

CONEJOS COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2016

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Wall,
Smith,
Bateman Inc.
Certified Public Accountants

CONEJOS COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Conejos County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conejos County, Colorado (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Public Health Fund

We were unable to obtain sufficient appropriate audit evidence supporting expenditures of \$26,583 recorded in the major special revenue fund Public Health Fund. The Public Health Fund reconciliations were not completed accurately resulting in an unidentified difference.

Certified Public Accountants

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Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Public Health Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the major special revenue fund Public Health Fund of the County, as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Public Health Fund, and the aggregate remaining fund information of Conejos County, Colorado, as of December 31, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25-28 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are 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 combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the County'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 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 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 County's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 31, 2017

CONEJOS COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

CONEJOS COUNTY, COLORADO
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 6,704,996
Accounts Receivable	172,122
Due from Other Governments	332,965
Property Taxes Receivable	1,673,738
Inventories	108,006
Total Current Assets	8,991,827
Noncurrent Assets	
Capital Assets	
Land	740,824
Construction in Progress	444,211
Infrastructure	219,358
Buildings and Improvements	6,318,302
Equipment	4,529,062
Vehicles	767,194
Less Accumulated Depreciation/Depletion	(7,094,983)
Total Noncurrent Assets	5,923,968
TOTAL ASSETS	14,915,795
LIABILITIES	
Current Liabilities	
Accounts Payable	89,682
Due to Other Governments	2,373
Unearned Grant Revenue	386,745
Capital Leases Payable	63,700
Compensated Absences	17,612
Total Current Liabilities	560,112
Noncurrent Liabilities	
Capital Leases Payable	188,295
Compensated Absences	214,426
Total Noncurrent Liabilities	402,721
TOTAL LIABILITIES	962,833
DEFERRED INFLOWS OF RESOURCES - CURRENT	
Unavailable Revenue - Property Tax	1,673,738
NET POSITION	
Net Investment in Capital Assets	5,671,973
Restricted for	
TABOR Amendment Reserve	257,000
Forest Reserve- Title III	42,318
Single Entry Point	351,590
Unrestricted	5,956,343
TOTAL NET POSITION	\$ 12,279,224

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government					
Governmental Activities					
General Government	\$ 2,069,035	\$ 384,390	\$ 401,151	\$ -	\$ (1,283,494)
Public Safety	1,476,785	67,000	95,500	-	(1,314,285)
Health and Welfare	7,142,728	1,241,394	5,796,319	-	(105,015)
Highways and Streets	1,833,948	-	1,870,377	-	36,429
Judicial - District Attorney	120,000	-	-	-	(120,000)
Auxiliary Services	23,795	-	-	-	(23,795)
Culture and Recreation	75,115	-	49,225	28,338	2,448
Interest on Long-Term Debt	11,196	-	-	-	(11,196)
Total Governmental Activities	\$ 12,752,602	\$ 1,692,784	\$ 8,212,572	\$ 28,338	(2,818,908)
General Revenues					
Taxes					
General Property Taxes - Net					
Other Taxes					
Payment in Lieu of Taxes					
Interest on Investments					
Miscellaneous					
Total General Revenues					
Change in Net Position					
Net Position - Beginning					
Net Position - Ending					

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Investments	\$ 3,355,375	\$ 1,364,708	\$ 1,029,241	\$ 619,786	\$ 335,886	\$ 6,704,996
Accounts Receivable	111,515	-	758	59,849	-	172,122
Due From Other Governments	-	139,339	77,438	116,188	-	332,965
Property Taxes Receivable	1,282,769	85,940	287,739	-	17,290	1,673,738
Inventories	-	95,822	-	12,184	-	108,006
TOTAL ASSETS	\$ 4,749,659	\$ 1,685,809	\$ 1,395,176	\$ 808,007	\$ 353,176	\$ 8,991,827
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 27,339	\$ 4,774	\$ 41,448	\$ 11,109	\$ 5,012	\$ 89,682
Due to Other Governments	-	-	2,373	-	-	2,373
Unearned Grant Revenue	-	-	386,745	-	-	386,745
TOTAL LIABILITIES	27,339	4,774	430,566	11,109	5,012	478,800
DEFERRED INFLOWS OF RESOURCES						
Unearned Revenue - Property Tax	1,282,769	85,940	287,739	-	17,290	1,673,738
FUND BALANCE						
Nonspendable						
Inventory	-	95,822	-	12,184	-	108,006
Restricted for						
TABOR Amendment Reserve	257,000	-	-	-	-	257,000
Forest Reserve - Title III	-	42,318	-	-	-	42,318
Single Entry Point	-	-	-	351,590	-	351,590
Committed for						
Contingencies	2,140,376	-	-	-	-	2,140,376
Capital Expenditures	-	-	-	-	274,000	274,000
Assigned for						
Highways and Streets	-	1,456,955	-	-	-	1,456,955
Health and Welfare	-	-	676,871	433,124	-	1,109,995
Culture and Recreation	-	-	-	-	56,874	56,874
Subsequent Year Expenditures	648,609	-	-	-	-	648,609
Unassigned	393,566	-	-	-	-	393,566
TOTAL FUND BALANCE	3,439,551	1,595,095	676,871	796,898	330,874	6,839,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,749,659	\$ 1,685,809	\$ 1,395,176	\$ 808,007	\$ 353,176	\$ 8,991,827

6 The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total governmental fund balances \$ 6,839,289

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,923,968

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Leases Payable	\$ (251,995)	
Compensated Absences	(232,038)	
	(484,033)	(484,033)

Net position of governmental activities \$ 12,279,224

CONEJOS COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICE FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 1,505,583	\$ 90,847	\$ 360,918	\$ -	\$ 50,886	\$ 2,008,234
Intergovernmental Revenue	1,404,798	2,226,317	4,933,523	666,400	49,225	9,280,263
Licenses and Permits	51,586	-	-	-	-	51,586
Interest on Investments	24,393	4,471	-	231	2,173	31,268
Charges for Services	823,135	-	-	764,018	-	1,587,153
Miscellaneous	145,389	5,857	-	3,833	-	155,079
TOTAL REVENUES	3,954,884	2,327,492	5,294,441	1,434,482	102,284	13,113,583
EXPENDITURES						
Current Expenditures						
General Government	1,733,343	368,292	-	-	589	2,102,224
Public Safety	1,400,586	-	-	-	-	1,400,586
Health and Welfare	552,535	-	5,104,294	1,350,949	-	7,007,778
Highways and Streets	-	1,598,826	-	-	-	1,598,826
Judicial - District Attorney	120,000	-	-	-	-	120,000
Culture and Recreation	-	-	-	-	75,115	75,115
Auxiliary Services	22,789	-	-	-	-	22,789
Capital Outlay	-	66,000	-	-	198,604	264,604
Debt Service	-	72,488	-	-	-	72,488
TOTAL EXPENDITURES	3,829,253	2,105,606	5,104,294	1,350,949	274,308	12,664,410
Excess (Deficiency) of Revenues Over Expenditures	125,631	221,886	190,147	83,533	(172,024)	449,173
OTHER FINANCING SOURCES (USES)						
Transfers In	103,145	-	-	50,000	150,000	303,145
Transfers Out	(200,000)	(100,000)	-	-	(3,145)	(303,145)
Commodities Received	-	-	-	71,391	-	71,391
Commodities Issued	-	-	-	(71,391)	-	(71,391)
TOTAL OTHER FINANCING SOURCES (USES)	(96,855)	(100,000)	-	50,000	146,855	-
Net Change in Fund Balance	28,776	121,886	190,147	133,533	(25,169)	449,173
Fund Balance at Beginning of Year	3,410,775	1,473,209	486,724	663,365	356,043	6,390,116
Fund Balance at End of Year	\$ 3,439,551	\$ 1,595,095	\$ 676,871	\$ 796,898	\$ 330,874	\$ 6,839,289

8 The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY, 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, 2016

Net change in fund balances - total governmental funds \$ 449,173

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 activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Fixed asset additions	\$	270,177	
Depreciation expense		(412,751)	
Net effect of capital outlay, depreciation, and deletions			(142,574)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Activity of debt is as follows:

Capital lease payments	61,292
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	2,713
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Change in net position of governmental activities \$ 370,604

CONEJOS COUNTY, COLORADO
FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended December 31, 2016

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents- County Treasurer	\$ 136,812
Jail Commissary Cash	40,542
TOTAL ASSETS	\$ 177,354
LIABILITIES	
Funds Held for Others	\$ 177,354
TOTAL LIABILITIES	\$ 177,354

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The County is a political subdivision organized under the statutes of the State of Colorado. The County is governed by a three-member Board of County Commissioners (the Board). Each commissioner is elected at-large by the voters of the County to represent one of the three separate districts and must reside in the district for which he or she is elected. There are also six other elected officials - assessor, clerk and recorder, coroner, sheriff, district attorney, and treasurer. The treasurer is also the County Public Trustee.

The County provides a wide range of services to its residents including general administration, public safety, highways and streets, parks and recreation, health and social services, public improvements, planning, zoning, sanitation, and the office of the public trustee.

Component Units

The County's combined financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- § The organization is legally separate (can sue and be sued in their own name)
- § The County holds the corporate powers of the organization
- § The County appoints a voting majority of the organization's board
- § The County is able to impose its will on the organization
- § The organization has the potential to impose a financial benefit/burden on the County
- § There is fiscal dependency by the organization on the County
- § The organization is financially accountable to the County
- § The organization receives or holds funds that are for the benefit of the County; and the County has access to a majority of the funds held; and the funds that are accessible are also significant to the County.

Based on the aforementioned criteria, Conejos County has no component units.

GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the County and its component units, except for County fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- § Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- § 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 in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers grant revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- § The **General Fund** is the general operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- § The **Road and Bridge Fund** is used to account for the maintenance and improvements of streets and highways. The sources of funds include property taxes, highway users fees, and other revenue sources.
- § The **Social Services Fund** is used to account for the operations of social programs; i.e. Temporary Aid to Needy Families, Old Age Pension, Aid to the Blind, Aid to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenue.
- § The **Public Health Fund** is used to account for the multiple programs of providing health services. Financing is provided by grants and fees for services.

Fiduciary fund financial statements consist of the Agency Fund established to record transactions relating to assets held by the County in a trustee capacity or as an agent for individuals, governmental entities, and non-public organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances have been eliminated in the Statement of Net Position. All interfund transfers have been eliminated in the Statement of Activities.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

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

Investments

All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable.

The 2016 property tax levy due January 1, 2017, has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources.

Receivables/Payables From Other County Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the special revenue funds consists of expendable supplies held for use. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The inventory policy on government-wide statements is consistent with fund statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-40
Equipment	5-15
Vehicles	5-7
Infrastructure	10-40

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as other financing sources and debt payments are reported as debt service expenditures .

Compensated Absences

County policy allows employees to accumulate unused vacation, comp time, and sick leave up to certain maximum hours. At December 31 of each year, unused vacation time over 150 hours is forfeited. Retiring employees are paid 100% of unused vacation and comp time. Sick time unused by retiring employees is paid 50% up to 240 hours. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

Unearned Revenue

Revenues on grants, which are restricted by the grant contract for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet report a separate section of 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 will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- § *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- § *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- § *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the County is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- § *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- § *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- § *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of County Commissioners, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- § *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of County Commissioners or by an official or body to which the governing body delegates the authority.
- § *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Change in Accounting Principle

GASB Statement No. 72

The County has adopted the provisions of GASB No.72, Fair Value Measurement and Application. Those requirements result in enhanced comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Conejos County follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

- § Preparation of budget documents by administrative staff, which shall be submitted to the Board no later than October 15 of each year.
- § Publication of a notice stating that the budget is available for public inspection.
- § Discussion of the budget in a meeting open to the public.
- § Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the County. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2016.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

A summary of Cash, Deposits, and Investments for the County are as follow:

Cash on Hand	\$ 4,315
Cash Deposited in Banks	430,225
Investments	6,447,810
Total Cash, Deposits, and Investments (Book Balance)	6,882,350
Less: Amounts Related to Agency Fund	(177,354)
Total Cash, Deposits, and Investments on the Statement of Net Position	\$ 6,704,996

Cash and Deposits

Colorado State Statutes govern the County's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. All deposits in 2016 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2016, \$393,358 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

Investments

The County's investment policy and Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. They include:

- § Obligations of the United States and certain U.S. government agency securities
- § Certain international agency securities
- § General obligation and revenue bonds of U.S. local government entities
- § Bankers' acceptances of certain banks
- § Commercial paper
- § Local government investment pools
- § Repurchase agreements
- § Money market funds
- § Guaranteed investments contracts
- § Corporate or bank debt issued by eligible corporations or banks

Custodial Credit Risk - Investments

The County's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The policy allows for the investment in local government investment pools.

Interest Rate Risk

Colorado Revised Statutes and the County's investment policy limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates.

Fair Value

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

The Colorado Government Liquid Asset Trust (ColoTrust) is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pools consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. This investment is valued using level 2 inputs.

The Colorado Surplus Asset Fund Trust (C-SAFE) investments are valued using the net asset value per share (or its equivalent) of the investments. The investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. CSAFE investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. CSAFE measures all of its investments at amortized cost and is valued using level 2 inputs.

Colorado Statewide Investment Program (CSIP) is a money market mutual fund. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as level 2.

<u>Investment Type</u>	<u>Rating</u>	Fair Value Measurements		
		Up to 120 days	121 days to 5 years	Using: Level 2
Federal Farm Credit Bank	2% AAA	\$ -	\$ 102,994	\$ 102,994
Federal Home Loan Bank	5% Aaa	-	294,129	294,129
Federal Home Loan Mtg Corp	0% AAA	-	14,956	14,956
Federal National Mortgage Assoc	2% Aaa	-	99,082	99,082
		<u>\$ -</u>	<u>\$ 511,161</u>	<u>511,161</u>
Money Market (unrated)	0%			\$ 25,729
Certificates of Deposit	22%			1,444,883
ColoTrust	11% AAAM			728,593
CSIP	56% AAAM			3,624,465
C-SAFE	2% AAAM			112,979
				<u>5,936,649</u>
				<u>\$ 6,447,810</u>

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2016, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 1,282,769
Road and Bridge Fund	85,940
Social Services Fund	287,739
Capital Expenditures Fund	17,290
	\$ 1,673,738

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, were as follows:

Transfer In	Transfer Out	Amount
General Fund (PILT Fund)	Road and Bridge Fund	\$ 100,000
General Fund	Conservation Trust	3,145
		103,145
Public Health Fund	General Fund	50,000
Capital Expenditures Fund	General Fund (PILT Fund)	150,000
		\$ 303,145

The Road and Bridge transfer to General Fund (PILT Fund) in the amount of \$100,000 is for 1/5th of the amount used to purchase Road & Bridge equipment in 2015.

The Conservation Trust Fund transferred \$3,145 for Shooting Range expenditures.

The General Fund (Contingency Fund) transferred \$50,000 to subsidize the Nursing Fund.

The General Fund (PILT Fund) transferred \$150,000 to subsidize the Capital Expenditure Fund.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 740,824	\$ -	\$ -	\$ 740,824
Construction in Progress	187,018	257,193	-	444,211
Total capital assets not being depreciated	<u>927,842</u>	<u>257,193</u>	<u>-</u>	<u>1,185,035</u>
Capital assets being depreciated				
Infrastructure	219,358	-	-	219,358
Buildings and Improvements	6,318,302	-	-	6,318,302
Equipment	4,606,855	12,984	90,777	4,529,062
Vehicles	955,578	-	188,384	767,194
Total capital assets being depreciated	<u>12,100,093</u>	<u>12,984</u>	<u>279,161</u>	<u>11,833,916</u>
Less: accumulated depreciation for				
Infrastructure	137,289	15,715	-	153,004
Buildings and Improvements	2,633,245	140,975	-	2,774,220
Equipment	3,272,624	243,089	90,777	3,424,936
Vehicles	918,235	12,972	188,384	742,823
Total accumulated depreciation	<u>6,961,393</u>	<u>412,751</u>	<u>279,161</u>	<u>7,094,983</u>
Total Capital Assets being depreciated, net	<u>5,138,700</u>	<u>(399,767)</u>	<u>-</u>	<u>4,738,933</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,066,542</u>	<u>\$ (142,574)</u>	<u>\$ -</u>	<u>\$ 5,923,968</u>

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

Governmental Activities:	
General Government	\$ 36,865
Public Safety	76,199
Health and Welfare	63,559
Highways and Streets	235,122
Auxiliary Services	1,006
Total Depreciation Expense	<u>\$ 412,751</u>

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability balances for the year ended December 31, 2016, were as follows:

	12/31/2015			12/31/2016	Due Within
	Balance	Additions	Deletions	Balance	One Year
<i>Governmental Activities:</i>					
Capital Leases	\$ 313,287	\$ -	\$ 61,292	\$ 251,995	\$ 63,700
Compensated Absences	234,751	-	2,713	232,038	17,612
Total Governmental Activities	<u>\$ 548,038</u>	<u>\$ -</u>	<u>\$ 64,005</u>	<u>\$ 484,033</u>	<u>\$ 81,312</u>

Capital Leases

The County is obligated under certain leases accounted for as capital leases. These agreements are backed by the full faith and credit of the County and debt service is accounted for by the fund purchasing the equipment, the Road and Bridge Fund. The leased assets and related obligations are accounted for in the Statement of Net Position and the Statement of Activities.

2013 San Luis Valley Federal Bank

A lease purchase agreement, dated September 16, 2013, was entered into for \$165,000 between San Luis Valley Federal Bank, as lessor, and Conejos County (the "County"), as lessee, for the purchase of road and bridge equipment. Payments are due quarterly with an interest rate of 4.10%. Final payment is due September 2020. The equipment is included in capital assets at a cost of \$165,000 and accumulated depreciation of \$66,000 as of December 31, 2016. Principal balance at December 31, 2016, was \$94,225.

2013 Merchants Capital Resources, Inc.

A lease purchase agreement, dated July 11, 2013, was entered into for \$289,250 between Merchants Capital Resources, Inc., as lessor, and Conejos County (the "County"), as lessee, for the purchase of two motor graders. Payments are due quarterly with an interest rate of 3.69%. Final payment is due July 2020. The equipment is included in capital assets at a cost of \$289,250 and accumulated depreciation of \$115,700 as of December 31, 2016. Principal balance at December 31, 2015, was \$157,770.

The annual debt service for the capital leases is as follows:

	Principal	Interest	Total
2017	\$ 63,700	\$ 8,789	\$ 72,489
2018	66,188	6,301	72,489
2019	68,773	3,716	72,489
2020	53,334	1,032	54,366
	<u>\$ 251,995</u>	<u>\$ 19,838</u>	<u>\$ 271,833</u>

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 OPERATING LEASES

The County is committed under various leases for office equipment and software. These leases are considered operating leases for accounting purposes. Lease expenses for the year totaled \$55,360.

NOTE 9 RETIREMENT

Pension Plans

All eligible employees, participate in the Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan), a defined contribution plan, authorized by state statute. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Employees are eligible after completing twelve months of service with the County, and participation is mandatory after one year of employment. Employee and employer contributions are 100% vested immediately upon employee participation in the plan.

The County must contribute 4% of the compensation of each participant. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2016, employee contributions totaled \$115,617 and the County recognized pension expense of \$115,617.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. The Plan may be amended by resolution of the Board of County Commissioners but it may not be amended beyond the limits established by state statute.

Deferred Compensation Plan

The County also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(f), administered by Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan).

The Plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. The County has no other liability other than to make the required monthly contribution.

NOTE 10 COLORADO CONTRABAND FORFEITURE ACT

We have reviewed financial activity in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2016.

NOTE 11 TABOR AMENDMENT RESERVE

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

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

governments. The amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. The voters of the County have approved a measure that allows the County to retain and spend revenue in excess of the limit.

The amendment also requires that emergency reserves be established. These reserves must be at least three percent of fiscal year spending. The emergency reserve has been presented as restricted fund balance/net position in the financial statements. The County is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 12 RISK MANAGEMENT

Colorado Counties Casualty and Property Pool (CAPP)

The County is exposed to various risks of loss related to property and casualty losses. The County joined together with other counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The inter-governmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2016, CAPP had assets of \$25,380,003, liabilities of \$9,842,724 (including \$7,179,370 reserved for losses and claims), and members' equity of \$15,537,279. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2016, amounted to \$6,644,912 and total expenses were \$5,998,318, resulting in net income before return of surplus of \$646,594.

Colorado Workers' Compensation Pool (CWCP)

The County is exposed to various risks of loss related to injuries of employees while on the job. The County has joined together with other counties in the State of Colorado to form the Colorado Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2016, CWCP had assets of \$41,463,122, liabilities of \$22,425,987 (including \$21,026,093 reserved for losses and claims) and members' equity of \$19,037,135. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2016, amounted to \$11,305,540, total expenses were \$8,548,745, resulting in net income before return of surplus of \$2,756,745.

CONEJOS COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 COMMITMENTS AND CONTINGENCIES

Grant Programs

The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time although the County expects any such amounts to be immaterial.

Litigation

The County is a party to various legal actions normally associated with governmental activities, aggregate effect, which in management's and legal counsel's opinion, would not be material to the financial statements .

Insurance Pools

The County is a member of the Colorado Counties Casualty and Property Pool (CAPP) and the Colorado Workers' Compensation Pool (CWCP). CAPP and CWCP have a legal obligation for claims against its members to the extent that funds are available in their annually established loss funds and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds are direct liabilities of the participating members. CAPP and CWCP have indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs. The ultimate liability to the County resulting from claims not covered by CAPP and CWCP is not presently determinable.

CONEJOS COUNTY, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the County's major special revenue funds.

CONEJOS COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 1,429,770	\$ 1,429,770	\$ 1,505,583	\$ 75,813
Intergovernmental Revenue	1,124,311	1,227,649	1,404,798	177,149
Licenses and Permits	32,000	32,000	51,586	19,586
Interest on Investments	8,635	8,635	24,393	15,758
Charges for Services	805,800	805,800	823,135	17,335
Miscellaneous	126,700	126,700	145,389	18,689
TOTAL REVENUES	3,527,216	3,630,554	3,954,884	324,330
EXPENDITURES				
General Government	1,865,326	1,893,664	1,733,343	160,321
Public Safety	1,308,760	1,308,760	1,400,586	(91,826)
Health and Welfare	535,196	610,196	552,535	57,661
Judicial - District Attorney	120,000	120,000	120,000	-
Auxiliary Services	54,914	54,914	22,789	32,125
TOTAL EXPENDITURES	3,884,196	3,987,534	3,829,253	158,281
Excess (Deficiency) of Revenues Over Expenditures	(356,980)	(356,980)	125,631	482,611
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	103,145	(103,145)
Transfers Out	(250,000)	(250,000)	(200,000)	50,000
TOTAL OTHER FINANCING SOURCES (USES)	(250,000)	(250,000)	(96,855)	153,145
Net Change in Fund Balance	(606,980)	(606,980)	28,776	635,756
Fund Balance at Beginning of Year	3,045,889	3,045,889	3,410,775	364,886
Fund Balance at End of Year	\$ 2,438,909	\$ 2,438,909	\$ 3,439,551	\$ 1,000,642

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

CONEJOS COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 113,556	\$ 113,556	\$ 90,847	\$ (22,709)
Intergovernmental Revenue	2,020,000	2,020,000	2,226,317	206,317
Interest on Investments	100	100	4,471	4,371
Miscellaneous	-	-	5,857	5,857
TOTAL REVENUES	<u>2,133,656</u>	<u>2,133,656</u>	<u>2,327,492</u>	<u>193,836</u>
EXPENDITURES				
General Government	400,000	400,000	368,292	31,708
Highways and Streets	2,305,613	2,305,613	1,598,826	706,787
Capital Outlay	-	-	66,000	(66,000)
Debt Service	-	-	72,488	(72,488)
TOTAL EXPENDITURES	<u>2,705,613</u>	<u>2,705,613</u>	<u>2,105,606</u>	<u>600,007</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCSE (USES)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Excess (Deficiency) of Revenues Over Expenditures	(571,957)	(571,957)	121,886	693,843
Fund Balance at Beginning of Year	<u>1,341,455</u>	<u>1,341,455</u>	<u>1,473,209</u>	<u>131,754</u>
Fund Balance at End of Year	<u><u>\$ 769,498</u></u>	<u><u>\$ 769,498</u></u>	<u><u>\$ 1,595,095</u></u>	<u><u>\$ 825,597</u></u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

CONEJOS COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SERVICES FUND
For the Year Ended December 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 366,384	\$ 366,384	\$ 360,918	\$ (5,466)
Intergovernmental Revenue	7,852,589	7,852,589	4,933,523	(2,919,066)
TOTAL REVENUES	<u>8,218,973</u>	<u>8,218,973</u>	<u>5,294,441</u>	<u>(2,924,532)</u>
EXPENDITURES				
Health and Welfare	8,413,059	8,413,059	5,104,294	3,308,765
TOTAL EXPENDITURES	<u>8,413,059</u>	<u>8,413,059</u>	<u>5,104,294</u>	<u>3,308,765</u>
Net Change in Fund Balance	(194,086)	(194,086)	190,147	384,233
Fund Balance at Beginning of Year	<u>654,492</u>	<u>654,492</u>	<u>486,724</u>	<u>(167,768)</u>
Fund Balance at End of Year	<u><u>\$ 460,406</u></u>	<u><u>\$ 460,406</u></u>	<u><u>\$ 676,871</u></u>	<u><u>\$ 216,465</u></u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

CONEJOS COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUBLIC HEALTH FUND
For the Year Ended December 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental Revenue	\$ 577,235	\$ 577,235	\$ 666,400	\$ 89,165
Interest on Investments	-	-	231	231
Charges for Services	12,000	12,000	764,018	752,018
Miscellaneous	784,939	784,939	3,833	(781,106)
TOTAL REVENUES	1,374,174	1,374,174	1,434,482	60,308
EXPENDITURES				
Health and Welfare	1,491,690	1,491,690	1,350,949	140,741
TOTAL EXPENDITURES	1,491,690	1,491,690	1,350,949	140,741
Excess (Deficiency) of Revenues Over Expenditures	(117,516)	(117,516)	83,533	201,049
OTHER FINANCING SOURCES (USES)				
Transfers In	100,000	100,000	50,000	(50,000)
Commodities Received	-	-	71,391	71,391
Commodities Issued	-	-	(71,391)	(71,391)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	50,000	(50,000)
Net Change in Fund Balance	(17,516)	(17,516)	133,533	151,049
Fund Balance at Beginning of Year	387,079	387,079	663,365	276,286
Fund Balance at End of Year	\$ 369,563	\$ 369,563	\$ 796,898	\$ 427,335

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

CONEJOS COUNTY, COLORADO

SUPPLEMENTARY INFORMATION

The combining fund schedules represent the second level of financial reporting for the County. These schedules present more detailed information for the individual funds in a format that segregates information by fund type.

CONEJOS COUNTY, COLORADO
COMBINING BALANCE SHEET
GENERAL FUND
December 31, 2016

	<u>GENERAL FUND</u>	<u>GENERAL CONTINGENCY FUND</u>	<u>CONTINGENCY FUND</u>	<u>PILT FUND</u>	<u>TOTAL</u>
ASSETS					
Cash and Investments	\$ 1,115,099	\$ 658,359	\$ 179,999	\$ 1,401,918	\$ 3,355,375
Accounts Receivable	111,515	-	-	-	111,515
Property Taxes Receivable	1,265,479	-	17,290	-	1,282,769
TOTAL ASSETS	<u>\$ 2,492,093</u>	<u>\$ 658,359</u>	<u>\$ 197,289</u>	<u>\$ 1,401,918</u>	<u>\$ 4,749,659</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 27,339	\$ -	\$ -	\$ -	\$ 27,339
TOTAL LIABILITIES	<u>27,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,339</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenue - Property Tax	1,265,479	-	17,290	-	1,282,769
FUND BALANCE					
Restricted for:					
TABOR Amendment Reserve	257,000	-	-	-	257,000
Committed to:					
Contingencies	-	558,459	179,999	1,401,918	2,140,376
Assigned to:					
Subsequent Year Expenditures	548,709	99,900	-	-	648,609
Unassigned	393,566	-	-	-	393,566
TOTAL FUND BALANCE	<u>1,199,275</u>	<u>658,359</u>	<u>179,999</u>	<u>1,401,918</u>	<u>3,439,551</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,492,093</u>	<u>\$ 658,359</u>	<u>\$ 197,289</u>	<u>\$ 1,401,918</u>	<u>\$ 4,749,659</u>

CONEJOS COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended December 31, 2016

	GENERAL FUND	GENERAL CONTINGENCY FUND	CONTINGENCY FUND	PILT FUND	ELIMINATIONS	TOTAL
REVENUES						
Taxes	\$ 1,485,533	\$ -	\$ 20,050	\$ -	\$ -	\$ 1,505,583
Intergovernmental Revenue	283,161	-	-	1,121,637	-	1,404,798
Licenses and Permits	51,586	-	-	-	-	51,586
Interest on Investments	16,100	2,347	185	5,761	-	24,393
Charges for Services	823,135	-	-	-	-	823,135
Miscellaneous	145,389	-	-	-	-	145,389
TOTAL REVENUES	2,804,904	2,347	20,235	1,127,398	-	3,954,884
EXPENDITURES						
General Government	1,732,832	-	511	-	-	1,733,343
Public Safety	1,400,586	-	-	-	-	1,400,586
Health and Welfare	552,535	-	-	-	-	552,535
Judicial - District Attorney	120,000	-	-	-	-	120,000
Auxiliary Services	22,789	-	-	-	-	22,789
TOTAL EXPENDITURES	3,828,742	-	511	-	-	3,829,253
Excess (Deficiency) of Revenues Over Expenditures	(1,023,838)	2,347	19,724	1,127,398	-	125,631
OTHER FINANCING SOURCES (USES)						
Transfers In	853,145	-	-	100,000	(850,000)	103,145
Transfers Out	-	(50,000)	-	(1,000,000)	850,000	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	853,145	(50,000)	-	(900,000)	-	(96,855)
Net Change in Fund Balance	(170,693)	(47,653)	19,724	227,398	-	28,776
Fund Balance at Beginning of Year	1,369,968	706,012	160,275	1,174,520	-	3,410,775
Fund Balance at End of Year	\$ 1,199,275	\$ 658,359	\$ 179,999	\$ 1,401,918	\$ -	\$ 3,439,551

**CONEJOS COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Conservation Trust Fund – This fund is used to account for the County share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks, and other public recreational facilities.

Lodging Tax Fund – This fund is used to account for the County share of the lodging tax collected on each hotel/motel that is rented in Conejos County. The monies may be expended to promote Conejos County to tourists.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Capital Expenditures Fund – This fund is used to account for the monies set aside for capital expenditures.

CONEJOS COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2016

	NONMAJOR SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
	CONSERVATION TRUST FUND	LODGING TAX FUND	CAPITAL EXPENDITURES FUND	
ASSETS				
Cash and Investments	\$ 43,382	\$ 18,504	\$ 274,000	\$ 335,886
Property Taxes Receivable	-	-	17,290	17,290
TOTAL ASSETS	\$ 43,382	\$ 18,504	\$ 291,290	\$ 353,176
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 27	\$ 4,985	-	\$ 5,012
TOTAL LIABILITIES	27	4,985	-	5,012
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	-	-	17,290	17,290
FUND BALANCE				
Committed to				
Capital Expenditures	-	-	274,000	274,000
Assigned to				
Culture and Recreation	43,355	13,519	-	56,874
TOTAL FUND BALANCE	43,355	13,519	274,000	330,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 43,382	\$ 18,504	\$ 291,290	\$ 353,176

CONEJOS COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	NONMAJOR SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
	CONSERVATION TRUST FUND	LODGING TAX FUND	CAPITAL EXPENDITURES FUND	
REVENUES				
Taxes	\$ -	\$ 30,836	\$ 20,050	\$ 50,886
Intergovernmental Revenue	49,225	-	-	49,225
Interest on Investments	62	-	2,111	2,173
TOTAL REVENUES	<u>49,287</u>	<u>30,836</u>	<u>22,161</u>	<u>102,284</u>
EXPENDITURES				
General Government	-	-	589	589
Culture and Recreation	40,801	34,314	-	75,115
Capital Outlay	-	-	198,604	198,604
TOTAL EXPENDITURES	<u>40,801</u>	<u>34,314</u>	<u>199,193</u>	<u>274,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,486</u>	<u>(3,478)</u>	<u>(177,032)</u>	<u>(172,024)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	150,000	150,000
Transfers Out	(3,145)	-	-	(3,145)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,145)</u>	<u>-</u>	<u>150,000</u>	<u>146,855</u>
Net Change in Fund Balance	5,341	(3,478)	(27,032)	(25,169)
Fund Balance at Beginning of Year	<u>38,014</u>	<u>16,997</u>	<u>301,032</u>	<u>356,043</u>
Fund Balance at End of Year	<u>\$ 43,355</u>	<u>\$ 13,519</u>	<u>\$ 274,000</u>	<u>\$ 330,874</u>

CONEJOS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET AND ACTUAL
ALL NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>REPORTED ON</u>	<u>FINAL BUDGET</u>
			<u>THE GAAP</u>	<u>POSITIVE</u>
			<u>BASIS</u>	<u>(NEGATIVE)</u>
Governmental Funds				
Non-major Governmental Funds				
Special Revenue Funds				
Conservation Trust Fund	\$ 49,591	\$ 49,591	\$ 43,946	\$ 5,645
Lodging Tax Fund	46,858	46,858	34,314	12,544
Total Special Revenue Funds	<u>96,449</u>	<u>96,449</u>	<u>78,260</u>	<u>18,189</u>
Capital Projects Fund				
Capital Expenditures Fund	<u>150,475</u>	<u>210,475</u>	<u>199,193</u>	<u>11,282</u>
Total Non-major Governmental Funds	<u>\$ 246,924</u>	<u>\$ 306,924</u>	<u>\$ 277,453</u>	<u>\$ 29,471</u>

CONEJOS COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

CONEJOS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Auditee EIN: 84-6000752
Total Amount: \$ 2,041,011

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Direct Award (Y/N)	If column (k) is "N", list Name of Pass-through Entity
10	561	STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	\$ 76,045	SNAP CLUSTER	\$ 76,045	\$ 76,045	N	COLORADO DEPT. OF HUMAN SERVICES
10	565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	\$ 71,391	FOOD DISTRIBUTION CLUSTER	\$ 109,189	\$ 148,499	N	COLORADO DEPT. OF HUMAN SERVICES
10	565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	\$ 37,798	FOOD DISTRIBUTION CLUSTER	\$ 109,189	\$ 148,499	N	COLORADO DEPT. OF HUMAN SERVICES
10	569	EMERGENCY FOOD ASSISTANCE PROGRAM (FOOD COMMODITIES)	\$ 39,310	FOOD DISTRIBUTION CLUSTER	\$ 39,310	\$ 148,499	N	COLORADO DEPARTMENT OF HUMAN SERVICES AND CARE AND SHARE FOOD BANK
10	665	SCHOOLS AND ROADS - GRANTS TO STATES	\$ 345,353	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$ 363,529	\$ 363,529	N	COLORADO DEPT. OF TREASURY
10	665	SCHOOLS AND ROADS - GRANTS TO STATES	\$ 18,176	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$ 363,529	\$ 363,529	N	COLORADO DEPT. OF TREASURY
93	558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$ 338,611	TANF CLUSTER	\$ 338,611	\$ 338,611	N	COLORADO DEPT. OF HUMAN SERVICES
93	563	CHILD SUPPORT ENFORCEMENT	\$ 114,504	N/A	\$ 114,504		N	COLORADO DEPT. OF HUMAN SERVICES

CONEJOS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Auditee EIN: 84-6000752
Total Amount: \$ 2,041,011

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Direct Award (Y/N)	If column (k) is "N", list Name of Pass-through Entity
93	568	LOW-INCOME HOME ENERGY ASSISTANCE	\$ 191,024	N/A	\$ 191,024		N	COLORADO DEPT. OF HUMAN SERVICES
93	575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 47,353	CCDF CLUSTER	\$ 47,353	\$ 73,152	N	COLORADO DEPT. OF HUMAN SERVICES
93	596	CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	\$ 25,799	CCDF CLUSTER	\$ 25,799	\$ 73,152	N	COLORADO DEPT. OF HUMAN SERVICES
93	645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	\$ 8,535	N/A	\$ 8,535		N	COLORADO DEPT. OF HUMAN SERVICES
93	090	GUARDIANSHIP ASSISTANCE	\$ 781	N/A	\$ 781		N	COLORADO DEPT. OF HUMAN SERVICES
93	658	FOSTER CARE_TITLE IV-E	\$ 177,101	N/A	\$ 177,101		N	COLORADO DEPT. OF HUMAN SERVICES
93	659	ADOPTION ASSISTANCE	\$ 12,088	N/A	\$ 12,088		N	COLORADO DEPT. OF HUMAN SERVICES
93	667	SOCIAL SERVICES BLOCK GRANT	\$ 79,151	N/A	\$ 79,151		N	COLORADO DEPT. OF HUMAN SERVICES

CONEJOS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Auditee EIN: 84-6000752
Total Amount: \$ 2,041,011

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Direct Award (Y/N)	If column (k) is "N", list Name of Pass-through Entity
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 32,604	MEDICAID CLUSTER	\$ 300,498	\$ 300,498	N	COLORADO DEPT. OF HUMAN SERVICES
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 67,517	MEDICAID CLUSTER	\$ 300,498	\$ 300,498	N	COLORADO DEPT. OF HUMAN SERVICES
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 200,377	MEDICAID CLUSTER	\$ 300,498	\$ 300,498	N	COLORADO DEPT. OF HEALTH CARE POLICY & FINANCING
93	069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	\$ 17,235	N/A	\$ 17,235		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT
93	994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	\$ 12,198	N/A	\$ 12,198		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT
97	042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	\$ 37,505	N/A	\$ 37,505		N	COLORADO DEPT. OF LOCAL AFFAIRS
16	575	CRIME VICTIM ASSISTANCE	\$ 15,555	N/A	\$ 15,555		N	COLORADO DIVISION OF CRIMINAL JUSTICE
97	067	HOMELAND SECURITY GRANT PROGRAM	<u>\$ 75,000</u>	N/A	\$ 75,000		N	GOVERNOR'S OFFICE OF HOMELAND SECURITY
Total Federal Awards Expended			<u>\$ 2,041,011</u>					

CONEJOS COUNTY, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Conejos County, Colorado under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Conejos County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Conejos County, Colorado.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2016.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



**Wall,
Smith,
Bateman Inc.**

To the Board of County Commissioners
Conejos County, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conejos County, Colorado (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. Finding 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 determination of financial statement amounts. 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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying corrective action plan. The County'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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 31, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Conejos County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Conejos County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Conejos County, Colorado, complied, in all material respects, with the types of 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, 2016.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 31, 2017

CONEJOS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Road and Bridge Fund	Unmodified
Social Services Fund	Unmodified
Public Health Fund	Qualified
Nonmajor Governmental Funds	Unmodified

Internal control over financial reporting:

- § Material weakness(es) identified? X yes no
- § Significant deficiency(ies) identified that are **not** considered to be material weakness (es)? yes X none reported
- § Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- § Material weakness(es) identified? yes X no
- § Significant deficiency(ies) identified that are **not** considered to be material weakness (es)? yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) ? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Cluster
93.558	TANF Cluster
93.568	Low-Income Home Energy Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes X no

CONEJOS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section II – Financial Statement Findings

Finding 2016-001: Internal Control over Financial Reporting
(Repeat of Finding 2015-001, 2014-001, 2013-001 and 12-1)

Type of finding: Internal Control (material weakness)

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, antifraud programs, non-routine transactions, financial statement preparation and safeguarding of assets.

Effect: As a result of this condition the following areas were affected:

1. Audit adjustments were proposed to properly state the General Fund, Road and Bridge Fund, and Public Health Fund in the County financial statements as of December 31, 2016, in accordance with generally accepted accounting principles.
2. The County was unable to provide support for expenditures of \$26,583 recorded in the Public Health Fund. The audit opinion on the financial statements has been qualified in respect to this matter.
3. The County is not reconciling employer health insurance expenditures and employee health insurance withholdings prior to payment to ensure allocation and expenditure to the correct County funds.
4. The Finance Department does not have information necessary to ensure proper accounting and compliance of grants applied for and managed outside of the County Administration Department.
5. The Sheriff's Department was unable to provide supporting documentation for large cash deposits to the jail commissary bank account. In addition, purchases were made directly from the account rather than the County General Fund.

Recommendation: The County should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end financial close accounting and government-wide reporting and continue to strengthen reconciliation and monitoring processes for non-routine transactions and balances. In addition, grant activity should be reconciled and monitored by both program management and the finance department to ensure reconciliation to the general ledger, compliance with terms and conditions of grant awards, and accurate reporting. The Sheriff's department should implement policies and procedures to ensure that commissary funds and County General Funds are accounted for appropriately.

Management's Response: See corrective action plan.

CONEJOS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section III – Federal Award Findings and Questioned Costs

None

CONEJOS COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2016

Section II – Financial Statement Findings

Finding 2015-001: Internal Control over Financial Reporting
(Repeat of Finding 2014-001, 2013-001, and 12-1)

Type of finding: Internal Control (material weakness)

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Status: Not Implemented

Finding 2015-002: Minutes of the Governing Board
(Repeat of Finding 2014-002, 2013-002 and 12-3)

Type of finding: Internal Control (significant deficiency) and Material Noncompliance

Condition: The minutes of the Board of County Commissioners (BOCC) for the 2015 meetings that took place on April 16 and 24, June 15, August 18, September 3 and 22, November 16, and December 15, and 2016 meetings that took place on February 12, March 15, May 16, and June 15 were not available for review.

Status: Implemented

Section III – Federal Award Findings and Questioned Costs

Finding 2015-003: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services
(Repeat of Finding 2014-003 and 2014-005)

Passed through Colorado Department of Human Services

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility and Special Tests and Provisions

Grant No.: Not applicable

Type of finding: Internal Control (material weakness) and Compliance (material noncompliance)

Condition: The County Department of Social Services (the Department) is not maintaining complete and accurate case files or obtaining information in a timely manner for TANF program clients. 12 of 20 case files reviewed were missing required information and one file was missing in its entirety.

Status: Implemented



Board of County Commissioners

J. Steven McCarroll

John Sandoval

Mitchell Jarvies

CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Health and Human Services

Conejos County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2016.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended December 31, 2016

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2016-001: Internal Control over Financial Reporting (Repeat of Findings 2015-001, 2014-001, 2013-001, and 12-1)

Type of finding: Internal Control (material weakness)

Recommendation: The County should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end financial close accounting and government-wide reporting and continue to strengthen reconciliation and monitoring processes for non-routine transactions and balances. In addition, grant activity should be reconciled and monitored by both program management and the finance department to ensure reconciliation to the general ledger, compliance with terms and conditions of grant awards, and accurate reporting. The Sheriff's department should implement policies and procedures to ensure that commissary funds and County General Funds are accounted for appropriately.

Action Taken:

The County will look at adopting monthly closing procedures to strengthen the reconciliation and monitoring processes for non-routine transactions and balances.

The finance department will develop some methodology to monitor grant activity and reconcile programs activity to the general ledger. In addition, we will develop some type of compliance and monitoring program for grant activity to allow us to monitor the program management.

Sheriff's staff as of June 1st 2017 are making timely monthly deposits of commissary dollars. Sheriff and staff will adopting policies and procedures on the administering and accounting of all commissary transactions.

If the U.S. Department of Health and Human Services have questions regarding this plan, please call the responsible parties listed below.

Sincerely yours,



Tressesa Martinez
County Administrator
Conejos County, Colorado

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Conejos County
	YEAR ENDING : December 2016

This Information From The Records Of : County of Conejos	Prepared By: Phone:	GARY GURULE (719)376-5772 x2
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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)	66,000
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,650,086
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	90,847	c. Other Misc. Grant	0
4. Miscellaneous local receipts (from page 2)	11,058	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	403,708
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	13,324
a. Bonds - Original Issues		6. Total (1 through 5)	2,133,118
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)	101,905	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,857,058	2. Notes:	
D. Receipts from Federal Government (from page 2)	368,529	a. Interest	11,187
E. Total receipts (A.7 + B + C + D)	2,327,492	b. Redemption	61,301
		c. Total (a. + b.)	72,488
		3. Total (1.c + 2.c)	72,488
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,205,606

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)	313,287	0	61,301	251,986

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,473,209	2,327,492	2,205,606	1,595,095	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2016

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	77,074	a. Interest on investments	4,471
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	1,682
4. Licenses		f. Charges for Services	730
5. Specific Ownership &/or Other	13,773	g. Other Misc. Receipts	4,175
6. Total (1. through 5.)	13,773	h. Other	
c. Total (a. + b.)	90,847	i. Total (a. through h.)	11,058
	(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	1,837,413	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	363,529
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	19,645	d. Federal Transit Admin	
d. Other (Specify) - Misc. Grant	0	e. U.S. Corps of Engineers	
e. Other (Specify)	0	f. Other Federal: RAC Grant	5,000
f. Total (a. through e.)	19,645	g. Total (a. through f.)	368,529
4. Total (1. + 2. + 3.f)	1,857,058	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		66,000	66,000
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	66,000	66,000
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	66,000	66,000
			(Carry forward to page 1)

Notes and Comments: