

COSTILLA COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2016



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Wall,
Smith,
Bateman Inc.
Certified Public Accountants

COSTILLA COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Costilla County, Colorado
San Luis, Colorado



Wall,
Smith,
Bateman Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Costilla 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.

Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 30-33 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 August 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

August 31, 2017

COSTILLA COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

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

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 6,035,675	\$ 74,834	\$ 6,110,509
Property Taxes Receivable	2,044,491	-	2,044,491
Accounts Receivable	107,327	4,327	111,654
Due from Other Governments	847,033	-	847,033
Inventory	133,409	-	133,409
Total Current Assets	9,167,935	79,161	9,247,096
Noncurrent Assets			
Capital Assets			
Land	1,057,781	-	1,057,781
Construction in Progress	819,252	-	819,252
Buildings	10,066,654	-	10,066,654
Equipment	6,274,245	-	6,274,245
Infrastructure	2,968,578	-	2,968,578
Water and Sewer Plant	-	4,571,208	4,571,208
Less: Accumulated Depreciation/Depletion	(9,163,814)	(2,689,855)	(11,853,669)
Total Noncurrent Assets	12,022,696	1,881,353	13,904,049
TOTAL ASSETS	21,190,631	1,960,514	23,151,145
LIABILITIES			
Current Liabilities			
Accounts Payable	263,010	6,850	269,860
Due to Other Governments	35,927	-	35,927
Unearned Revenue - Other	16,920	-	16,920
Accrued Interest Payable	-	1,818	1,818
Bonds Payable	-	13,000	13,000
Lease Purchase Agreement	43,000	-	43,000
Capital Leases Payable	157,071	-	157,071
Notes Payable	57,440	-	57,440
Compensated Absences	9,035	-	9,035
Total Current Liabilities	582,403	21,668	604,071
Noncurrent Liabilities			
Bonds Payable	-	42,000	42,000
Lease Purchase Agreement	535,000	-	535,000
Capital Leases Payable	570,765	-	570,765
Notes Payable	47,630	-	47,630
Compensated Absences	62,346	-	62,346
Total Noncurrent Liabilities	1,215,741	42,000	1,257,741
TOTAL LIABILITIES	1,798,144	63,668	1,861,812
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Unavailable Revenue - Property Tax	2,044,491	-	2,044,491
NET POSITION			
Net Investment in Capital Assets	10,611,790	1,826,353	12,438,143
Restricted for TABOR	313,000	-	313,000
Unrestricted	6,423,206	70,493	6,493,699
TOTAL NET POSITION	\$ 17,347,996	\$ 1,896,846	\$ 19,244,842

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government:							
Governmental Activities:							
General Government	\$ 2,203,861	\$ 635,329	\$ 112,974	\$ 15,050	\$ (1,440,508)	\$ -	\$ (1,440,508)
Public Safety	779,093	221,168	56,126	-	(501,799)	-	(501,799)
Health and Welfare	6,606,297	832,586	5,159,027	210,243	(404,441)	-	(404,441)
Highways and Streets	3,112,482	18,063	3,928,102	447,810	1,281,493	-	1,281,493
Auxiliary Services	247,070	-	124,231	106,758	(16,081)	-	(16,081)
Culture and Recreation	83,719	-	43,675	-	(40,044)	-	(40,044)
Interest Expense	60,718	-	-	-	(60,718)	-	(60,718)
Total Governmental Activities	13,093,240	1,707,146	9,424,135	779,861	(1,182,098)	-	(1,182,098)
Business-Type Activities							
Water	144,870	110,225	-	2,250	-	(32,395)	(32,395)
Sanitation	114,206	47,904	-	-	-	(66,302)	(66,302)
Total Business-Type Activities	259,076	158,129	-	2,250	-	(98,697)	(98,697)
Total Primary Government	\$ 13,352,316	\$ 1,865,275	\$ 9,424,135	\$ 782,111	(1,182,098)	(98,697)	(1,280,795)
General Revenues and Transfers:							
Taxes							
					2,017,732	-	2,017,732
					188,330	-	188,330
					154,572	-	154,572
					751	-	751
					205	150	355
					85,106	10,107	95,213
					(15,350)	15,350	-
Total General Revenues and Transfers					2,431,346	25,607	2,456,953
					1,249,248	(73,090)	1,176,158
Change in Net Position					1,249,248	(73,090)	1,176,158
Net Position - Beginning of Year					16,098,748	1,969,936	18,068,684
Net Position - End of Year					\$ 17,347,996	\$ 1,896,846	\$ 19,244,842

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

COSTILLA 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 Cash Equivalents	\$ 2,236,018	\$ 3,162,640	\$ 314,925	\$ 122,145	\$ 199,947	\$ 6,035,675
Receivables						
Property Taxes Receivable	1,702,832	-	286,429	-	55,230	2,044,491
Accounts Receivable	-	-	-	107,327	-	107,327
Due From Other Funds	211,264	-	-	-	-	211,264
Due From Other Governments	222,675	394,037	56,602	77,774	95,945	847,033
Inventory	-	119,220	-	14,189	-	133,409
TOTAL ASSETS	\$ 4,372,789	\$ 3,675,897	\$ 657,956	\$ 321,435	\$ 351,122	\$ 9,379,199
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 142,126	\$ 109,428	\$ -	\$ 10,728	\$ 728	\$ 263,010
Due to Other Funds	-	17,973	65,364	-	127,927	211,264
Due to Other Governments	-	-	35,927	-	-	35,927
Unearned Revenue - Other	-	-	16,920	-	-	16,920
TOTAL LIABILITIES	142,126	127,401	118,211	10,728	128,655	527,121
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Tax	1,702,832	-	286,429	-	55,230	2,044,491
FUND BALANCE						
Nonspendable						
Inventory	-	119,220	-	14,188	-	133,408
Restricted						
TABOR Amendment Reserve	94,000	132,000	47,000	37,000	3,000	313,000
Committed						
Capital Projects	-	-	-	-	29,068	29,068
Assigned						
Health and Welfare	-	-	206,316	259,519	-	465,835
Highway and Streets	-	3,297,276	-	-	-	3,297,276
Culture and Recreation	-	-	-	-	135,169	135,169
Designated for Future Use	380,000	-	-	-	-	380,000
Unassigned	2,053,831	-	-	-	-	2,053,831
TOTAL FUND BALANCE	2,527,831	3,548,496	253,316	310,707	167,237	6,807,587
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
	\$ 4,372,789	\$ 3,675,897	\$ 657,956	\$ 321,435	\$ 351,122	\$ 9,379,199

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

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

Total governmental fund balances	\$	6,807,587
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.		12,022,696
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease Purchase Agreement	\$	(578,000)
Capital Leases Payable		(727,836)
Note Payable		(105,070)
Compensated Absences		(71,381)
		(1,482,287)
Net position of governmental activities	\$	17,347,996

COSTILLA 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 SERVICES FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 1,977,549	\$ -	\$ 325,169	\$ -	\$ 57,916	\$ 2,360,634
Intergovernmental Revenue	570,558	4,393,975	4,538,671	1,444,996	120,349	11,068,549
Licenses and Permits	82,539	-	-	-	-	82,539
County Ordinances	145,184	-	-	-	-	145,184
Charges for Services	605,609	-	-	-	-	605,609
Miscellaneous	58,740	35,313	-	123	1,147	95,323
TOTAL REVENUES	3,440,179	4,429,288	4,863,840	1,445,119	179,412	14,357,838
EXPENDITURES						
Current Expenditures						
General Government	1,962,234	-	-	-	133,643	2,095,877
Public Safety	732,150	-	-	-	-	732,150
Health and Welfare	900	-	4,981,616	1,468,486	-	6,451,002
Highways and Streets	-	2,628,578	-	-	-	2,628,578
Auxiliary Services	231,244	-	-	-	-	231,244
Culture and Recreation	-	-	-	-	79,788	79,788
Capital Outlay	350,505	802,682	-	-	-	1,153,187
Debt Service	32,152	241,384	72,668	-	-	346,204
TOTAL EXPENDITURES	3,309,185	3,672,644	5,054,284	1,468,486	213,431	13,718,030
Excess (deficiency) of revenues over expenditures	130,994	756,644	(190,444)	(23,367)	(34,019)	639,808
OTHER FINANCING SOURCES (USES)						
Capital Lease Proceeds	28,613	-	-	-	-	28,613
Transfers In	1,000	-	-	-	-	1,000
Transfers Out	(15,350)	-	-	-	(1,000)	(16,350)
TOTAL OTHER FINANCING SOURCES (USES)	14,263	-	-	-	(1,000)	13,263
Net change in fund balance	145,257	756,644	(190,444)	(23,367)	(35,019)	653,071
Fund Balance at Beginning of Year	2,382,574	2,791,852	443,760	334,074	202,256	6,154,516
Fund Balance at End of Year	\$ 2,527,831	\$ 3,548,496	\$ 253,316	\$ 310,707	\$ 167,237	\$ 6,807,587

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

COSTILLA 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 \$ 653,071

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. This is the activity in the capital assets in the current period.

Capital Asset Additions	\$ 1,192,397	
Capital Asset Deletions Net of Accumulated Depreciation	(15,826)	
Depreciation Expense	<u>(833,628)</u>	
		342,943

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. This is the activity in debt in the current period.

Lease Purchase Agreement Payment	41,000	
Capital Lease Proceeds	(28,613)	
Note Payments	55,719	
Capital Lease Payments	<u>188,767</u>	
		256,873

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.

Compensated Absences		<u>(3,639)</u>
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Change in net position of governmental activities		<u><u>\$ 1,249,248</u></u>
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COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016

	WATER AND SANITATION FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 74,834
Accounts Receivable	4,327
Total Current Assets	79,161
Noncurrent Assets	
Capital Assets	
Water and Sewer Plant	4,571,208
Less: Accumulated Depreciation/Depletion	(2,689,855)
Total Noncurrent Assets	1,881,353
TOTAL ASSETS	1,960,514
LIABILITIES	
Current Liabilities	
Accounts Payable	6,850
Accrued Interest Payable	1,818
Bonds Payable (current portion)	13,000
Total Current Liabilities	21,668
Noncurrent Liabilities	
Bonds Payable	42,000
Total Noncurrent Liabilities	42,000
TOTAL LIABILITIES	63,668
NET POSITION	
Net Investment in Capital Assets	1,826,353
Unrestricted	70,493
TOTAL NET POSITION	\$ 1,896,846

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

COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2016

	WATER AND SANITATION FUND
OPERATING REVENUES	
Charges for Services	\$ 158,129
Miscellaneous	10,107
	168,236
Total Charges for Services	168,236
Total operating revenues	168,236
OPERATING EXPENSES	
Salaries and Benefits	73,649
Supplies	15,595
Utilities	23,397
Professional Services	21,102
Repairs and Maintenance	13,418
Permits and Fees	6,135
Depreciation Expense	101,417
Miscellaneous	1,464
	256,177
Total operating expenses	256,177
Operating Income (Loss)	(87,941)
NONOPERATING REVENUES (EXPENSES)	
Interest on Deposits	150
Interest Expense	(2,899)
	(2,749)
Total Nonoperating Revenues (Expenses)	(2,749)
Income (Loss) Before Other Revenue	(90,690)
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Tap Fees	2,250
Transfer In	15,350
	17,600
Total Capital Contributions and Transfers	17,600
Change in Net Position	(73,090)
Net Position, Beginning of Year	1,969,936
Net Position, End of Year	\$ 1,896,846

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

COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	WATER AND SANITATION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 167,184
Cash Payments to Suppliers for Goods and Services	(79,898)
Cash Payments to Employees for Services	(73,649)
	13,637
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,637
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Tap Fees	2,250
	2,250
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	2,250
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Deposits	150
	150
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,037
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	58,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 74,834
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (87,941)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	101,417
(Increase) Decrease in Accounts Receivable	(1,052)
Increase (Decrease) in Accounts Payable	1,213
	1,213
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 13,637
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
General Fund paid current year debt payment of \$15,350.	

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

COSTILLA COUNTY, COLORADO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2016

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 200,502
TOTAL ASSETS	<u>\$ 200,502</u>
LIABILITIES	
Funds Held for Others	\$ 200,502
TOTAL LIABILITIES	<u>\$ 200,502</u>

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

COSTILLA 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

Costilla County was created as a quasi-municipal corporation by the legislature in 1913 for the purpose of exercising a part of the political power 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 five other elected officials - assessor, clerk and recorder, coroner, sheriff, and treasurer. The treasurer is also the County Public Trustee. The County provides the following services: public safety (sheriff), highways and streets, health and welfare, water and sanitation system, property tax collection and distribution, land use planning and regulations, culture and recreation, library, and general administrative services.

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, Costilla 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, if any, 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.

COSTILLA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, proprietary 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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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. 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.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

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 highway user's fees and other revenue sources.
- § The *Social Services Fund* is used to account for the operations of social programs; i.e. Temporary Assistance 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.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is dependent upon determination of net income, financial position, and cash

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flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sanitation Fund are service fees charged to customers. Operating expenses for the Water and Sanitation Fund consist primarily of salaries and operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

- § Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- § Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Fiduciary fund financial statements consist of the Treasurer's Agency Fund established to record transactions relating to assets held by the County 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.

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

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

Cash and Cash Equivalents

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. 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 corresponding deferred inflows of resources.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Road and Bridge Fund consists of expendable supplies held for use. Reported inventories are equally offset by nonspendable fund balance, which indicates that it does not constitute "available spendable resources" even though they are a component of net current assets.

Inventory in the Public Health Fund consists of USDA Commodities on hand to be issued under the supplemental foods program. The inventory is valued at the most recent USDA prices. Inventory policy on government-wide statements is consistent with the fund statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings, equipment, infrastructure (e.g. roads, bridges, sidewalks, and similar items) and water and sewer plant are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The County defines capital assets as

COSTILLA COUNTY, COLORADO
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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. 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	20-30
Equipment	5-15
Infrastructure	20-50

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 an other financing source and debt payments are reported as debt service expenditures .

Compensated Absences

The County’s policy allows employees to accumulate unused vacation leave up to 80 hours. However, not all of the County office’s adhere to this policy. The Treasurer does not carry over any unused leave. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental funds only if they have matured, for example as a result of employee retirements or resignations.

Unearned Revenue

Revenues on grants, which are restricted by the grant document 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 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

COSTILLA COUNTY, COLORADO
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- § *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 purpose 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 assigned actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. 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 related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

COSTILLA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Costilla 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	\$ 1,210
Cash deposited with banks	6,224,505
Investments	85,296
Total cash, deposits, and investmets: (Book Balance)	6,311,011
Less: amounts related to Trust & Agency Funds	(200,502)
Total cash, deposits, and investments on Statement of Net Position	\$ 6,110,509

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 as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

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, \$5,904,807 was exposed to credit risk. Deposits exposed to credit risk, if any, are collateralized with securities held by the pledging financial institutions through PDPA.

COSTILLA COUNTY, COLORADO
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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 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. As of December 31, 2016, the local government investment pools (Colotrust) in which the County had invested were rated AAAM by Standard & Poor's.

COSTILLA COUNTY, COLORADO
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NOTE 4 PROPERTY TAXES RECEIVABLE

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

General Fund	\$ 1,702,832
Social Services Fund	286,429
Library Fund	55,230
	<u>\$ 2,044,491</u>

NOTE 5 ACCOUNTS RECEIVABLE

At December 31, 2016, the County had accounts receivable as follows:

Public Health Fund (net of allowance for uncollectible accounts of \$0)	\$ 107,327
Water and Sanitation Fund (net of allowance for uncollectible accounts of \$3,517)	4,327
Total Accounts Receivable, Net	<u>\$ 111,654</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The County reports interfund balances between many of its funds. The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2016, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge	\$ 17,973
General Fund	Social Services	65,364
General Fund	Capital Projects	127,927
		<u>\$ 211,264</u>

Interfund Transfers

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Conservation Trust Fund	\$ 1,000
Water and Sanitation Fund	General Fund	15,350
		<u>\$ 16,350</u>

The General Fund transferred \$15,350 to the Water and Sanitation Fund to pay the 2016 debt payment. The Conservation Trust Fund transferred \$1,000 to the General Fund to reimburse the General Fund for the Trail Grant activity.

COSTILLA COUNTY, COLORADO
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NOTE 7 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	\$ 1,057,781	\$ -	\$ -	\$ 1,057,781
Construction in Progress	54,576	764,676	-	819,252
Total capital assets not being depreciated	<u>1,112,357</u>	<u>764,676</u>	<u>-</u>	<u>1,877,033</u>
Capital assets being depreciated				
Buildings	10,105,187	-	38,533	10,066,654
Equipment	5,993,683	363,050	82,488	6,274,245
Infrastructure	2,903,907	64,671	-	2,968,578
Total capital assets being depreciated	<u>19,002,777</u>	<u>427,721</u>	<u>121,021</u>	<u>19,309,477</u>
Less accumulated depreciation for:				
Buildings	3,676,449	288,194	38,532	3,926,111
Equipment	4,289,284	434,051	66,663	4,656,672
Infrastructure	469,648	111,383	-	581,031
Total accumulated depreciation	<u>8,435,381</u>	<u>833,628</u>	<u>105,195</u>	<u>9,163,814</u>
Total capital assets being depreciated, net	<u>10,567,396</u>	<u>(405,907)</u>	<u>15,826</u>	<u>10,145,663</u>
<i>Governmental Activities Capital Assets, net</i>	<u><u>\$ 11,679,753</u></u>	<u><u>\$ 358,769</u></u>	<u><u>\$ 15,826</u></u>	<u><u>\$ 12,022,696</u></u>
	Balance			Balance
	12/31/2015	Additions	Deletions	12/31/2016
<i>Business-type Activities</i>				
Capital assets being depreciated				
Water and Sewer Line equipment	\$ 4,571,208	\$ -	\$ -	\$ 4,571,208
Less: accumulated depreciation	(2,588,438)	(101,417)	-	(2,689,855)
Total capital assets not being depreciated	<u>1,982,770</u>	<u>(101,417)</u>	<u>-</u>	<u>1,881,353</u>
<i>Business-type Activities Capital Assets, net</i>	<u><u>\$ 1,982,770</u></u>	<u><u>\$ (101,417)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,881,353</u></u>

COSTILLA COUNTY, COLORADO
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 114,504
Public Safety	46,943
Health and Welfare	153,272
Highways and Streets	514,978
Culture and Recreation	<u>3,931</u>
Total depreciation expense - governmental activities	<u><u>833,628</u></u>

Business-type activities:

Water	\$ 55,328
Sanitation	<u>46,089</u>
Total depreciation expense - business-type activities	<u><u>\$ 101,417</u></u>

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Lease Purchase Agreements	\$ 619,000	\$ -	\$ 41,000	\$ 578,000	\$ 43,000
Capital Leases Payable	887,990	28,613	188,767	727,836	157,071
Notes Payable	160,789	-	55,719	105,070	57,440
Compensated Absences	<u>67,742</u>	<u>3,639</u>	<u>-</u>	<u>71,381</u>	<u>9,035</u>
Total Governmental Activities	<u><u>\$ 1,735,521</u></u>	<u><u>\$ 32,252</u></u>	<u><u>\$ 285,486</u></u>	<u><u>\$ 1,482,287</u></u>	<u><u>\$ 266,546</u></u>
<i>Business-type Activities:</i>					
Revenue Bonds Payable	<u>\$ 67,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 55,000</u>	<u>\$ 13,000</u>
Total Business-type Activities	<u><u>\$ 67,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ 55,000</u></u>	<u><u>\$ 13,000</u></u>

GOVERNMENTAL ACTIVITIES

Lease Purchase Agreement

An annually renewable Lease Purchase Agreement, dated June 15, 2007, was entered into between Alpine Bank (the "Bank"), as lessor, and Costilla County, Colorado (the "County"), as lessee. The bank issued \$869,000 at 5.2% interest, to the County for the purchase of the Health and Human Services Complex under construction. The County is leasing the building back via the Lease Purchase Agreement. The County used the proceeds from the sale to

COSTILLA COUNTY, COLORADO
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construct and equip the Social Services wing of the Costilla County Health and Human Services Complex. The complex is included in fixed assets at a cost of \$2,547,072 with accumulated depreciation of \$764,119.

Payments are due to the Bank in semi-annual installments through June 15, 2027. The County can purchase the building back at any time for the purchase option price included in the lease. Principal and interest were paid during 2016 in the amount of \$41,000 and \$31,668, respectively, from the Social Services Fund.

The annual debt service for the Lease Purchase Agreement is as follows:

	Principal	Interest	Total
2017	\$ 43,000	\$ 29,510	\$ 72,510
2018	45,000	27,248	72,248
2019	47,000	24,882	71,882
2020	50,000	22,386	72,386
2021	53,000	19,760	72,760
2022-2026	305,000	54,314	359,314
2027	35,000	910	35,910
	\$ 578,000	\$ 179,010	\$ 757,010

Capital Leases Payable

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 provided by the fund purchasing the equipment. The leased assets and related obligations are accounted for in the statement of net position and the statement of activities. The cost of the equipment equaled \$1,374,263 and the related accumulated depreciation equaled \$455,347 as of December 31, 2016.

Description	Original Amount	Payment Terms	Payment Amount	Balloon Payment	Interest Rate	Responsible Fund	12/31/2016 Balance
Caterpillar 140 M2	\$ 129,300	60 Months	\$ 2,000	\$ -	3.20%	R&B	\$ 57,602
Skid Steer S770	38,726	4 Annual	10,858	-	4.75%	R&B	10,365
2014 International 7600	131,975	4 Annual	35,081	-	2.50%	R&B	34,226
2012 430E Backhoe Loader	60,900	60 Months	1,165	-	5.55%	R&B	4,491
Caterpillar Motor Grader	137,300	60 Months	430	133,120	3.20%	R&B	134,779
Caterpillar Motor Grader	169,300	60 Months	881	133,120	2.20%	R&B	150,173
Caterpillar Motor Grader	224,833	5 Annual	48,017	50,000	2.50%	R&B	183,491
Caterpillar Motor Grader	147,047	5 Annual	27,340	50,000	2.50%	R&B	124,095
2016 GMC Canyon Pickup	28,613	3 Annual	10,277	-	5.20%	GF	28,614
							\$ 727,836

COSTILLA COUNTY, COLORADO
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The annual debt service for the Capital Leases Payable is as follows:

	Principal	Interest	Total
2017	\$ 157,071	\$ 18,764	\$ 175,835
2018	122,119	14,771	136,890
2019	349,748	7,740	357,488
2020	98,898	2,439	101,337
	\$ 727,836	\$ 43,714	\$ 771,550

Notes Payable

On March 1, 2015 the County entered into a \$103,285 government obligation contract with Kansas State Bank, payable in annual installments of \$35,785, beginning on June 30, 2015, at 2.934% interest for the purchase of a 2015 International 7600 Truck. Final payment is due June 30, 2017. Principal and interest payments are paid from the Road and Bridge Fund. The principal balance at December 31, 2016 was \$33,764. This capital asset is recorded in the fixed assets of the government-wide financial statements at \$103,285 less accumulated depreciation of \$20,658.

On April 15, 2015 the County entered into a \$117,265 government obligation contract with Kansas State Bank, payable in annual installments of \$25,000 beginning on April 15, 2016, at 2.5% interest for the purchase of three police vehicles. Final payment is due April 15, 2019. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2016 was \$21,995. These capital assets is recorded in the fixed assets of the government-wide financial statements at \$117,265 less accumulated depreciation of \$46,908.

	Principal	Interest	Total
2017	\$ 57,440	\$ 3,346	\$ 60,786
2018	23,428	1,572	25,000
2019	24,202	799	25,001
	\$ 105,070	\$ 5,717	\$ 110,787

BUSINESS -TYPE ACTIVITIES

Revenue Bonds Payable

\$260,300 in water and sewer revenue bonds were issued in 1979 to help pay for construction of the system. The bonds carry a 5% coupon. Principal and interest payments are due annually on April 1, and are paid from the Water and Sanitation Fund directly to the Farmers Home Administration. Final payment is due in 2020.

The annual debt service for the Enterprise Fund is as follows:

	Principal	Interest	Total
2017	\$ 13,000	\$ 2,750	\$ 15,750
2018	13,000	2,100	15,100
2019	14,000	1,450	15,450
2020	15,000	750	15,750
	\$ 55,000	\$ 7,050	\$ 62,050

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

NOTE 9 OPERATING LEASES

The County is committed under various leases for heavy equipment and office equipment. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$237,048.

NOTE 10 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 Costilla County, and participation is mandatory. Employee contributions are always 100% vested, and the employer match follows a five-year vesting schedule of 20% per year after the first year of participation. Employees are fully vested after a five-year participation period. Elected officials are 100% vested immediately upon participation.

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 \$114,819 and the County recognized pension expense of \$114,819. The County recognized \$6,701 of forfeitures in retirement expense during 2016.

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 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 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. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. In November 1997, the voters of Costilla County passed a ballot issue which stated that the County shall "be permitted to collect, retain, and expend the full proceeds of the County taxes, grants, fees and other revenues, and

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

other funds collected, notwithstanding Article X, Section 20 of the Colorado Constitution from the date of January 1, 1996, provided that no local tax rate or mill levy shall be increased without further voter approval.”

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 a restricted net position/fund balance in the financial statements. The County is not allowed to use the Emergency Reserve 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.

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

NOTE 13 SEGMENT INFORMATION FOR ENTERPRISE FUND

Because water and sanitation services are provided for in one fund, several items cannot be allocated between each segment. Therefore, a condensed statement of cash flows, as well as some line items have been omitted in the segment information. The following is a summary of operating income and expense information on the various segments of the Water and Sanitation Fund. All services are provided from a single enterprise fund.

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Charges for Services	\$ 110,225	\$ 47,904	\$ 158,129
Miscellaneous Revenue	5,082	5,025	10,107
Total Operating Revenue	<u>115,307</u>	<u>52,929</u>	<u>168,236</u>
Operating Expenses	88,092	66,668	154,760
Depreciation Expenses	55,328	46,089	101,417
Total Operating Expenses	<u>143,420</u>	<u>112,757</u>	<u>256,177</u>
OPERATING INCOME (LOSS)	(28,113)	(59,828)	(87,941)
Nonoperating Revenues (Expenses)			
Transfer In-General Fund	7,675	7,675	15,350
Interest Income	75	75	150
Interest Expense	(1,450)	(1,449)	(2,899)
Total Nonoperating Revenues (Expenses)	<u>6,300</u>	<u>6,301</u>	<u>12,601</u>
Capital Contributions (Water and Sewer Taps)	<u>2,000</u>	<u>250</u>	<u>2,250</u>
Change in Net Position	(19,813)	(53,277)	(73,090)
BEGINNING NET POSITON			<u>1,969,936</u>
ENDING NET POSITION			<u><u>1,896,846</u></u>
Current Assets			79,161
Capitai Assets (net of accumulated) depreciation of \$2,689,855)	871,387	1,009,966	1,881,353
TOTAL ASSETS			<u>1,960,514</u>
Current Liabilities	10,834	10,834	21,668
Long-Term Liabilities	21,000	21,000	42,000
TOTAL LIABILITIES			<u>63,668</u>
Net Investment in Capital Assets			1,826,353
Net Working Capital			70,493
TOTAL EQUITY			<u><u>\$ 1,896,846</u></u>

NOTE 14 COMMITMENTS AND CONTINGENCIES

Grants

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.

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

Insurance Pools

The County is a member of the Colorado Counties Casualty and Property Pool (CAPP). CAPP has 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 has 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 is not presently determinable.

Litigation

The County is currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements; accordingly, no provision for losses has been recorded.

NOTE 15 GARCIA WATER SYSTEM

During 2013, the Colorado Department of Public Health and Environment (CDPHE) mandated the Garcia Water User's Association to install a chlorination system, which they could not afford. The County purchased the Garcia water system in November 2013 for \$14,500; the outstanding balance of the USDA loan to the Garcia Water User's Association. The Garcia Water User's Association continues to maintain and operate the system under a contract with the County. In 2014, the County obtained a \$270,293 principal forgiveness loan from the Colorado Water Resources and Power Development Authority for improvements to the existing water treatment facilities, source water well, water storage tank and distribution system. The loan will close when CDPHE issues certification that project construction is complete and the County has met all project and loan requirements. At loan closing, the Authority will forgive 100% of the principal amount of the loan. In 2016 the County was granted a Colorado Department of Public Health and Environment grant for \$99,816.

The County has incurred project costs of \$371,577 through December 31, 2016. The project is expected to be completed by December 31, 2017 with estimated remaining project cost of \$120,000.

COSTILLA 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.

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,881,772	\$ 1,881,772	\$ 1,977,549	\$ 95,777
Intergovernmental Revenue	756,797	803,516	570,558	(232,958)
Licenses and Permits	61,600	61,600	82,539	20,939
County Ordinance	111,150	111,150	145,184	34,034
Charges for Services	475,517	475,517	605,609	130,092
Miscellaneous	29,157	29,157	58,740	29,583
TOTAL REVENUES	<u>3,315,993</u>	<u>3,362,712</u>	<u>3,440,179</u>	<u>77,467</u>
EXPENDITURES				
General Government	2,066,710	2,102,057	1,962,234	139,823
Public Safety	723,370	734,742	732,150	2,592
Health and Welfare	900	900	900	-
Auxiliary Services	622,173	622,173	231,244	390,929
Capital Outlay	338,788	338,788	350,505	(11,717)
Debt Service	32,000	32,000	32,152	(152)
TOTAL EXPENDITURES	<u>3,783,941</u>	<u>3,830,660</u>	<u>3,309,185</u>	<u>521,475</u>
Excess (deficiency) of revenues over expenditures	<u>(467,948)</u>	<u>(467,948)</u>	<u>130,994</u>	<u>598,942</u>
OTHER FINANCING SOURCES (USES)				
Sale of Land	15,000	15,000	-	(15,000)
Capital Lease Proceeds	-	-	28,613	28,613
Transfers In	-	-	1,000	1,000
Transfers Out	(15,500)	(15,500)	(15,350)	150
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500)</u>	<u>(500)</u>	<u>14,263</u>	<u>14,763</u>
Net change in fund balance	(468,448)	(468,448)	145,257	613,705
Fund Balance at beginning of year	<u>2,293,843</u>	<u>2,293,843</u>	<u>2,382,574</u>	<u>88,731</u>
Fund Balance at end of year	<u>\$ 1,825,395</u>	<u>\$ 1,825,395</u>	<u>\$ 2,527,831</u>	<u>\$ 702,436</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

COSTILLA 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>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Intergovernmental Revenue	\$ 4,685,639	\$ 4,689,389	\$ 4,393,975	\$ (295,414)
Miscellaneous	11,970	11,970	35,313	23,343
TOTAL REVENUES	<u>4,697,609</u>	<u>4,701,359</u>	<u>4,429,288</u>	<u>(272,071)</u>
EXPENDITURES				
Highways and Streets	3,492,416	3,496,166	2,628,578	867,588
Capital Outlay	1,488,500	1,488,500	802,682	685,818
Debt Service	307,000	307,000	241,384	65,616
TOTAL EXPENDITURES	<u>5,287,916</u>	<u>5,291,666</u>	<u>3,672,644</u>	<u>1,619,022</u>
Excess (deficiency) of revenues over expenditures	<u>(590,307)</u>	<u>(590,307)</u>	<u>756,644</u>	<u>1,346,951</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	307,000	307,000	-	(307,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>307,000</u>	<u>307,000</u>	<u>-</u>	<u>(307,000)</u>
Net change in fund balance	(283,307)	(283,307)	756,644	1,039,951
Fund Balance at beginning of year	<u>2,380,985</u>	<u>2,380,985</u>	<u>2,791,852</u>	<u>410,867</u>
Fund Balance at end of year	<u>\$ 2,097,678</u>	<u>\$ 2,097,678</u>	<u>\$ 3,548,496</u>	<u>\$ 1,450,818</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

COSTILLA 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	\$ 335,336	\$ 335,336	\$ 325,169	\$ (10,167)
Intergovernmental Revenue	5,303,156	5,303,156	4,538,671	(764,485)
TOTAL REVENUES	5,638,492	5,638,492	4,863,840	(774,652)
EXPENDITURES				
Health and Welfare	5,495,665	5,495,665	4,981,616	514,049
Debt Service	72,000	72,000	72,668	(668)
TOTAL EXPENDITURES	5,567,665	5,567,665	5,054,284	513,381
Excess (deficiency) of revenues over expenditures	70,827	70,827	(190,444)	(261,271)
Fund Balance at beginning of year	381,636	381,636	443,760	62,124
Fund Balance at end of year	\$ 452,463	\$ 452,463	\$ 253,316	\$ (199,147)

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Intergovernmental Revenue	\$ 1,461,880	\$ 1,563,322	\$ 1,444,996	\$ (118,326)
Interest on Deposits	10	10	123	113
TOTAL REVENUES	<u>1,461,890</u>	<u>1,563,332</u>	<u>1,445,119</u>	<u>(118,213)</u>
EXPENDITURES				
Health and Welfare	1,579,255	1,680,697	1,468,486	212,211
Capital Outlay	40,000	40,000	-	40,000
TOTAL EXPENDITURES	<u>1,619,255</u>	<u>1,720,697</u>	<u>1,468,486</u>	<u>252,211</u>
Excess (deficiency) of revenues over expenditures	(157,365)	(157,365)	(23,367)	133,998
Fund Balance at beginning of year	<u>185,754</u>	<u>185,754</u>	<u>334,074</u>	<u>148,320</u>
Fund Balance at end of year	<u>\$ 28,389</u>	<u>\$ 28,389</u>	<u>\$ 310,707</u>	<u>\$ 282,318</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

COSTILLA COUNTY, COLORADO

SUPPLEMENTARY INFORMATION

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

**COSTILLA 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.

Library Fund – This fund is used to account for property tax revenues of the library district. These funds are used for the operation of the library.

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.

CAPITAL PROJECTS FUNDS

Capital Projects Fund – Capital project funds are used to account for and report on 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.

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

	NONMAJOR SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL
	LIBRARY FUND	CONSERVATION TRUST FUND	CAPITAL PROJECTS FUND	
	FUND	FUND	FUND	
ASSETS				
Cash and Cash Equivalents	\$ 74,290	\$ 61,607	\$ 64,050	\$ 199,947
Property Taxes Receivable	55,230	-	-	55,230
Due From Other Governments	-	-	95,945	95,945
TOTAL ASSETS	\$ 129,520	\$ 61,607	\$ 159,995	\$ 351,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 728	\$ -	\$ -	\$ 728
Due to Other Funds	-	-	127,927	127,927
TOTAL LIABILITIES	728	-	127,927	128,655
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	55,230	-	-	55,230
FUND BALANCE				
Restricted				
Capital Projects	-	-	3,000	3,000
Committed				
Capital Projects	-	-	29,068	29,068
Assigned				
Culture and Recreation	73,562	61,607	-	135,169
TOTAL FUND BALANCE	73,562	61,607	32,068	167,237
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 129,520	\$ 61,607	\$ 159,995	\$ 351,122

COSTILLA 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			TOTAL NONMAJOR GOVERNMENTAL
	LIBRARY FUND	CONSERVATION TRUST FUND	CAPITAL PROJECTS FUND	
REVENUES				
Taxes	\$ 57,916	\$ -	\$ -	\$ 57,916
Intergovernmental Revenue	-	21,597	98,752	120,349
Miscellaneous	1,007	140	-	1,147
TOTAL REVENUES	<u>58,923</u>	<u>21,737</u>	<u>98,752</u>	<u>179,412</u>
EXPENDITURES				
Current Expenditures				
General Government	-	-	133,643	133,643
Culture and Recreation	67,880	11,908	-	79,788
TOTAL EXPENDITURES	<u>67,880</u>	<u>11,908</u>	<u>133,643</u>	<u>213,431</u>
Excess (deficiency) of revenues over expenditures	(8,957)	9,829	(34,891)	(34,019)
TRANSFERS				
Transfers Out	-	(1,000)	-	(1,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(8,957)	8,829	(34,891)	(35,019)
Fund Balance at beginning of year	<u>82,519</u>	<u>52,778</u>	<u>66,959</u>	<u>202,256</u>
Fund Balance at end of year	<u>\$ 73,562</u>	<u>\$ 61,607</u>	<u>\$ 32,068</u>	<u>\$ 167,237</u>

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

	BUDGETED AMOUNTS		EXPENDITURES	ADJUSTMENTS	EXPENDITURES	VARIANCE WITH
	ORIGINAL	FINAL	REPORTED ON	TO BUDGETARY	ON THE	FINAL BUDGET
			THE GAAP	BASIS	BUDGETARY	POSITIVE
			BASIS	BASIS	BASIS	(NEGATIVE)
Governmental Funds						
Non-major Governmental Funds						
Special Revenue Funds						
Library Fund	\$ 78,763	\$ 78,763	\$ 67,880	\$ -	\$ 67,880	\$ 10,883
Conservation Trust Fund	42,778	42,778	11,908	-	11,908	30,870
Total Special Revenue Funds	121,541	121,541	79,788	-	79,788	41,753
Capital Projects Funds						
Capital Projects Fund	251,550	251,550	133,643	-	133,643	117,907
Total Capital Projects Funds	251,550	251,550	133,643	-	133,643	117,907
Total Non-major Governmental Funds	\$ 373,091	\$ 373,091	\$ 213,431	\$ -	\$ 213,431	\$ 159,660
Proprietary Fund						
Major Proprietary Fund						
Water and Sanitation Fund	\$ 712,416	\$ 712,416	\$ 259,076	\$ (89,417)	\$ 169,659	\$ 542,757
Total Major Proprietary Fund	\$ 712,416	\$ 712,416	\$ 259,076	\$ (89,417)	\$ 169,659	\$ 542,757

Adjustments to budgetary basis include principal reductions on long-term debt, costs of capitalized assets, and depreciation expense.

COSTILLA COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

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

Auditee EIN: 84-6000754
Total Amount: \$ 2,163,043

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	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if
10	561	STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	\$ 81,853	SNAP CLUSTER	\$ 81,853	\$ 81,853	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
10	565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	\$ 52,217	FOOD DISTRIBUTION CLUSTER	\$ 160,588	\$ 241,795	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
10	565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	\$ 108,371	FOOD DISTRIBUTION CLUSTER	\$ 160,588	\$ 241,795	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
10	569	EMERGENCY FOOD ASSISTANCE PROGRAM (FOOD COMMODITIES)	\$ 81,207	FOOD DISTRIBUTION CLUSTER	\$ 81,207	\$ 241,795	N	COLORADO DEPT. OF HUMAN SERVICES AND CARE AND SHARE FOOD BANK	957TEF1
10	665	SCHOOLS AND ROADS - GRANTS TO STATES	\$ 283	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$ 283	\$ 283	N	COLORADO DEPT. OF TREASURY	N/A
14	228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	\$ 115,915	N/A	\$ 139,463		N	COLORADO DEPT. OF LOCAL AFFAIRS	N/A
14	228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	\$ 8,498	N/A	\$ 139,463		N	COLORADO DEPT. OF LOCAL AFFAIRS	N/A
14	228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	\$ 15,050	N/A	\$ 139,463		N	COLORADO DEPT. OF LOCAL AFFAIRS	N/A
93	558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$ 315,444	TANF CLUSTER	\$ 315,444	\$ 315,444	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	563	CHILD SUPPORT ENFORCEMENT	\$ 87,461	N/A	\$ 87,461		N	COLORADO DEPT. OF HUMAN SERVICES	N/A

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

Auditee EIN: 84-6000754
Total Amount: \$ 2,163,043

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	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if
93	568	LOW-INCOME HOME ENERGY ASSISTANCE	\$ 331,787	N/A	\$ 331,787		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 48,077	CCDF CLUSTER	\$ 48,077	\$ 53,224	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	596	CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	\$ 5,147	CCDF CLUSTER	\$ 5,147	\$ 53,224	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	\$ 15,007	N/A	\$ 15,007		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	090	GUARDIANSHIP ASSISTANCE	\$ 591	N/A	\$ 591		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	658	FOSTER CARE_TITLE IV-E	\$ 170,894	N/A	\$ 170,894		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	659	ADOPTION ASSISTANCE	\$ 17,982	N/A	\$ 17,982		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	667	SOCIAL SERVICES BLOCK GRANT	\$ 75,920	N/A	\$ 75,920		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 168,329	MEDICAID CLUSTER	\$ 255,183	\$ 255,183	N	COLORADO DEPT. OF HUMAN SERVICES	N/A
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 86,854	MEDICAID CLUSTER	\$ 255,183	\$ 255,183	N	COLORADO DEPT. OF HEALTH CARE POLICY & FINANCING AND CONEJOS COUNTY	N/A

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

Auditee EIN: 84-6000754
 Total Amount: \$ 2,163,043

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	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if
93	069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	\$ 22,132	N/A	\$ 22,132		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT	HN16J/HW16J
93	268	IMMUNIZATION COOPERATIVE AGREEMENTS	\$ 4,307	N/A	\$ 4,307		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT	KA15H/KA16H
93	074	HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	\$ 4,632	N/A	\$ 4,632		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT	HF15J/HW17J
93	994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	\$ 4,098	N/A	\$ 4,098		N	COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT	ND16L/ND17L
93	569	COMMUNITY SERVICES BLOCK GRANT	\$ 12,084	N/A	\$ 12,084		N	COLORADO DEPT. OF LOCAL AFFAIRS AND SLV COMMUNITY ACTION AGENCY	N/A
93	959	BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	\$ 149,200	N/A	\$ 149,200		N	COLORADO DEPT. OF HUMAN SERVICES	N/A
97	042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	\$ 11,115	N/A	\$ 11,115		N	COLORADO DEPT. OF LOCAL AFFAIRS	N/A
66	468	CAPITALIZATION GRANT FOR DRINKING WATER STATE REVOLVING FUNDS	\$ 162,889	DRINKING WATER STATE REVOLVING FUND CLUSTER	\$ 162,889	\$ 162,889	N	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	D14F338
20	616	NATIONAL PRIORITY SAFETY PROGRAM	\$ 1,961	HIGHWAY SAFETY CLUSTER	\$ 1,961	\$ 1,961	N	COLORADO DEPT. OF TRANSPORTATION	N/A
16	607	BULLETPROOF VEST PARTNERSHIP PROGRAM	\$ 3,738	N/A	\$ 3,738		Y		N/A
Total Federal Awards Expended			\$ 2,163,043						

COSTILLA 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 Costilla 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 Costilla County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Costilla 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
Costilla County, Colorado
San Luis, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Costilla 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 August 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

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

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

Purpose of this Report

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



Wall, Smith, Bateman Inc.
Alamosa, Colorado

August 31, 2017

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



To the Board of County Commissioners
Costilla County, Colorado
San Luis, Colorado

Report on Compliance for Each Major Federal Program

We have audited Costilla 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 the requirements of laws, regulations, contracts, and grants 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.

Certified Public Accountants

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

Basis for Qualified Opinion on the Temporary Assistance for Needy Families (TANF) Cluster

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.558 TANF Cluster as described in finding 2016-002 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

Qualified Opinion on the TANF Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF cluster for the year ended December 31, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies .

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as Finding 2016-002 to be a material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-001 to be a significant deficiency.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

August 31, 2017

COSTILLA 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: Unmodified

Internal control over financial reporting:

- § Material weakness(es) identified? _____yes X 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? X yes _____no
- § Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? X yes _____none reported

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

- § Qualified for the Temporary Assistance for Needy Families (TANF) Cluster
- § Unmodified for the Food Distribution Cluster
- § Unmodified for the Low-Income Home Energy Assistance

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X yes _____no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565 and 10.569	Food Distribution Cluster
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.568	Low-Income Home Energy Assistance

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

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

Section II – Financial Statement Findings

None

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

Section III – Federal Award Findings and Questioned Costs

Finding 2016-001: Food Distribution Cluster, CFDA No. 10.565 and 10.569
U.S. Department of Agriculture

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility

Grant No.: Not applicable

Type of finding: Internal Control (significant deficiency) and Compliance (noncompliance)

Condition: The County delivered Commodity Supplemental Food Program (CSFP) to 13 participants without proper documentation on file. Two of 25 participants selected for testing did not have an application on file. A third participant's application was not for the current certification or recertification period. In addition, the County was unable to provide signed proxy forms for 10 of 24 designated proxies allowed to pick up food benefits on behalf of the participants.

Context: We examined 25 of an average of 485 total CSFP participants with \$108,371 in CSFP federal food assistance provided. In addition, we examined two of five site distribution lists for one month. One of the site distribution lists indicated 24 of 52 pickups were signed for by proxies on behalf of the participants.

Cause: The County does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: The United States Department of Agriculture (USDA) regulations (7 CFR Part 247 – CSFP) and Colorado CSFP State Plan outline the eligibility criteria and required conditions of continued eligibility.

Questioned Costs: Undetermined

Effect: The County is not in compliance with the provisions of USDA regulations (7CFR Part 247 – CSFP) and Colorado CSFP State Plan.

Recommendation: Commodities personnel and Supervisor should consistently adhere to the policies and procedures of the USDA regulations (7CFR Part 247 – CSFP) and Colorado CSFP State Plan to ensure compliance with CSFP requirements.

Grantee's Response: See corrective action plan.

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

Finding 2016-002: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services
(Repeat of Finding 2015-001)

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 is not maintaining complete and accurate case files or obtaining information in a timely manner for TANF program clients. Six of the ten cases reviewed were missing required information as described below:

- § One instance of missing verification of identity
- § One instance of lack of documentation monitoring work related activity
- § Three instances of missing Initial Assessments
- § Five instances of missing Individual Responsibility Contracts (IRCs)

Context: We examined 10 of an average of 56 total case files for basic cash assistance with \$257,816 in total expenditures.

Cause: The Department does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: The Colorado Department of Human Services (CDHS) Staff Manual, Volume III, outlines the eligibility criteria and required conditions of continued eligibility.

Questioned Costs: Undetermined

Effect: The County is not in compliance with the provisions of CDHS Staff Manual, Volume III.

Recommendation: Technicians and Supervisors should consistently adhere to the policies and procedures of the Social Services Department and CDHS Staff Manual, Volume III, to ensure compliance with TANF program requirements.

Grantee's Response: See corrective action plan.

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2015-001: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services

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 (significant deficiency) and Compliance (noncompliance)

Condition: The County Department is not maintaining complete and accurate case files or obtaining information in a timely manner for TANF program clients. Four of the ten case reviewed were missing required information as described below:

- § Two instances of missing Individual Responsibility Contract (IRC)
- § Three instances of Individual Responsibility Contracts (IRCs) not being completed within 30 days of the initial assessments

Context: We examined 10 of an average of 66 total case files for basic cash assistance with \$298,676 in total expenditures.

Cause: The Department does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements .

Status: Not Implemented (Finding 2016-002)



Costilla County Board of Commissioners

"Where Colorado Began"

352 Main Street
PO Box 100
San Luis, CO 81152

(719) 672-3372
(719) 672-3962 fax

www.costillacounty-co.gov

CORRECTIVE ACTION PLAN

Oversight Agencies - U.S. Department of Agriculture
U.S. Department of Health and Human Services

Costilla 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 III – Federal Award Findings and Questioned Costs

**Finding 2016-001: Food Distribution Cluster, CFDA No. 10.565 and 10.569
U.S. Department of Agriculture**

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility

Grant No.: Not applicable

Type of finding: Internal Control (significant deficiency) and Compliance (noncompliance)

Recommendation: Commodities personnel and Supervisor should consistently adhere to the policies and procedures of the USDA regulations (7CFR Part 247 – CSFP) and Colorado CSFP State Plan to ensure compliance with CSFP requirements.

Action Taken: On August 30, 2017, Vivian (Director) met with 3 of the staff who work with eligibility, and Distribution of CSFP/TEFAP. We reviewed all eligibility requirements, forms, reports, and discussed program questions. We contacted State Personnel to clarify any information that was not clear. Director will supervise out of county distribution in September to observe procedure and requirements are being met. Director will review all reports before they are sent to the state and will attach signature documentation that the reviews were completed. Director will randomly review caseload eligibility each month x 6 months to determine compliance to USDA regulations/and state plan to ensure CSFP Requirements are met. Agency has a site visit in October and the review will address these issues to determine if compliance has been reached.

**DOLORES BURNS Chair * LAWRENCE PACHECO Vice-Chair * Augustine "Roy" Esquibel
Commissioner to Convey**

**Finding 2016-002: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services
(Repeat of Finding 2015-001)**

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

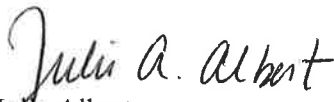
Type of finding: Internal Control (material weakness) and Compliance (material noncompliance)

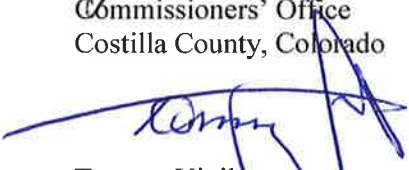
Recommendation: Technicians and Supervisors should consistently adhere to the policies and procedures of the Social Services Department and CDHS Staff Manual, Volume III, to ensure compliance with TANF program requirements.


Action Taken: The Costilla County DSS Director and TANF Supervisor after careful consideration of similar past findings as well as failure of the current employee to meet the requirements of their current personal TANF performance Improvement Plan, have decided to terminate said employee and will promote an internal employee as a replacement. The replacement TANF caseworker and supervisor moving forward, will consistently adhere to the policies and procedures of the Social Services Department CDHS Staff Manual, and Volume III, to ensure compliance with TANF program requirements.

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

Sincerely yours,


Julie Albert
Commissioners' Office
Costilla County, Colorado


Tommy Vigil
Department of Social Services Director
Costilla County, Colorado


Vivian Gallegos
Department of Public Health Director
Costilla County, Colorado

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Costilla County
		YEAR ENDING : December 2016
This Information From The Records Of (example - City of _ or County of Costilla County)	Prepared By: Julie Albert	Phone: (719) 672-3372

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)	687,437
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,584,172
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	9,726
2. General fund appropriations		b. Snow and ice removal	30,622
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	35,029	d. Total (a. through c.)	40,348
5. Transfers from toll facilities		4. General administration & miscellaneous	119,303
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	3,431,260
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)	35,029	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	4,393,975	2. Notes:	
D. Receipts from Federal Government (from page 2)	284	a. Interest	25,595
E. Total receipts (A.7 + B + C + D)	4,429,288	b. Redemption	215,789
		c. Total (a. + b.)	241,384
		3. Total (1.c + 2.c)	241,384
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,672,644

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)	949,771		215,789	733,982

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,791,852	4,429,288	3,672,644	3,548,496	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		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	31,389
6. Total (1. through 5.)	0	h. Other	3,640
c. Total (a. + b.)	0	i. Total (a. through h.)	35,029
	(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	3,848,559	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	18,063	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	447,810	e. U.S. Corps of Engineers	
e. Other (Specify)	79,543	f. Other Federal	284
f. Total (a. through e.)	545,416	g. Total (a. through f.)	284
4. Total (1. + 2. + 3.f)	4,393,975	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		70,652	70,652
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		361,972	361,972
(3). System Preservation		122,749	122,749
(4). System Enhancement & Operation		132,064	132,064
(5). Total Construction (1) + (2) + (3) + (4)	0	616,785	616,785
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	687,437	687,437
			(Carry forward to page 1)

Notes and Comments: