,278)

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES				
Taxes				
Sales and use tax	$ 15,450	$ 20,000	$ 30,786	$ 10,786
Lodging tax	900	900	1,173	273
Excise tax	500	3,000	3,072	72
Grant revenue	125,000	125,000	-	(125,000)
Interest	30	30	59	29
TOTAL REVENUES	141,880	148,930	35,090	(113,840)
EXPENDITURES				
Parks and Recreation Programs	120,900	140,900	21,744	119,156
Supplies	7,500	7,500	13,731	(6,231)
Insurance	5,000	5,000	9,340	(4,340)
TOTAL EXPENDITURES	133,400	153,400	44,815	108,585
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,480	(4,470)	(9,725)	(5,255)
Fund Balance, Beginning	101,766	101,766	101,766	-
Fund Balance, Ending	$ 110,246	$ 97,296	$ 92,041	$ (5,255)

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION-
BUDGET (NON-GAAP) AND ACTUAL
ENTERPRISE FUND - WATER
For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Charges to customers	$ 138,000	$ 138,000	$ 175,310	$ 37,310
Grants	234,500	234,500	-	(234,500)
Electric Reimbursement	1,492	1,492	-	(1,492)
Interest	50	50	763	713
TOTAL REVENUES	374,042	374,042	176,073	(197,969)
EXPENSES				
Salaries	74,000	74,000	82,945	(8,945)
Employee Benefits - Life	50	50	-	50
Repairs and maintenance	7,500	7,500	12,051	(4,551)
Insurance	7,000	7,000	80	6,920
Supplies	5,000	5,000	12,416	(7,416)
Water Samples	2,500	2,500	1,170	1,330
Electric	5,500	5,500	3,621	1,879
Propane	5,000	5,000	4,064	936
Utilities-other	2,000	2,000	1,495	505
Dolores Water Conservancy	2,700	2,700	2,700	-
Miscellaneous	8,500	8,500	7,824	676
Capital Outlay	365,000	365,000	-	365,000
TOTAL EXPENSES	484,750	484,750	128,366	356,384
CHANGE IN NET POSITION, Budget Basis	$ (110,708)	$ (110,708)	47,707	$ 158,415
ADJUSTMENTS TO GAAP BASIS:				
Less:				
Depreciation			(86,181)	
CHANGE IN NET POSITION, GAAP Basis			$ (38,474)	

See the accompanying Independent Auditor's Report.

TOWN OF RICO, COLORADO
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION -
BUDGET (NON-GAAP) AND ACTUAL
ENTERPRISE FUND - SEWER
For the Year Ended December 31, 2022

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Property taxes	$ 26,049	$ 27,161	$ 1,112
Specific ownership tax	800	1,456	656
Interest	105	133	28
TOTAL REVENUES	26,954	28,750	1,796
EXPENSES			
Operating	15,150	7,079	8,071
TOTAL EXPENSES	15,150	7,079	8,071
NET INCOME	$ 11,804	$ 21,671	$ 9,867

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.

Financial Planning 02/01
Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Rico
		YEAR ENDING : December 2022
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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	50,961
4. Miscellaneous local receipts (from page 2)	11,639
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	62,600
B. Private Contributions	
C. Receipts from State government (from page 2)	90,162
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	152,762

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	7,307
2. Maintenance:	68,841
3. Road and street services:	
a. Traffic control operations	0
b. Snow and ice removal	0
c. Other	0
d. Total (a. through c.)	0
4. General administration & miscellaneous	0
5. Highway law enforcement and safety	0
6. Total (1 through 5)	76,148
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	0
b. Redemption	0
c. Total (a. + b.)	0
2. Notes:	
a. Interest	0
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)	76,148

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
69,215	152,762	76,148	145,829	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado YEAR ENDING (mm/yy): December 2022

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	12,308	a. Interest on investments	67
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	30,786	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	7,867	g. Other Misc. Receipts	
6. Total (1. through 5.)	38,653	h. Other	11,572
c. Total (a. + b.)	50,961	i. Total (a. through h.)	11,639
	(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	18,093	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	33,000	e. U.S. Corps of Engineers	
e. Other (Specify) Road & Bridge/Mineral Leasing/Severance	39,069	f. Other Federal	
f. Total (a. through e.)	72,069	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	90,162	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		7,307	7,307
(3). System Preservation		0	0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	7,307	7,307
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	7,307	7,307
			(Carry forward to page 1)

Notes and Comments:

FORM FHWA-536 (Rev.1-05) PREVIOUS EDITIONS OBSOLETE

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, 2022, 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 20, 2023.

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 2022-001 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 & Advisors PLLC

Phoenix, Arizona
July 20, 2023

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2022-001

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 2021-001 – 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.