OTERO COUNTY, COLORADO

Management's Discussion and Analysis,

Basic Financial Statements and

Supplemental Information

For the Year Ended December 31, 2016

And

Independent Auditors' Report

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OTERO COUNTY, COLORADO

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	29
Proprietary Funds:	
Statement of Net Position	30
Statement of Revenues, Expenditures and Changes in Net Position	31
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	33
Notes to Financial Statements	34
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance(s) – Budget and Actual	
General Fund	51
Road & Bridge Fund	52
Social Services Fund	53
Capital Improvement Fund	54
General Human Services Fund	55

OTERO COUNTY, COLORADO

TABLE OF CONTENTS (Continued)

Page

SUPPLEMENTAL INFORMATION

Combining and Individual Fund Statements and Schedules

Governmental Funds

General Fund (Without Contingent Fund):
- Balance Sheet 56
- Schedule of Revenues, Expenditures and Changes in Fund Balance 57
- Schedule of Revenues – Budget and Actual 58
- Schedule of Expenditures – Budget and Actual 59

Major Funds

Road & Bridge Fund:
- Balance Sheet 60
- Schedule of Revenues, Expenditures and Changes in Fund Balance 61

Social Services Fund:
- Balance Sheet 62
- Schedule of Revenues, Expenditures and Changes in Fund Balance 63

Capital Improvement Fund:
- Balance Sheet 64
- Schedule of Revenues, Expenditures and Changes in Fund Balance 65

General Human Services Fund:
- Balance Sheet 66
- Schedule of Revenues, Expenditures and Changes in Fund Balance 67

Non-Major Funds

Combining Balance Sheet 68

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 69

Insurance Fund:
- Balance Sheet 70
- Schedule of Revenues, Expenditures and Changes in Fund Balance
  - Budget and Actual 71

Clerk Hire Fund:
- Balance Sheet 72
- Schedule of Revenues, Expenditures and Changes in Fund Balance
  - Budget and Actual 73

Conservation Trust Fund:
- Balance Sheet 74
- Schedule of Revenues, Expenditures and Changes in Fund Balance
  - Budget and Actual 75

OTERO COUNTY, COLORADO

TABLE OF CONTENTS (Continued)

	Page
Health Fund:	
Balance Sheet	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	77
AAA Services Fund:	
Balance Sheet	78
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	79
Otero County Land Trust Fund:	
Balance Sheet	80
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	81
Other Funds (Included as Part of the General Fund)	
Contingent Fund:	
Balance Sheet	82
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	83
Proprietary Funds	
Internal Service Funds:	
Combining Statement of Net Position	84
Combining Statement of Revenues, Expenses and Changes in Net Position	85
Combining Statement of Cash Flows	86
Internal Service Fund:	
Statement of Net Position	87
Statement of Revenues, Expenses and Changes in Net Position	88
Statement of Cash Flows	89
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	90
Medical Trust Fund:	
Statement of Net Position	91
Statement of Revenues, Expenses and Changes in Net Position	92
Statement of Cash Flows	93
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	94

OTERO COUNTY, COLORADO

TABLE OF CONTENTS (Continued)

	Page
Component Units	
Small Business Development Fund:	
Statement of Cash Flows	95
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	96
E911 Fund:	
Statement of Cash Flows	97
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	98
Fiduciary Funds	
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	99
COMPLIANCE AND INTERNAL CONTROL SECTION	
□ Local Highway Finance Report	100
□ 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*	102
□ Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	104
□ Schedule of Findings and Questioned Costs	106
□ Summary Schedule of Prior Audit Findings	109
□ Schedule of Expenditures of Federal Awards	110
□ Notes to Schedule of Expenditures of Federal Awards	114
□ Corrective Action Plan	115

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Otero County, Colorado
LaJunta, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Otero 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, 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

Comparative Actual Information

Other auditors previously audited the County's 2015 financial statements and expressed unmodified audit opinions on those audited financial statements in their report dated June 29, 2016. In our opinion, based on the report of other auditors, the comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 23 and pages 51 through 55, respectively, 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 Supplemental 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 and individual fund statements and schedules and the Local Highway Finance Report as listed in the table of contents 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 the purpose 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 and individual fund statements and schedules and the local highway finance report and the schedule of expenditures of federal awards as listed in the table of contents 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 and individual fund statements and schedules and the local highway finance report and the schedule of expenditures of federal awards as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other auditors previously audited, in accordance with auditing standards generally accepted in the United States of America, the County's basic financial statements for the year ended December 31, 2015, which are not presented with the accompanying financial statements and they expressed unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. Based on the report of other auditors, that audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The combining and individual fund financial statements and schedules, related to the 2015 financial statements for the year ended December 31, 2015, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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, based on the report of other auditors, the 2015 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

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.

McPherson, Brayfield, Dowling & Goodrich, PC

August 31, 2017

OTERO COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTERO COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Otero (the County) offers readers of the County's annual financial report this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the basic financial statement information.

FINANCIAL HIGHLIGHTS

County-wide financial statements as of December 31, 2016:

- Assets of the County exceed its liabilities and deferred inflows of resources by $24,620,403. The County's unrestricted net position of $10,503,165 may be used to meet the County's on-going obligations.
- By far, the largest portion of the County's net position is its $12,481,819 investment in capital assets net of accumulated depreciation and related debt.
- The restricted net position includes $274,889 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution.

Fund Financial Statements as of December 31, 2016

The County's *governmental funds* reported a combined ending fund balance of $12,026,806 including the following major funds: General Fund with $4,995,042; Road & Bridge Fund with $3,242,904 (includes $134,156 in inventory); Social Services Fund with $734,393; Capital Improvement Fund with $639,147; and General Human Services with $69,850. Other governmental funds accounted for $2,345,470. Of the total government fund balances, $3,900,939 is unassigned. Committed funds include $305,876 from the General Fund; $3,108,748 from the Road & Bridge Fund; $734,393 from the Social Services Fund; $639,147 from the Capital Improvement Fund; and $1,498,278 in other governmental funds. Restricted funds include $788,227 from the General Fund and $847,192 in other governmental funds.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Otero County's basic financial statements. The County's basic financial statements consist of three components:

1. County-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements. This report also contains required and other additional information in addition to the basic financial statements.

County-Wide Financial Statements — The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business.

They consist of two statements:

1. The *Statement of Net Position* presents information on all of the County's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

2. The *Statement of Activities* presents information reporting how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Earned but unused vacation leave and accrued interest expense are examples of these types of items.

Both county-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the County include tax assessment and collection, recording, voter registration/elections, law enforcement, incarcerations, land use, road and bridge activities, and general administration and support. Only those activities associated with the 911 Otero County Emergency Telephone Authority and the Small Business Development Revolving Loan Fund (component units) are considered to be business-type activities.

The county-wide financial statements include not only the County itself (known as the *primary government),* but also the 911 Otero County Emergency Telephone Service Authority and the Small Business Development Revolving Loan Fund. Financial information for these component units are reported separately from the financial information presented for the primary government itself. In addition, the County is participating in a joint venture with Otero County Landfill, Inc. (OCLI).

Fund Financial Statements — A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All County funds can be divided into three categories:

- Governmental funds,
- Proprietary funds, and
- Fiduciary funds.

Governmental Funds — Governmental funds account for essentially the same functions reported as governmental activities in the county-wide financial statements. Unlike the county-wide financial statements, however, governmental fund financial statements focus on how money flows into and out of those funds and the balances at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information provides a detailed *short-term* view of the County's general government operations and may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the county-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the county-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. To facilitate this

comparison between governmental funds and governmental activities, reconciliations are provided for both the *governmental fund* balance sheet and statement of revenues, expenditures and changes in fund balance.

The County reports eleven individual governmental funds. Information is presented separately in the *governmental fund* balance sheet and the statement of revenues, expenditures and changes in fund balance for the General Fund, Road & Bridge Fund, Social Services Fund, Capital Improvement Fund, and General Human Services Fund, all of which are considered to be *major funds.* Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each of the *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the report. The non-major governmental funds include the Insurance Fund, Clerk Hire Fund, Conservation Trust Fund, Health Fund, Area Agency on Aging Fund, and Otero County Land Trust Fund. The County maintains one *other fund.* Due to the implementation of GASB 54, the Contingent funds did not meet the definition of a special revenue fund and was combined into the general fund.

Proprietary Funds — The County maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the county-wide financial statements. The County uses an enterprise fund to account for the 911 Otero County Emergency Telephone Authority and Small Business Development Revolving Loan Fund (component unit) activities. *Internal service funds* are used to accumulate and allocate costs internally among the County's functions. The County uses an Internal Services Fund to account for the provision of equipment provided by the County for its various departments. Departments utilize a rental charge reimbursement rate to provide the resources necessary to fund future acquisitions. In addition, a Medical Trust Fund is utilized to provide health coverage for its employees. Because these two internal service funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the county-wide financial statements.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reported in the county-wide financial statements because the resources of those funds are not available for the support of the County's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the county-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the County. The County adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund to demonstrate compliance with the budget requirement

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplemental information.

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Net Position
December 31, 2016

	2016			
	Governmental Activities	E911 Emergency Services	Small Business Development	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 11,477,099	$ 384,150	$ 156,772	$ 12,018,021
Investments	$ 3,148,128			$ 3,148,128
Receivables:				
Accounts	1,066,138	17,928	147,159	1,231,225
Property taxes	3,285,391			3,285,391
Interest	27,332			27,332
Due from other governments	423,970			423,970
Prepaid items	15,000			15,000
Inventory	134,156			134,156
CAPITAL ASSETS				
Non-depreciable capital assets	5,443,950			5,443,950
Depreciable capital assets, net	7,374,289	40,406		7,414,695
Total assets	32,395,453	442,484	303,931	33,141,868
LIABILITIES				
Accounts payable	555,379	5,936	11	561,326
Claims payable	376,220			376,220
Due to other governments	163,697			163,697
Public trustee deposits	16,936			16,936
Compensated absences payable	18,095			18,095
Capital leases payable	340,716			340,716
Landfill post closure	50,378			50,378
LONG-TERM LIABILITIES				
Compensated absences payable	358,893			358,893
Landfill post closure	1,299,248			1,299,248
Total liabilities	3,179,562	5,936	11	3,185,509
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	4,595,488			4,595,488
Total deferred inflows of resources	4,595,488	-	-	4,595,488
NET POSITION				
Net investment in capital assets	12,481,819	40,406		12,522,225
Restricted:				
Emergencies	274,889			274,889
Grants	869,969		303,920	1,173,889
Statute	490,561			490,561
Unrestricted	10,503,165	396,142		10,899,307
Total net position	$ 24,620,403	$ 436,548	$ 303,920	$ 25,360,871

Financial Analysis – Statement of Net Position

1. Restricted net assets are made up of statutory reserves of $274,889 for emergencies required by TABOR.
2. The component units of government are comprised of the E911 Emergency Telephone reporting system and the Small Business Development Revolving Loan Fund. The financials are tracked under Otero County as it serves as the fiscal agent for the E911 Authority Board and the Otero Partners, Inc Board of Directors.
3. Based on current allocation, the County's share of the costs developed for the Landfill closure and post closure represent approximately 50% of the estimated $2,679,000 allocated among the participating entities amounting to $1,349,626. The majority of this cost is due to the calculations related to quantities of dirt needed for final cover, continuation of monitoring (water/methane), and other associated costs due to new regulations or practice.

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Changes in Net Position
Year Ended December 31, 2016

	2016				
	Primary Government	Component Unit	Component Unit		
	Governmental Activities	E911 Emergency Services	Small Business Development	Total	2015 Total
FUNCTIONS/PROGRAMS - EXPENSES					
PRIMARY GOVERNMENT					
Governmental activities:					
General government	$ 4,139,903			$ 4,139,903	$ 3,240,502
Public safety	1,981,315			1,981,315	1,898,671
Public works	2,793,627			2,793,627	2,784,191
Public health and welfare	8,429,354			8,429,354	4,142,252
Culture and recreation	71,035			71,035	60,709
Conservation	126,987			126,987	121,292
Economic development	-			-	254
Interest	5,750			5,750	7,076
Intergovernmental				-	3,293,499
Total governmental activities	17,547,971	$ -	$ -	17,547,971	15,548,446
COMPONENT UNIT					
E911 emergency services		170,120	11,453	181,573	162,899
TOTAL FUNCTION/PROGRAMS - EXPENSES	$ 17,547,971	$ 170,120	$ 11,453	$ 17,729,544	$ 15,711,345

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Changes in Net Position
Year Ended December 31, 2016
(Continued)

	2016				
	Primary Government	Component Unit	Component Unit		
	Governmental Activities	E911 Emergency Services	Small Business Development	Total	2015 Total
REVENUES					
GOVERNMENTAL					
PROGRAM REVENUES					
Charges for services	$ 3,196,381			$ 3,196,381	$ 2,860,872
Operating grants and contributions	6,941,873			6,941,873	5,918,051
Total governmental program revenues	10,138,254	$ -	$ -	10,138,254	8,778,923
COMPONENT UNIT					
PROGRAM REVENUES					
Charges for services		143,846	12,608	301,733	143,401
Operating grants and contributions			78,800	224,079	-
Total component unit program revenues	-	143,846	91,408	525,812	143,401
GENERAL REVENUES					
Property taxes	3,098,572			3,098,572	2,920,759
Specific ownership taxes	655,833			655,833	611,851
Sales taxes	1,563,551			1,563,551	1,547,942
Highway user tax	1,695,788			1,695,788	1,690,146
Payment in lieu of taxes	457,174			457,174	448,745
Other taxes	21,159			21,159	7,499
Fines and forfeitures	2,620			2,620	-
Investment income	144,855	739		145,594	80,794
Miscellaneous	342,601		12,736		334,634
Gain on sale of capital assets	146,860			146,860	-
Insurance recovery	3,053			3,053	2,686
Total general revenues	8,132,066	739	12,736	7,790,204	7,645,056
TOTAL - REVENUES	$ 18,270,320	$ 144,585	$ 104,144	$ 18,454,270	$ 16,567,380
Total function/program expenditures	$ 17,547,971	$ 170,120	$ 11,453	$ 17,729,544	$ 15,711,345
Program revenue	10,138,254	143,846	91,408	10,373,508	8,922,324
Total - net program expense	(7,409,717)	(26,274)	79,955	(7,356,036)	(6,789,021)
General revenue	8,132,066	739	12,736	8,145,541	7,645,056
CHANGE IN NET POSITION	722,349	(25,535)	92,691	789,505	856,035
NET POSITION, Beginning of year	23,898,054	462,083	211,229	24,571,366	23,417,228
NET POSITION, End of year	$ 24,620,403	$ 436,548	$ 303,920	$ 25,360,871	$ 24,273,263

Financial Analysis – Statement of Activities

1. There was an increase in current year in the County's primary government net position of $722,349 or 3.0%. This is primarily due to an increase in revenues in the County specific ownership tax, property taxes, payment in lieu of taxes, highway user tax, other taxes and operating grants.

2. The E911 Emergency Service decreased 5.5% in net position for fiscal year 2016, however continues to exhibits a strong financial picture. Currently, a $0.70 per line surcharge is collected for the E911 system, and its governing board continues to maintain as well as upgrade its E911 level of service.

3. The Small Business Development Fund's net position increased $92,691 or 43.9% for fiscal year 2016.

ANALYSIS OF POSITION

The overall financial position of the County improved during 2016, due to an increase in overall revenues.

Net capital assets for the Governmental Activities, the Business-Type Activities and component unit combined increased by $1,210,332.

FUND FINANCIAL STATEMENT ANALYSIS

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the major operating fund of the County, providing the majority of the resources for operating and support programs. Revenues and other financing sources for the General Fund totaled $5,532,714 in fiscal year 2016, an increase of less than 1% from fiscal year 2015. The County experienced a decrease of 7.5% in sales tax revenue and 6.0% in intergovernmental, and increases of 62% in investment earnings and 4.6% in property taxes in fiscal year 2016.

Schedule of Revenues and Other Financing Sources (General Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	$ 1,816,454	$ 1,736,149	$ 80,305	4.6%
Specific ownership taxes	372,508	395,302	(22,794)	-5.8%
Sales tax	1,563,551	1,690,983	(127,432)	-7.5%
Intergovernmental taxes	21,159	7,499	13,660	182.2%
Total taxes	3,773,672	3,829,933	(56,261)	-1.5%
Intergovernmental	1,001,617	1,065,576	(63,959)	-6.0%
Charges for services	502,741	455,480	47,261	10.4%
Fines and forfeitures	2,620	2,157	463	21.5%
Investment income	125,426	77,424	48,002	62.0%
Miscellaneous	114,408	98,231	16,177	16.5%
Current year market value change	11,128	-	11,128	100.0%
Other financing sources	1,102	2,800	(1,698)	-82.0%
TOTAL	$ 5,532,714	$ 5,531,601	$ 1,113	0.0%

Property Taxes — The General Fund mill levy was decreased to 12.607 mills in fiscal year 2016 from 2015. The difference of 0.437 mills is a temporary tax mill levy credit. The fiscal year 2016 mill levy was applied against an assessed valuation of $144,081,207. The fiscal year 2015 mill levy was applied against an assessed valuation of $133,233,624. The property tax mills levied for both years are in compliance with the restrictions of Article X Section 20 of the Colorado Constitution (TABOR).

Specific Ownership Tax — A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year. There was a 5.8% decrease in specific ownership tax collections in fiscal year 2016.

Sales Tax — The County has a 1.0% sales tax in place. The $1,563,551 generated in fiscal year 2016 represented an actual decrease of 7.5% over fiscal year 2015.

Intergovernmental — This category includes federal, state and local sources, as well as Payment-In-Lieu of Taxes (PILT) on federal, state and other governmental lands. In addition, cost allocation (indirect cost reimbursement), grant funding, and other miscellaneous types of governmental revenue.

The primary source of federal revenue is Payment-In-Lieu of Taxes (PILT) on federal lands. The federal government slightly increased the allocation to the County. The County allocated $457,174 to the General Fund in fiscal year 2016. This represents the total PILT from all federal lands, a 1.9% increase from fiscal year 2015.

Charges for Services — This category of revenue includes the various types of fees generated through the Land Use office, County Clerk, Treasurer, Assessor and Administration. Examples include excess fees generated by the County Clerk and Recorder for election or recording fees, jail work release revenues, photocopy charges and map charges. Overall, there was a 10.4% increase in revenue.

Fines and Forfeitures —This category increased by 21.5% in fiscal year 2016. The increase was primarily due to DUI fine collections.

Investment Income — Investment income consists of those funds generated through its investment program. There was an increase of $48,002 or 62.0% over fiscal year 2015. The County will continue to re-evaluate the investments being held.

Miscellaneous — The "Miscellaneous" category includes rent payments for space, as well as any miscellaneous receipts. There was an increase in fiscal year 2016 of $16,177 or 16.5%, and this "catch all" revenue source will fluctuate on an annual basis.

Other Financing Sources — This category includes interfund transfers and extraordinary items.

Schedule of Expenditures
(General Fund)

	Pecentage of Total	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Current:					
General government	55.6%	$ 2,950,649	$ 2,806,504	$ 144,145	5.1%
Public safety	37.0%	1,961,848	1,890,254	71,594	3.8%
Public works	2.9%	153,105	141,152	11,953	8.5%
Public health and welfare	1.6%	82,674	45,983	36,691	79.8%
Culture and recreation	0.5%	26,996	26,768	228	0.9%
Conservation	2.4%	124,893	119,698	5,195	4.3%
Debt service:	0.0%				
Principal	0.0%	-	40,023	(40,023)	-100.0%
Interest	0.1%	5,750	7,076	(1,326)	-18.7%
TOTAL - EXPENDITURES	100.0%	$ 5,305,915	$ 5,077,458	$ 228,457	4.5%

General Government — Expenditures in this category increased $144,145, about 5.1% from fiscal year 2015.

Public Safety — Public safety expenditures for fiscal year 2016 increased by 3.8%.

Public Works — In fiscal year 2016 the public works costs showed an increase of 8.5% due to salary increases.

Health and Welfare — The expenditures for health and welfare vary, as the inclusion of EMS subsidy funds within this category allow for an increase or decrease in expenditures, depending on the approved requests of the various EMS providers. In addition, the match for our local nutrition program is carried here, and varies based on the required levels of funding. In fiscal year 2016, there was an expenditure increase of 79.8%.

Culture and Recreation — Culture and recreation expenditures for fiscal year 2016 increased by 0.9%. The increase was a result of fluctuation of costs in the operation of the Senior Centers of Otero County assumed by the General Fund.

Conservation — Conservation expenditures increased by 4.3%. The nature of specific economic development projects and the level of County participation will always dictate the amount of expenditure.

Debt Service — There were no debt service payments in 2016.

Overall — Total expenditures increased by 4.5%, ($228,457) from fiscal year 2015 to fiscal year 2016. The main reasons were increased costs in general government and public safety in fiscal year 2016.

Fund Balance Re-Cap
(General Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase	Percent Change
FUND BALANCE, Beginning of year	$ 4,518,860	$ 4,071,210	$ 447,650	11.0%
FUND BALANCE, End of year	4,689,166	4,518,860	170,306	3.8%

Fund Balance — The fiscal year 2016 year-end fund balance increased by $170,306 or 3.8%. A strong effort has been made to monitor costs and develop any revenue streams available.

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MAJOR SPECIAL REVENUE FUNDS

ROAD & BRIDGE FUND

The Road & Bridge Fund, like the General Fund, is considered a major operating fund for financial reporting purposes. Total revenues and other financing sources for the Road & Bridge Fund totaled $3,201,966 while expenditures totaled $3,180,618. Revenue and financing sources included taxes of $2,426,179; intergovernmental revenues of $58,346 which includes federal and state sources; charges for services of $227,412; and miscellaneous and other financing sources of $490,029. The ending fund balance of $3,242,904 includes inventory of $134,156 and reflects a 0.1% increase in undesignated fund balance (available resources). The fiscal year 2016 financials also reflect the inclusion of construction/operational expenses for solid waste disposal, i.e. the landfill.
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Schedule of Revenues and Other Financing Sources (Road & Bridge Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	$ 598,210	$ 552,690	$ 45,520	8.2%
Specific ownership taxes	132,181	115,804	16,377	14.1%
Intergovernmental taxes	1,695,788	112,367	1,583,421	1409.2%
Total taxes	2,426,179	780,861	1,645,318	210.7%
Intergovernmental	58,346	1,749,980	(1,691,634)	-96.7%
Charges for services	227,412	227,324	88	0.0%
Miscellaneous	-	9,517	(9,517)	-100.0%
Other financing sources	490,029	32,250	457,779	1419.5%
TOTAL	$ 3,201,966	$ 2,799,932	$ 402,034	14.4%

Property Taxes — There was an increase in fiscal year 2016 property tax collections of $45,520 or 8.2%. The mill levy of 4.154 mills was unchanged from fiscal year 2015.

Specific Ownership Tax — A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year. There was a 14.1% increase in specific ownership tax collections in fiscal year 2016.

Intergovernmental Taxes — Per a recommendation from the Auditor's this category was added. In 2015, the Intergovernmental category included federal, state and local sources. In 2016, per the Auditor recommendation moved the Highway Users Tax revenue to the Intergovernmental Taxes category where the overall category change between Intergovernmental Taxes and Intergovernmental was a $108,213 decrease. There were increases and decreases in various intergovernmental funding, but the primary decrease is due to ~~higher~~ prior period adjustments in the Highway Users tax revenue received in fiscal year 2016.

Charges for Services — This category of revenue includes the sale of gravel, service charges associated with the landfill and other "billable" road/bridge projects. Overall, the $227,412 amount represented less than a 1% change in this revenue category.

Overall — Fiscal year 2016 revenues increased by 14.4% or $402,034, primarily due to the increase in other financing sources revenue.

Schedule of Expenditures
(Road & Bridge Fund)

	Pecentage of Total	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Current:					
Public works	74.74%	$ 2,377,123	$ 2,255,913	$ 121,210	5.4%
Capital outlay	25.26%	803,495	371,237	432,258	116.4%
TOTAL - EXPENDITURES	100.00%	$ 3,180,618	$ 2,627,150	$ 553,468	21.1%

Public Works — This expenditure category is comprised of both Road & Bridge and landfill types of expenditures. In general operational terms, there was an increase of $121,210 or 5.4% in public works, which is primarily due to an increase in operational expenditures over fiscal year 2015.

Capital Outlay — The capital outlay amount reflects increased expenditures for capital outlay in 2016 resulting in an increase of 116.4% or $432,258 compared to fiscal year 2015.

Overall — The fiscal year 2016 expenditure increase of $553,468 is primarily due to an increase in capital outlay expenses.

Fund Balance Re-Cap
(Road & Bridge Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	$ 3,221,556	$ 3,048,774	$ 172,782	5.7%
FUND BALANCE, End of year	3,242,904	3,221,556	21,348	0.7%

Inventory Reserve — The fiscal year 2016 year-end balance includes $134,156 in inventory reserve. The committed fund balance is $3,108,748.

Fund Balance — This figure represents a 0.7% increase in fund balance for the year. In general operational terms, this is primarily due to receiving more revenues than were expended in the fund.

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SOCIAL SERVICES FUND

The Social Services Fund is a major fund, and total revenues of $3,814,057 were generated. Total expenditures of $3,813,269 were noted, leaving a year-end fund balance of $734,393 (increase of $788 from fiscal year 2015). The mill levy of 3.00 mills was unchanged from fiscal year 2015.

The County experienced a $738,490 or 24.0% increase in overall revenues from fiscal year 2015. Here again, the County is concerned with utilizing its fund reserves to pay for administrative and other program costs that exceed its state allocations or are a component of our Maintenance of Effort. The County would like to retain a Fund Balance in the Social Services Fund at approximately $700,000. For 2017, the mill levy remains at 3.00 mills. It is the County's desire as well as need to reduce the Fund Balance to a more conservative figure as other County functions/departments needed resources.

Schedule of Revenues
(Social Services Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	$ 432,029	$ 399,178	$ 32,851	8.2%
Specific ownership taxes	95,460	83,633	11,827	14.1%
Total taxes	527,489	482,811	44,678	9.3%
Intergovernmental	3,286,568	2,592,756	693,812	26.8%
TOTAL	$ 3,814,057	$ 3,075,567	$ 738,490	24.0%

Property Taxes — There was an 8.2% increase for property tax to the Social Services Fund in fiscal year 2016.

Specific Ownership Tax — A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year. There was a 14.1% increase in specific ownership tax collections in fiscal year 2016.

Intergovernmental — This category includes federal, state and local sources. There was an increase of 26.8% or $693,812 in revenues in fiscal year 2016.

Schedule of Expenditures
(Social Services Fund)

	of Total	2016	2015	(Decrease)	Change
Current:					
Public health and human services	2402.41%	$ 3,660,885	$ 3,146,390	$ 514,495	16.4%
Capital outlay	4.00%	$ 152,384	$ -	$ 152,384	100.0%
TOTAL - EXPENDITURES	4.00%	$ 3,813,269	$ 3,146,390	$ 666,879	21.2%

Social Services — The expenditure summary shows a 21.2% increase in expenditures from fiscal year 2015 to 2016. Expenditures exceeded revenues by $788 during fiscal year 2016. A tremendous effort will continue to be made to maintain services and evaluate revenue and expenditure streams. As stated earlier, the State's budget crunch resulted in cutbacks in various program areas, and the County has tried to match the decreases in revenues with corresponding decreases in expenditures.

Fund Balance Re-Cap
(Social Services Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	$ 733,605	$ 804,428	$ (70,823)	-8.8%
FUND BALANCE, End of year	734,393	733,605	788	0.1%

Fund Balance — The 0.1% increase in year-end fund balance is significant to note, as a strong effort has been made to monitor and to develop the revenue resources needed to fund these human services programs. Unfortunately, the revenue streams that the County has access to are limited, and property tax will remain the only "real" source of additional County funding.

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CAPITAL IMPROVEMENT FUND

The Capital Improvement Fund does not meet the requirement to be considered a major fund in fiscal year 2016, however due to its nature the County has chosen to include this fund as a major fund. During 2016, $179,831 was collected from property tax and $39,774 was collected from Specific Ownership tax. This revenue will continue to build a fund balance for future capital improvement projects.
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Schedule of Revenues
(Capital Improvement Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Property taxes	$ 179,831	$ 166,204	$ 13,627	8.2%
Specific ownership tax	39,774	32,490	7,284	22.4%
Intergovernmental	17,000	-	17,000	100.0%
Miscellaneous	5,750	6,313	(563)	-8.9%
TOTAL - REVENUES	$ 242,355	$ 205,007	$ 37,348	18.2%

Property Taxes —The mill levy of 1.25 mills was unchanged from fiscal year 2015.

Specific Ownership Tax — A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year.

Overall — Total fiscal year 2016 revenue increased by $37,348, primarily due to an increase in property taxes and receiving a state grant.

Schedule of Expenditures
(Capital Improvement Fund)

	Pecentage of Total	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Current:					
General government	21.80%	$ 160,340	$ 24,974	$ 135,366	542.0%
Public safety	0.48%	$ 3,500	$ -	$ 3,500	100.0%
Capital outlay	77.73%	571,751	47,324	524,427	1108.2%
TOTAL - EXPENDITURES	100.00%	$ 735,591	$ 72,298	$ 663,293	1750.2%

Several projects were completed in fiscal year 2016 including remodels of the Department of Motor Vehicles and county court offices, roofing projects for the courthouse and annex, HVAC system, VoIP system, and kitchen lighting in the jail.

Fund Balance Re-Cap
(Capital Improvement Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	$ 1,132,383	$ 999,674	$ 132,709	13.3%
FUND BALANCE, End of year	639,147	1,132,383	(493,236)	-43.6%

Fund Balance — The fiscal year 2016 year-end fund balance of $639,147 represents a decrease of $493,236 or 43.6% over the 2015 fund balance. The decrease was primarily due to the replacement of the Otero County Courthouse roof and other capital improvement projects.

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GENERAL HUMAN SERVICES FUND

The General Human Services Fund is a major fund, and total revenues of $1,002,517 were generated. Total expenditures of $1,003,320 were noted, leaving a year-end fund balance of $69,850 (decrease of $803 from fiscal year 2015). This fund encompasses services areas such as Retired and Senior Volunteer Program (RSVP), Single Entry Point (SEP), and Community Service Block Grant (CSBG).

Schedule of Revenues
(General Human Services Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Intergovernmental	$ 1,002,517	$ 610,651	$ 391,866	64.2%
Miscellaneous	-	700	(700)	-100.0%
TOTAL - REVENUES	$ 1,002,517	$ 611,351	$ 391,166	64.0%

Property Taxes — No mills are allocated to this fund.

Intergovernmental — This category includes federal and state sources. In fiscal year 2016, there was a 64.2% or $391,866 increase over fiscal year 2015.

Miscellaneous — This category includes local cash.

Schedule of Expenditures
(General Human Services Fund)

	Pecentage of Total	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
Current:					
Health and human services	76.37%	$ 766,229	$ 689,582	$ 76,647	11.1%
Capital outlay	23.63%	$ 237,091	$ -	$ 237,091	100.0%
TOTAL - EXPENDITURES	100.00%	$ 1,003,320	$ 689,582	$ 313,738	45.5%

General Human Services — The expenditure summary shows an 45.5% increase in expenditures from fiscal year 2015 to 2016. This is primarily due to a remodel project of the Adult Services offices. Expenditures exceeded revenues by $803 during fiscal year 2016.
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Fund Balance Re-Cap
(General Human Services Fund)

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	$ 70,653	$ 148,884	$ (78,231)	-52.5%
FUND BALANCE, End of year	69,850	70,653	(803)	-1.1%

Fund Balance — This figure represents a decrease of 1.1% or $803 in fund balance for the year. This is primarily due to timing issues associated with the State's fiscal year in regard to expenditure reimbursement and a remodel project.

NON-MAJOR GOVERNMENTAL FUNDS

Information for non-major governmental funds is aggregated and reported as other types of funds in the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the other supplemental information section of this financial report. Included in the County's non-major governmental funds are the Insurance Fund, Clerk Hire Fund, Conservation Trust Fund, Health Fund, Area Agency on Aging Fund, and the Otero County Land Trust Fund.

Insurance Fund resources are utilized to pay premiums for the County Casualty and Property Pool (CAPP) coverage, and any other costs associated with its liability and/or property program. A mill levy is used to develop the necessary resources needed to provide the appropriate levels of insurance coverage. The year-end fund balance increased slightly to $278,365 in fiscal year 2016. due to an increase in miscellaneous revenues. Premiums are based on a three-year average of claims incurred. The philosophy of the Board of County Commissioners is to allocate a portion of the mill levy at a level to provide funding for the premium. Furthermore, the Board agrees that the fund balance should remain at approximately $250,000. It is important to note that the deductible for the insurance fund is recognized in the difference from the claim amount submitted and the insurance recovery ($1,000 for property and $500 for vehicles).

Clerk Hire Fund provides staffing and supports for the Clerk and Recorder operations. Staff license motor vehicles, record documents, complete title transactions, etc. Its main financial resource is from the service fees charged through for the various transactions. A fiscal year 2016 year-end fund balance of $424,094 reflects an increase of $44,220 over 2015. Changes in personnel staffing from year to year are used to maintain the fund balance at a viable number.

Conservation Trust Fund resources are used to develop/maintain recreational facilities or opportunities. The $22,591 increase in fiscal year 2016 year-end fund balance is result of increased intergovernmental revenues and decreased expenditures leaving a fund balance of $356,631.

Health Fund Otero County Health Department (OCHD) is also considered to be a non-major fund for reporting purposes. Revenues (including transfers-in of $56,493) totaled $1,410,182 and expenditures amounted to $1,327,551. A year-end fund balance of $1,154,772 represented an increase of $82,631. OCHD is the statutorily required local public health agency serving both Crowley and Otero Counties in rural, Southeast Colorado. In addition to providing statutorily required public health services in the aforementioned counties, OCHD serves many other counties regionally with "siloed" program specific services. Public health funding is conspicuously volatile and transient, with many OCHD programs being grant funded and prone to this effect. These grant funded programs are literally "here today, gone

tomorrow" due to the caprices of the grantors. The unrelenting search for funding is a major focus of OCHD administration.

Area Agency on Aging (AAA) Fund is used to provide services to the elderly residents in the region. A variety of agencies/programs are direct recipients of allocated funds through the AAA, i.e., transportation, advocacy, meal services, dental access, etc. Revenues come primarily from intergovernmental sources, and the year-end fund balance of $65,141.

Otero County Land Trust Fund (OCLT) provides support for the County's conservation easement program. The Fund Balance of $66,467 represents a decrease of $655, which is the annual stewardship monitoring costs which is done on conservation easements in perpetuity.

OTHER FUNDS

Information for other funds is reported as other types of funds in the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the other supplemental information section of this financial report. Included in the County's other funds is the Contingent Fund. This fund is presented within the General Fund.

The Contingent Fund is used to provide resources for any financial contingencies that might arise. The year-end fund balance for the Contingent Fund is $305,876. This represents an increase of $2 in fiscal year 2016.

PROPRIETARY FUNDS

The County's proprietary funds provide the same type of information found in the County-wide financial statements, but in more detail. Proprietary funds account for operations that are organized to be self-supporting through user charges. The County's proprietary funds consist of two internal services funds.

COMPONENT UNITS

The Small Business Development Revolving Loan Fund (SBDRLF) focuses on providing loans to small businesses. The financial activities of the SBDRLF are presented as a "discretely presented component unit" in the County's financial statements.

The 911 Otero County Emergency Telephone Service Authority Board was created for the purpose of providing 911 emergency phone services in Otero County. The financial activities of the E911 Authority are presented as a "discretely presented component unit" in the County's financial statements.

INTERNAL SERVICES FUNDS

Internal services funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost reimbursement basis. The County's internal services funds are used to account for a self-insured health benefit plan and a capital equipment acquisition program.

The County's Internal Services Fund is used as a resource base to purchase requested equipment (over $1,000) for the various departments. Assets are purchased through the fund, amortized costs are then

charged to each department as a "rental charge." When an item needs replacement, adequate funds have been generated through the on-going rental fees to make a replacement purchase. Revenues totaled $138,001 in fiscal year 2016. The overall year-end increase in net position was $23,549.

The Medical Trust Fund is an internal service fund used to account for the County's self-insured health benefit program. Revenues to support the program originate from two primary sources:

1. Employee contributions toward the cost of the health benefit program premiums,
2. County contributions toward the cost of the health benefit program premiums.

Expenditures include claims, stop-loss premiums and plan administration for a health benefit program for employees and their families.

In fiscal year 2016, the County expenditures exceeded revenues by $112,612 leaving a net position of $1,301,978. Based on actual claims for the last 6 months in fiscal year 2016, it was estimated that claims incurred but not reported (IBNR) would be about $376,220. The final IBNR was calculated using July to December 2016 and includes a 10% adjustment for inflation and reflects only an estimate of claims payable recorded at year end. Furthermore, per the claims administrator, the lag time increased from 60 days to 75 days.

The costs of health care continue to rise, and the County revised its schedule of benefits and premium rates to offset these increases.

FIDUCIARY / AGENCY FUNDS

A variety of accounts are maintained by the County Treasurer, Public Trustee, and County Clerk that are custodial in nature, i.e., taxing entity disbursements, etc. A total of $634,801 in deposits was being held at December 31, 2016.

MAJOR FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2016 budget that was adopted by the Board of County Commissioners on December 14, 2015, showed total appropriations of $30,150,234. This amount includes $5,656,578 in total General Fund appropriations. Budgeted expenditures in this category are down 7.22% or $437,006 from fiscal year 2015. The excess of revenues over expenditures for the General Fund in fiscal year 2016 was $225,697. There is not a significant difference between the adopted budget and the final revised budget with regard to the functional distribution of expenditures.

With regard to the *major funds*, the variance of actual results compared to the final revised budget shows that the County did not over spend its fiscal year 2016 budget for these funds, with the exception of the Social Services fund, which was over spent by $15,397.

A re-cap of the *non-major funds* indicates that the County under spent the fiscal year 2016 budget in these areas by $444,677 for all non-major funds. The primary reason for this under-expenditure was substantial under spending of the Conservation Trust Fund of $324,337 and Health Fund of $73,448.

CAPITAL ASSETS

The County's investment in capital assets for its governmental activities as of December 31, 2016, amounted to $12,818,268 (net of accumulated depreciation of $11,305,169). Capital assets include land, buildings, improvements, machinery, vehicles, equipment, and infrastructure currently acquired. Additional information concerning capital assets can be found in Note 4 to the financial statements.

LONG-TERM OBLIGATIONS

As of December 31, 2016, the County had long-term obligations outstanding of $2,071,627, including amounts currently due of $413,486. This includes compensated leave in the amount of $381,285, and a portion of closure/post-closure costs associated with the aforementioned OCLI solid waste landfill sites in the amount of $1,349,626, Otero County portion. The reader should refer to Note 6 of the Notes to the Financial Statements for further information relative to long-term debt.

COMPONENT UNITS

Only summary information regarding component units appears in the County's financial statements. Currently, the only recognized component units are the Otero County Emergency Telephone Service Authority Board (E911) and the Small Business Development Revolving Loan Fund. The reader should refer to Note 1 of the Notes to the Financial Statements for further information relative to this "Discretely Presented Component Units."

FACTORS AFFECTING FUTURE FINANCIAL CONDITIONS

The FY2016 Budget continues to be impacted by the general economic conditions within the County therefore the County has again adopted a conservative approach to the budget. Otero County has not been immune from the economic hardships seen in other parts of Colorado as well as the United States. There is no doubt that the County has been impacted by the drought, however, Otero County saw some financial relief in 2016 with a slight increase in property tax revenue. Furthermore, Otero County employees were conservative when utilizing the Medical Trust Fund and we were able to give a Cost of Living Adjustment (COLA) of $60/employee/month increase and a 1 step Anniversary increase upon a satisfactory evaluation. Furthermore, continued efforts to acquire our local agricultural water resources for municipal use may have a serious impact on future tax revenue streams (change from productive ground to pasture/vacant land).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Otero County, Colorado's finances for all those with an interest in the County's finances and to demonstrate the County’s accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the County Administrator at 13 West Third Street, Suite 212, La Junta, Colorado, 81050. Telephone number is (719) 383-3000 / (719) 383-3090 (fax).

OTERO COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2016

OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Discretely-Presented Component Units	
		Component Unit	Component Unit
	Governmental Activities	E-911 Services	Small Business Development Fund
ASSETS			
Cash and cash equivalents	$ 11,477,099	$ 384,150	$ 156,772
Investments	$ 3,148,128		
Receivables:			
Accounts	1,066,138	17,928	147,159
Property taxes	3,285,391		
Interest	27,332		
Due from other government	423,970		
Prepaid items	15,000		
Inventory	134,156		
Capital assets:			
Non-depreciable	5,443,950		
Depreciable, net	7,374,289	40,406	
TOTAL ASSETS	32,395,453	442,484	303,931
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	555,379	5,936	11
Claims payable	376,220		
Due to other governments	163,697		
Public trustee deposits	16,936		
Non-current liabilities			
Due within one year	409,189		
Due in more than one year	1,658,141		
TOTAL LIABILITIES	3,179,562	5,936	11
DEFERRED INFLOWS OF RESOURCES			
Property taxes	3,285,391		
Unavailable grant revenue	1,310,097		
TOTAL DEFERRED INFLOWS OF RESOURCES	4,595,488		
NET POSITION			
Net investment in capital assets	12,481,819	40,406	
Restricted			
Emergencies	305,876		
Grants	1,144,858		303,920
Statute	490,561		
Unrestricted	10,197,289	396,142	
TOTAL NET POSITION	$ 24,620,403	$ 436,548	$ 303,920

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS / PROGRAMS	Expenses	Program Revenue: Charges for Services and Sales	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities	Component Unit E-911 Services	Component Unit Small Bus. Development
Primary government						
General government	$ 4,139,903	$ 567,010	$ 347,120	$ (3,225,773)	$	$
Public safety	1,981,315	87,280	236,169	(1,657,866)		
Public works	2,793,627	227,412	61,638	(2,504,577)		
Health and welfare	8,429,354	2,314,679	6,238,946	124,271		
Culture and recreation	71,035			(71,035)		
Conservation	126,987		58,000	(68,987)		
Economic development				-		
Interest	5,750			(5,750)		
TOTAL	$ 17,547,971	$ 3,196,381	$ 6,941,873	$ (7,409,717)	$	$
Component Unit						
E911 Emergency Services	$ 170,120	$ 143,846			$ (26,274)	
Small Business Development	$ 11,453	$ 12,608	$ 78,800			$ 79,955
GENERAL REVENUES						
Property taxes				3,098,572		
Specific ownership taxes				655,833		
Sales taxes				1,563,551		
Highway user tax				1,695,788		
Payment in lieu of taxes				457,174		
Other taxes				21,159		
Fines and forfeitures				2,620		
Investment income				144,855	739	
Miscellaneous				342,601		12,736
Gain on sale of capital assets				146,860		
Insurance recovery				3,053		
Total general revenues				8,132,066	739	12,736
Change in net position				722,349	(25,535)	92,691
NET POSITION, Beginning of year				23,898,054	462,083	211,229
NET POSITION, End of year				$ 24,620,403	$ 436,548	$ 303,920

See notes to financial statements.

OTERO COUNTY, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road & Bridge	Social Services	Capital Improvement	General Human Services	Other	Total
ASSETS							
Cash and cash equivalents	$ 3,424,166	$ 2,005,052	$ 791,040	$ 207,377	$ 688,304	$2,108,265	$ 9,224,204
Cash with trustee	54,665						54,665
Investments	1,532,666	$ 963,127		$ 268,510	$ 383,825		3,148,128
Receivables:							
Accounts	412,024	169,108	-	6,661	11,152	450,736	1,049,681
Property tax	1,802,864	621,811	449,069	336,802		74,845	3,285,391
Interest	19,753						19,753
Due from other governments			423,970				423,970
Notes receivable - from other funds				206,890			206,890
Due from other funds	70,143	18,259	28,329	10,265		2,198	129,194
Prepaid items		15,000					15,000
Inventory		134,156					134,156
TOTAL ASSETS	7,316,281	3,926,513	1,692,408	1,036,505	1,083,281	2,636,044	17,691,032
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES							
Accounts payable	235,168	37,119	51,039	55,029	14,922	162,102	555,379
Accrued expenditures	17,177	3,918				1,297	22,392
Due to other governments			163,697				163,697
Due to other funds	42,204	20,761	12,894	5,527	15,036	7,022	103,444
Notes payable - to other funds	206,890						206,890
Public trustee deposits	16,936						16,936
Total liabilities	518,375	61,798	227,630	60,556	29,958	170,421	1,068,738
DEFERRED INFLOWS OF RESOURCES							
Property tax	1,802,864	621,811	449,069	336,802		74,845	3,285,391
Unavailable grant revenue			281,316		983,473	45,308	1,310,097
Total deferred inflows of resources	1,802,864	621,811	730,385	336,802	983,473	120,153	4,595,488
FUND BALANCES							
Non-spendable inventory		134,156					134,156
Restricted	788,227					847,192	1,635,419
Committed	305,876	3,108,748	734,393	639,147	69,850	1,498,278	6,356,292
Unassigned	3,900,939						3,900,939
Total fund balance	4,995,042	3,242,904	734,393	639,147	69,850	2,345,470	12,026,806
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 7,316,281	$ 3,926,513	$ 1,692,408	$ 1,036,505	$ 1,083,281	$2,636,044	$ 17,691,032

See notes to financial statements.

OTERO COUNTY, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

TOTAL IN GOVERNMENTAL FUND BALANCES			$ 12,026,806
Amounts reported for governmental activities in the statement of net position are different because:			
Investment interest receivables not paid within 90 days of year end are not available to pay current obligations and are therefore not recorded in the funds.			7,579
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Cost	$ 24,123,408		
Less accumulated depreciation	(11,305,169)		12,818,239
The internal service funds are used by management to charge the costs of the operation and maintenance of the vehicle fleet and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.			1,812,718
Liabilities not due and payable in the current period are not reported in the fund balance sheets, but are reported on the government-wide statement of net position:			
Capital lease payable	(336,420)		
Compensated absences - long-term portion	(358,893)		
Landfill post-closure	(1,349,626)		(2,044,939)
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION			$ 24,620,403

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road & Bridge	Social Services	Capital Improvement	Human Services	Other	Total
REVENUES							
Property taxes	$ 1,816,456	598,210	$ 432,029	$ 179,831		$ 72,046	$ 3,098,572
Specific ownership tax	372,508	132,181	95,460	39,774		15,910	655,833
Sales taxes	1,563,551						1,563,551
Intergovernmental taxes	21,159	1,695,788					1,716,947
Intergovernmental	1,001,617	58,346	3,286,568	17,000	$ 1,002,517	2,007,860	7,373,908
Charges for services	502,741	227,412				272,114	1,002,267
Fines and foreclosures	2,620						2,620
Investment earnings	125,426					3,551	128,977
Current year market value change	11,128			-			11,128
Miscellaneous	114,408			5,750		192,698	312,856
Total revenues	5,531,614	2,711,937	3,814,057	242,355	1,002,517	2,564,179	15,866,659
EXPENDITURES							
Current:							
General government	2,950,649			160,340		273,028	3,384,017
Public safety	1,961,848			3,500			1,965,348
Public works	153,105	2,377,123					2,530,228
Health and welfare	82,674		3,660,885		766,229	2,161,715	6,671,503
Culture and recreation	26,996					40,961	67,957
Conservation	124,893					1,208	126,101
Economic development							
Capital outlay		803,495	152,384	571,751	237,091		1,764,721
Debt service:							
Interest and fiscal charges	5,750						5,750
Total expenditures	5,305,915	3,180,618	3,813,269	735,591	1,003,320	2,476,912	16,515,625
Excess (deficiency) of revenues and expenditures	225,699	(468,681)	788	(493,236)	(803)	87,267	(648,966)
Other financing sources (uses):							
Sale of assets	1,102	153,609					154,711
Insurance recovery						3,053	3,053
Proceeds from capital lease		336,420					336,420
Transfers in						56,493	56,493
Transfers out	(56,493)						(56,493)
Total other financing sources (uses)	(55,391)	490,029				59,546	494,184
Net changes in fund balance	170,308	21,348	788	(493,236)	(803)	146,813	(154,782)
FUND BALANCE, Beginning of year	4,824,734	3,221,556	733,605	1,132,383	70,653	2,198,657	12,181,588
FUND BALANCE, End of year	$ 4,995,042	$ 3,242,904	$ 734,393	$ 639,147	$ 69,850	$ 2,345,470	$ 12,026,806

See notes to financial statements.

OTERO COUNTY, COLORADO

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts reported for governmental activities in the statement of activities are different because				
NET CHANGE IN GOVERNMENTAL FUND BALANCES			$	(154,782)
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 as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.				
Depreciation expense		$ (642,569)		
Capital outlay		1,903,889	$	1,261,320
Governmental Funds do not record deletions or losses; however, in the statement of activites these assets and accumulated depreciation are removed, and losses are recorded.				
Assets Removed		$ (519,425)		
Accumulated Depreciation		508,400		(11,025)
The internal service funds used by management to charge the costs of the operation and maintenance of the vehicle fleet and employee insurance to individual funds are reported in the government-wide statement of activities as governmental activities.				(89,063)
Eliminate internal service funds portion of capital outlay, disposals and depreciation expense included in adjustment above.				
Depreciation expense		$ 99,054		
Capital outlay		(139,168)		(40,114)
Issuance of capital lease debt principal is considered an other financing source in the governmental funds but is characterized as a long-term liability in the statement of net position.				(336,420)
Interest, compensated absences and landfill post-closure costs 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.				
Interest	Liability at December 31, 2016	$ (7,678)		
	Liability at December 31, 2015	7,579		(99)
Landfill	Liability at December 31, 2016	$ (1,349,626)		
	Liability at December 31, 2015	1,457,851		108,225
Compensated absenses	Liability at December 31, 2016 - Long term portion	$ (358,893)		
	Liability at December 31, 2015 - Long term portion	343,200		(15,693)
CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES			$	722,349

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Governmental Activities Internal Service Funds	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,198,231	$ 2,177,040
Accounts receivable	16,456	462
Total current assets	2,214,687	2,177,502
NON-CURRENT ASSETS		
Capital assets:		
Depreciable, net	275,187	235,073
TOTAL ASSETS	2,489,874	2,412,575
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	27,501
Claims payable	376,220	182,357
Due to other funds	25,749	25,749
Total current liabilities	401,969	235,607
TOTAL LIABILITIES	401,969	235,607
NET POSITION		
Investment in capital assets	275,187	235,073
Unrestricted	1,812,718	1,941,895
TOTAL NET POSITION	$ 2,087,905	$ 2,176,968

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016 (with comparative amounts for 2015)

	Governmental Activities Internal Service Funds	
	2016	2015
OPERATING REVENUES		
Charges for services	$ 2,219,253	$ 1,945,215
Total operating revenues	2,219,253	1,945,215
OPERATING EXPENSES		
General government	478,467	14,404
Claims	1,738,819	1,333,994
Depreciation	99,054	69,983
Total operating expenses	2,316,340	1,418,381
Operating income (loss)	(97,087)	526,834
NON-OPERATING REVENUES		
Gain on sale of assets	3,174	-
Interest revenue	4,850	644
Total non-operating revenues	8,024	644
Income (loss) before transfers	(89,063)	527,478
Transfers out	-	(100,000)
Change in net position	(89,063)	427,478
NET POSITION, Beginning of year	2,176,968	1,749,490
NET POSITION, End of year	$ 2,087,905	$ 2,176,968

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	Governmental Activities Internal Service Funds	
	2016	2015
OPERATING ACTIVITIES		
Cash received from customers	$ 2,203,259	$ 2,059,030
Cash payments for goods and services	(2,050,924)	(1,340,512)
Net cash provided by operating activities	152,335	718,518
NONCAPITAL FINANCING ACTIVITIES		
Transfers out		(100,000)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES		(100,000)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	3,250	(135,452)
Payments for capital acquisitions	(139,244)	
Net cash used in capital and related financing activities	(135,994)	(135,452)
INVESTING ACTIVITIES		
Interest received	4850	644
NET CASH PROVIDED BY INVESTING ACTIVITIES	4850	644
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,191	483,710
CASH AND CASH EQUIVALENTS, Beginning of year	2,177,040	1,693,330
CASH AND CASH EQUIVALENTS, End of year	2,198,231	2,177,040
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	(97,087)	526,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by operativing activites		
Depreciation	99,054	69,983
Change in operating assets and liabilities -		
Accounts receivable	(15,994)	113,815
Accounts payable	(27,501)	27,501
Claims payable	193,863	(19,615)
Net cash provided by operating activities	$ 152,335	$ 718,518

See notes to financial statements.

OTERO COUNTY, COLORADO

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
DECEMBER 31, 2016 AND 2015

	Agency Fund	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 711,316	$ 737,409
Total assets	711,316	737,409
LIABILITIES		
Due to other entities	679,767	706,472
Funds held in trust	31,549	30,937
Total liabilities	$ 711,316	$ 737,409

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Otero County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. A summary of significant policies is as follows:

Reporting Entity — Otero County is a statutory county governed by an elected three-member commission. As required by generally accepted accounting principles, these financial statements present Otero County (the primary government) and its component units.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

Discretely Presented Component Units — *Otero County Emergency Telephone Service Authority Board* — The Otero County Emergency Telephone Service Authority Board (Authority) was created for the purpose of providing 911 emergency phone services for Otero County. All governmental entities of the County agreed to participate through an intergovernmental agreement. The County Commissioners have the power of appointment over the Board and are, therefore, deemed to have oversight responsibility over the Authority. The Authority is presented as a business-type activity. The Authority does not issue separate financial statements.

Small Business Development Revolving Loan Entity (AKA Otero Partners, Inc.) – The Small Business Development Revolving Loan Entity (AKA Otero Partners, Inc.) focuses on providing loans to small businesses, while at the same time offering technical assistance through the local Small Business Development Center. This entity was formed by intergovernmental agreement (IGA) with other governmental units and is considered a not-for-profit corporation under Colorado law and the Internal Revenue Code. Each of the participants appoints one board member to the governing body. The County has determined that this entity should be included in the reporting entity because its exclusion would render the financial statements misleading. In addition, there are no separately issued financial statements for this entity.

Joint Venture — *Otero County Landfill, Inc.* — Otero County is a participant along with six other entities within the County in a joint venture known as the Otero County Landfill, Inc. As a participant, the County is responsible for a portion of the closure and post-closure costs of the landfill. See Note 6 for the County's share of those estimated costs as of December 31, 2016. A complete financial report may be obtained from the administrative offices of Otero County.

Related Organizations — *Otero County Housing Authority* — The Otero County Housing

Authority is governed by a five-member board appointed by the Commissioners. The Authority provides housing to certain qualified residents and is principally funded through federal grants and rental charges. Because the appointments are administrative in nature and control over the organization is at the federal government level, the Authority is treated as a related organization of the County rather than a component unit.

Government-Wide and Fund Financial Statements — The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are 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. This approach differs from the manner in which the governmental activities in the government-

wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Property taxes, sales taxes, franchise taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant and entitlement awards are recorded as revenue when earned. Grants or entitlements received in excess of expenditures are recorded as deferred inflows of resources. Expenditures are recorded on an accrual basis.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general reimbursement grant resources to each such programs, followed by categorical block grants, and then by general revenues.

The County funds certain expenditures by a combination of restricted, committed, assigned and unassigned revenues. Thus, when expenditures are incurred, there are restricted, committed, assigned and unrestricted fund balance available to finance the expenditure. It is the County's policy to first apply restricted fund balance, followed by committed fund balance, and then by assigned fund balance to each such expenditure, followed by unassigned fund balance.

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remainder of net position is reported as not being restricted.

The County reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those which are required to be accounted for in another fund.

The Road & Bridge Fund is a special revenue fund, which is used to account for the proceeds of highway taxes and other specific revenue sources that are legally restricted to expenditures for maintenance and construction of the County road system and for the operation of solid waste disposal as outlined by an Intergovernmental Agreement with Otero County Landfill, Inc. (OCLI).

The Social Services Fund is a special revenue fund, which is used to account for federal, state and local revenues to be used to provide welfare services to eligible individuals within the County.

The Capital Improvement Fund is a major fund for financial reporting purposes. The fund is tentatively being targeted for a jail construction project and improvements to the County buildings. Management has chosen to show this fund as a major fund even though it does not meet the required tests to show it as a major fund.

The General Human Service Fund is a special revenue fund, which is used to account for federal, state and local revenues to be used to provide services to assist individuals who are in need to remain self-sufficient and be as independent as possible.

Special Revenue Funds — Special revenue funds are used to account for revenue sources that are legally restricted to expenditure for specific purposes. The other special revenue funds include the Insurance, Clerk Hire, Conservation Trust, Contingent, Health, AAA Services, and Otero County Land Trust (OCLT) funds.

Proprietary Funds — There are two proprietary funds. The Internal Service Fund accounts for the purchase of assets for departmental use with a minimum of $1,000 and certain vehicles. The Medical Insurance fund accounts for medical benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 County's internal service funds are charges for services. Operating expenses of the internal service funds include the costs of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds — Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others.

The agency funds are custodial in nature and do not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. Those funds are used to account for assets that the County holds for others in an agency capacity. The County's agency funds include the Treasurer's office, Clerk's office and Public Trustee.

Fund Equity — Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Cash and Cash Equivalents — For the purpose of the statement of cash flows the government's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments.

The County may invest in bonds or other interest-bearing obligations issued by or unconditionally guaranteed by the United States, bonds that are the direct obligation of the State of Colorado, or any county, city or school district in the State. The County may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the moneys involved, and there is assignment of such security pursuant to current depository regulations.

Investments for the government, as well as for its component units, are reported at fair value.
Receivables and Payables — Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables, including those for each discretely presented component unit, are shown net of an allowance for uncollectible accounts, if required.

Property taxes are not due and payable until after the assessment year has ended and are not included in the budgets or statements of revenues, expenditures and fund balance of the assessment year. Property taxes levied are recorded in the governmental funds as taxes receivable and deferred inflows of resources as of December 31, 2016, since the amounts are measurable but not available until 2017. Property tax abatements are recorded as an offset to property tax revenues when they are paid. An allowance for uncollectible property taxes is not provided as the uncollectible amounts were determined to be negligible based on an analysis of historical trends. Property taxes are levied before December 22 each year and attached as an enforceable lien on the property as of January 1 of the following year. Taxes are payable in full on April 30 or in two installments due on February 28 and June 15. The County, through the Otero County Treasurer, bills and collects its own property taxes as well as property taxes of all other taxing authorities within the County. Collection of taxes and distribution of them to the various taxing entities is done by the 10th of every month following the month of collection.

Inventory of Material and Supplies — Inventory is valued at cost using the first-in first-out (FIFO) method and consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of assets.

Capital Assets — Capital assets, which include property, equipment, and current infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets purchased for departmental use with a minimum cost of $1,000 are purchased by the County Internal Services Fund and billed to the departments quarterly for their use. Donated capital assets are recorded at acquired 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. Building, improvements and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Buildings	20–75 years
Building improvements	20 years
Public domain infrastructure	25 years
Vehicles	5–20 years
Office equipment	5–10 years
Computer equipment	3–5 years

Compensated Absences — It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and eligible sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

Long-Term Obligations — In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

Deferred Inflows of Resources — In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which arise both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, property taxes and unavailable grant revenue, are reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report deferred inflows of resources from property taxes and unavailable grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow of resources is recognized as revenue and the receivable is reduced.

Fund Equity — In the fund financial statements, governmental funds report nonspendable amounts that are (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, long-term notes receivable and fund advances. Restrictions of fund balance represents amounts that are restricted for specific fund purposes stipulated by external resource providers constitutionally or through enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by the passage of a resolution by the Board of County Commissioners. Commitments may be modified or changed only by the Board of County Commissioners approving a new resolution. Assigned fund balance includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by the County Administrator. Unassigned fund balance includes amounts that do not meet any of the above criteria. The County may report positive unassigned fund balances only in the general fund and negative unassigned fund balances may be reported in all funds.

Net Position — The District's net position is classified in the following components:

- Net Investment in Capital Assets — This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted — This component consists of restricted assets reduced by liabilities and deferred

inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Unrestricted — This component 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 component of net position.

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Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information — The County's budgetary procedures are as follows:

Prior to October 15, the County Commissioners receive a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments. Prior to December 15, the budget is legally enacted through passage of a resolution. Revisions that alter the total expenditures of any fund generally must be approved by the Commissioners. Budgeted amounts in the accompanying financial statements include revisions to the original appropriation resolution. Appropriations lapse at year-end and any open purchase items must be appropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level.

Retirement Plan — The employees of the County are members of the Colorado County Official's and Employee's Retirement Association (CCOERA) (the Plan). The Plan is a defined contribution plan which is funded currently.

Comparative Information — Certain comparative information for the prior year has been presented to provide an understanding of the changes in the financial position and operations. This data does not include the disclosures required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the County's financial statements for the year ended December 31, 2015, from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Subsequent Events — The County has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. CASH AND CASH EQUIVALENTS

Deposits — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2016, the County's deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with PDPA.

The pool is 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 equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the County's and Component Unit's cash and investments had the following book and bank balances:

	Book	Bank
Insured deposits	$ 4,770,581	$ 4,770,581
Collateralized deposits	8,574,701	9,603,578
COLOTrust	2,401,002	2,401,002
Cash with Trustee	54,666	54,666
Total	$ 15,800,950	$ 16,829,827

Cash and Investment Reconciliation

Governmental funds - cash and investments	$ 12,372,330
Governmental funds – cash with trustee	54,666
Proprietary funds	2,198,231
Total primary government	14,625,227
Agency funds	634,801
Component unit	540,922
Total	$ 15,800,950

The carrying amount of deposits for the E911 services and the small business development entity, discretely presented component units, was $540,922 and the bank balance was $440,505. These amounts are included in the above tables.

Investments — Colorado revised statutes specify investment instruments meeting defined rating and risk criteria in which the County may invest as follows:

- United States Treasury Obligations
- Federal Instrumentality Securities
- Time Certificates of Deposit

- Commercial Paper
- Money Market Mutual Funds
- Local Government Investment Pools

Interest Rate Risk — As a means of limiting its exposure to losses arising from prevailing market interest rates, it is the policy of the County to invest its funds in a manner which will provide the highest investment return while ensuring preservation of capital and protection of investment principal. The County's investment objectives are:

- Conformance with all federal, state and other legal requirements
- Preservation of capital and the protection of investment principal
- Maintaining sufficient liquidity to enable the County to meet all operating requirements
- Seek highest rate of return possible

The county recognizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. The County's recurring fair value measurements as of December 31, 2016, are represented by brokered certificates of deposit totaling $3,148,128 which are valued using a pricing matrix (level 2 inputs) and money market mutual funds totaling $124,378 which are valued using level 1 inputs. The County's investments held at ColoTrust are not subject to the fair value hierarchy.

Credit Risk — The County's investment policy limits investments to the following types of securities and transactions:

- United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Commercial paper rated in the highest rating category by one or more nationally recognized rating agencies.
- Securities of the World Bank, the inter-American development bank, the Asian development bank or the African development bank, if rated in the two highest rating categories by one or more nationally recognized rating agencies.
- Any Banker's Acceptance issued by a state or national bank which has a combined capital and surplus of at least $250,000,000, is FDIC insured and is rated in one of the three highest rating categories by one or more nationally recognized agencies.
- Investment pools authorized by Colorado law.
- Guaranteed investment contracts purchased only with debt, certificates of participation or lease-purchase agreement (no refunding) proceeds.
- Commissioner approved depositories.

At December 31, 2016, the County had investments held in the Colorado Local Government Liquid Asset Trust (ColoTrust) and the investment is rated AAA by Standard & Poor's. ColoTrust operates similarly to a money market fund with each share valued at $1.00. These amounts are considered cash equivalents and totaled $2,401,002 as of December 31, 2016. Separately issued financial statements for ColoTrust may be obtained at www.colotrust.com. The State Securities Commissioner administers and enforces all state statutes governing Colorado.

Concentration of Credit Risk — It is the intent of the County to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments. ColoTrust, as an external investment pool, does not pose a concentration of credit risk.

3. UNAVAILABLE GRANT REVENUE

The statement of net position and the governmental funds balance sheet report unavailable grant revenue of $1,310,097, which represents resources that have been received but not yet earned.

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 434,954	$		$ 434,954
Easements	5,008,996			5,008,996
Total capital assets not being depreciated	5,443,950		$ —	5,443,950
Capital assets being depreciated:				
Buildings and Improvements	4,332,098	961,255	(6,950)	5,286,403
Equipment	8,008,412	942,663	(512,475)	8,438,600
Infrastructure	4,954,484			4,954,484
Total capital assets being depreciated	17,294,994	1,903,918	(519,425)	18,679,487
Less accumulated depreciation:				
Buildings and Improvements	2,364,397	139,065	(6,950)	2,496,512
Equipment	6,440,266	392,049	(501,450)	6,330,865
Infrastructure	2,366,337	111,455		2,477,792
Total accumulated depreciation	11,171,000	642,569	(508,400)	11,305,169
Depreciable capital assets, net	6,123,994	1,261,349	(11,025)	7,374,318
Total net capital assets	$ 11,567,944	$ 1,261,349	$ (11,025)	$ 12,818,268

Depreciation expense charged to functions of the primary government is as follows:

General government	$ 156,227
Public safety	78,911
Public works	369,041
Public health and welfare	35,122
Culture and recreation	3,268
Total depreciation expense	$ 642,569

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	$ 601,539	$ 4,441	____	$ 605,980
Accumulated depreciation	(521,170)	(44,404)	_____	(565,574)
Total	$ 80,369	$ (39,963)	$ —	$ 40,406

5. INTER-FUND BALANCES AND TRANSFERS

Inter-fund transfers and balances for the year ended December 31, 2016 consisted of annual additional County support for the Otero County Health Department for 2015 and balances due to the General Fund, Contingent Fund, Capital Improvement Fund and Social Services Fund by other departments as provided below. These balances are expected to be paid within one year.

	General Fund	Health Fund	Total
Transfer in	$	$ 56,493	56,493
Transfer out	$ 56,493		56,493
Total	$ 56,493	$ 56,493	$ —

Inter-fund receivables and payables at December 31, 2016 were as follows:

	Receivable	Payable
General fund	$ 70,143	$ 42,204
Road & Bridge fund	18,259	20,761
Social Services fund	28,329	12,894
Capital Improvements fund	10,265	5,527
General Human Services		15,036
Health fund		4,544
Insurance fund	2,198	2,373
Internal Service fund		25,749
AAA Services		106
Total	$ 129,194	$ 129,194

The Capital Improvement Fund issued the General Fund a loan in the amount of $295,365 for certain energy efficiency improvements. The remaining balance on this loan is $206,890 as of December 31, 2016. The loan is payable in annual installments of $30,097.60 and matures on November 1, 2024. This loan has been eliminated in the government-wide financial statements.

6. LONG-TERM OBLIGATIONS

Activity relating to long-term obligations for the year ended December 31, 2016 is as follows:

	Balance at January 1, 2016	Additions	Deductions	Balance at December 31, 2016	Amounts Due Within One Year
Governmental activities:					
Capital leases	$	$ 336,419	$	$ 336,419	$ 336,419
Compensated absences	367,180	$ 14,105		$ 381,285	$ 22,392
Closure and post-closure costs	1,457,851		(108,225)	1,349,626	50,378
Total	$ 1,825,031	$ 350,524	$ (108,225)	$ 2,067,330	$ 409,189

Closure and Post-Closure Cost — In 1994, Otero County entered into an intergovernmental agreement (IGA) with the City of La Junta, City of Rocky Ford, Town of Cheraw, Town of Swink, Town of Manzanola, and the Town of Fowler to establish and operate an approved solid waste disposal site and facility. The IGA formed the Otero County Landfill, Inc. (OCLI) to operate the three landfill sites within Otero County. The IGA transfers the liability for closure and post-closure costs to OCLI with the County and all participating entities responsible for a portion of the costs. These costs are based on an average of population and assessed valuation of each entity to the total of all entities. The current estimated total closure and post-closure costs are $2,865,300 of which $2,679,000 is allocated among the participating entities. Actual cost may be higher due to inflation, changes in technology, continuation of monitoring (water/methane), and/or changes in regulations. Based on the current allocation, the County's share is approximately 50% of the estimated $2,679,000, amounting to $1,349,626.

7. NON-SPENDABLE, RESTRICTED, AND UNRESTRICTED FUND BALANCE

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

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Non-spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This category includes items such as fund balance associated with inventories and prepaids.

2. Restricted: Fund balances are reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

3. Committed: Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of

decision-making authority, which would be the Board of County Commissioners through a formal resolution.

4. Assigned: Amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Under the Commissioners' adopted policy, the authority to assign fund balances rests with the County Administrator and is delegated to staff. Interest earned on fund balances is assigned to be used by that fund unless otherwise specified in Commissioner or voter documentation.

5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

	General	Road & Bridge	Social Services	Capital Improvement	General Human Services	Other	Total
FUND BALANCES							
Non-spendable inventory		$ 134,156					$ 134,156
Restricted For:							
Grant expenditures	$ 788,227					$ 356,631	1,144,858
Statute						490,561	490,561
TABOR - emergencies	305,876						305,876
Jail Commissary							-
Clerk Tech Fund							-
Sheriff's Booking Fee Fund							-
Committed To:							
Public Works		3,108,748					3,108,748
Public Health and Welfare			$ 734,393		69,850	1,498,278	2,302,521
Capital Projects				$ 639,147			639,147
Unassigned							-
General Government Activitie	3,900,939						3,900,939
	$ 4,995,042	$ 3,242,904	$ 734,393	$ 639,147	$ 69,850	$ 2,345,470	$ 12,026,806

Prior Period Adjustments - Fund balances at January 1, 2016, for certain governmental funds have been restated from amounts previously reported as follows:

	General Fund	Road & Bridge Fund	Social Service Fund	Capital Improvement Fund	General Human Services Fund	Other Governmental Funds	Total
Fund Balance at January 1, 2016, as previously reported	4,600,357	3,109,189	787,418	1,132,383	(4,712)	2,401,581	$ 12,026,216
Prior period adjustments -							
Correction of revenue accruals	181,347	112,367	-	-	-	-	293,714
Previously unrecorded activity	43,030	-	-	-	-	-	43,030
Correction of balance due from/due to state	-	-	(53,813)	-	-	-	(53,813)
Prior year activity recorded in the wrong year	-	-	-	-	75,365	(60,155)	15,210
Recharacterize activity as a discretely-presented component unit	-	-	-	-	-	(142,769)	(142,769)
Fund balance at January 1, 2016, as restated	$ 4,824,734	$ 3,221,556	$ 733,605	$ 1,132,383	$ 70,653	$ 2,198,657	$ 12,181,588

8. NET POSITION

Net position at January 1, 2016, for governmental activities has been restated from amounts previously reported as follows:

Net position at January 1, 2016, as previously reported	$23,811,180
Prior period adjustments –	
Correction of revenue accruals	293,714
Previously unrecorded activity	43,030
Correction of balance due from/due to state	(53,813)
Prior year activity recorded in the wrong year	15,210
Recharacterize activity as a discretely-presented component unit	(211,267)
Net position at January 1, 2016, as restated	$23,898,054

9. RETIREMENT PLAN

The County participates in the Colorado County Officials and Employees Retirement Association (CCOERA) 401(a) plan (the Plan), a multi-employer defined contribution retirement plan. CCOERA's seven-member governing board has the authority to establish and amend the Plan. The Otero County Commissioners elects to participate in the Plan and is able to elect certain amendments and definitions of terms, including the definition of "compensation" and "employee" and to set contribution rates based on the County's Participation Agreement. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. All permanent full-time employees are required to participate as soon as they become eligible at entry date. At December 31, 2016, there were 160 County participants who had account balances in the Plan. The County Participation Agreement requires that the employees contribute 6% and the County contribute a like amount of the employee's base salary each month. Plan participants vest at the rate of 10% per year and are fully vested after 10 years of service or have reached 55 years of age. Participants who are not fully vested forfeit the remaining balance in their account. All forfeitures are placed into a separate account and used to reduce future contributions from the County.

During 2015, the County and covered employees made the required contributions, amounting to $319,953 in County contributions and $376,585 in employee contributions, which includes $56,633 of employee voluntary contributions. During the year ended December 31, 2015, there were unvested participant account balances totaling $31,003 which were forfeited, of this amount and the beginning of the year balance $30,028 was used to reduce County contributions and the remaining balance of $4,621 is in the forfeiture account at year-end. Subsequent to year-end the remaining balance was used to reduce the County contribution.

During 2016, the County and covered employees made the required contributions, amounting to $338,033 in County contributions and $385,480 in employee contributions, which includes $47,447 of employee voluntary contributions. During the year ended December 31, 2016, there were unvested participant account balances totaling $58,619 which were forfeited, of this amount and the beginning of the year balance $52,037 was used to reduce County contributions and the remaining balance of $11,203 is in the forfeiture account at year-end. Subsequent to year-end the remaining balance was used to reduce the County contribution.

10. CONTINGENCIES

In April of 1979, the County entered into an agreement with the Arkansas Valley Exposition and Fair Association to be the guarantor on a loan to the Association from Farmers Home Administration with a current balance of $32,668. The proceeds were used in the construction of a 4-H building located in Rocky Ford, Colorado. The County will at all times act as guarantor of the annual repayment cost of $11,913, which commenced January 1, 1980 and continue annually thereafter for a term of 40 years, to the extent that income derived from the use of the building does not meet the annual repayment cost. The County required an assignment of the lease between the City of Rocky Ford, Colorado and the Arkansas Valley Exposition and Fair Association as security for the loan, subordinate to the assignment required by the Farmers Home Administration.

The County is party to various legal proceedings which occur in the normal course of government operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the County. In addition, the County maintains insurance coverage for such occurrences.

Amounts received or receivable from grantor agencies are subject to audit adjustments by such grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the board. In that event, Otero County may be required to refund amounts to the federal and state governments.

11. RISK MANAGEMENT

The County is exposed to various risks of loss related to property and casualty losses as well as those related to injuries of employees while on the job. The County was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. Therefore, the County joined together with the other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP) and the County Workers' Compensation Pool, (CWCP), public entity risk pools currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP and CWCP for its property and casualty insurance coverage and workers' compensation insurance coverage. The intergovernmental agreement 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, which is determined each policy year. The County's claims have not exceeded its coverage in any of the last three years.

The County also handles health and life insurance claims for its employees. Premiums are charged to the County to cover medical claims with reinsurance provided by commercial carriers for individual claims in excess of $50,000 annually.

The County records an estimated liability for health insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

The following represents the changes in the claims liability for health insurance for the County for the years ended December 31, 2016 and 2015:

	12/31/2016	12/31/2015
Liability balance, beginning of year	$ 182,357	$ 201,972
Incurred claims	1,787,861	1,103,968
Payments on claims	(1,593,998)	(1,123,583)
Liability balance, end of year (IBNR)	$ 376,220	$ 182,357

The Incurred but Not Received (IBNR) liabilities is booked at the end of the year. The IBNR is the claims that have been incurred but not yet paid. This is a 6 month claim average / 365 x 75 days (lag time days). In 2016, the IBNR liability was $376,220. Furthermore, per the claims administrator (CNIC) the lag time increased from 60 days to 75 days.

12. TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

The County's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise, may require judicial interpretation. In November 1995 a majority of the County's electors authorized the County to collect, retain and spend all revenues and other funds collected from any source notwithstanding the limitations of Article X, Section 20, of the Colorado Constitution.

Emergency Reserves have been provided for as required by Article X, Section 20, of the Constitution of the State of Colorado. $305,876 of the net position and fund balance has been restricted in compliance with this requirement.

13. BUDGETARY COMPLIANCE

For the year ended December 31, 2016, expenditures exceeded appropriations in the following funds: Social Services is overspent by $15,397 and Medical Trust is overspent by $496,702, which may be a violation of state statute.

14. RELATED PARTY TRANSACTIONS

The County entered into an agreement with OCLI to provide employees and equipment to run the landfill as well as provide administrative services for OCLI for its share of the required contributions. For the year ended December 31, 2016, the County incurred costs of $175,051 on behalf of OCLI. The County has a receivable from OCLI in the amount of $35,672 as of December 31, 2016.

OTERO COUNTY, COLORADO

REQUIRED

SUPPLEMENTAL INFORMATION

OTERO COUNTY, COLORADO

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 1,821,128	$ 1,821,128	$ 1,816,454	$ (4,674)
Specific ownership tax	350,675	350,675	372,508	21,833
Sales taxes	1,456,069	1,456,069	1,563,551	107,482
Intergovernmental taxes	8,000	8,000	21,159	13,159
Intergovernmental	922,776	922,776	1,001,617	78,841
Charges for services	319,870	319,870	502,741	182,871
Fines and foreclosures	2,600	2,600	2,620	20
Investment earnings	55,000	55,000	125,426	70,426
Miscellaneous	96,847	96,847	114,408	17,561
Current year market value change			11,128	11,128
Total revenues	5,032,965	5,032,965	5,531,612	498,647
EXPENDITURES				
General government	3,224,104	3,232,903	2,950,649	282,254
Public safety	1,939,691	2,008,948	1,961,848	47,100
Public works	171,606	171,916	153,105	18,811
Health and welfare	89,352	89,352	82,674	6,678
Culture and recreation	31,309	31,309	26,996	4,313
Conservation	137,523	137,523	124,893	12,630
Debt service:				-
Interest and fiscal charges	6,500	6,500	5,750	750
Total expenditures	5,600,085	5,678,451	5,305,915	372,536
Excess (deficiency) of revenues over expenditures	(567,120)	(645,486)	225,697	871,183
Other financing sources (uses)				
Sale of assets	2,400	2,400	1,102	(1,298)
Transfers out	(56,493)	(56,493)	(56,493)	
Total other financing sources (uses)	(54,093)	(54,093)	(55,391)	(1,298)
Net changes in fund balance	$ (621,213)	$ (699,579)	170,306	$ 869,885
FUND BALANCE, Beginning of year			4,518,860	
FUND BALANCE, End of year			$ 4,689,166	
CONTINGENT FUND				
FUND BALANCE, Beginning of Year			305,874	
Net changes in fund balance			2	
FUND BALANCES, End of year			305,876	
COMBINED				
FUND BALANCE, Beginning of Year			4,824,734	
Net changes in fund balance			170,308	
FUND BALANCE, End of year			4,995,042	

OTERO COUNTY, COLORADO

ROAD & BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes	$ 599,783	$ 599,783	$ 598,210	$ (1,573)
Specific ownership tax	102,000	102,000	132,181	30,181
Intergovernmental taxes	1,601,154	1,601,154	1,695,788	94,634
Intergovernmental	56,100	56,100	58,346	2,246
Charges for services	260,000	260,000	227,412	(32,588)
Total revenues	2,619,037	2,619,037	2,711,937	92,900
EXPENDITURES				
Public works	2,688,362	2,621,092	2,377,123	243,969
Capital outlay	397,000	804,986	803,495	1,491
Total expenditures	3,085,362	3,426,078	3,180,618	245,460
Excess (deficiency) of revenues over expenditures	(466,325)	(807,041)	(468,681)	338,360
Other financing sources				
Sale of assets	20,000	20,000	153,609	133,609
Proceeds from capital lease			336,420	336,420
Total other financing sources	20,000	20,000	490,029	470,029
Net changes in fund balance	$ (466,325)	$ (807,041)	21,348	$ 674,780
FUND BALANCE, Beginning of year			3,221,556	
FUND BALANCE, End of year			$ 3,242,904	

OTERO COUNTY, COLORADO

SOCIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 432,244	$ 432,244	$ 432,029	$ (215)
Specific ownership tax	80,000	80,000	95,460	15,460
Intergovernmental	2,629,519	2,872,119	3,286,568	414,449
Total revenues	3,141,763	3,384,363	3,814,057	429,694
EXPENDITURES				
Health and welfare	3,555,272	3,797,872	3,660,885	136,987
Capital outlay			152,384	(152,384)
Total expenditures	3,555,272	3,797,872	3,813,269	(15,397)
Excess (deficiency) of revenues over expenditures	(413,509)	(413,509)	788	414,297
Net changes in fund balance	$ (413,509)	$ (413,509)	788	$ 414,297
FUND BALANCE, Beginning of year			733,605	
FUND BALANCE, End of year			$ 734,393	

OTERO COUNTY, COLORADO

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 180,324	$ 180,324	$ 179,831	$ (493)
Specific ownership tax	25,000	25,000	39,774	$ 14,774
Intergovernmental	14,963	14,963	17,000	$ 2,037
Miscellaneous	6,000	$ 6,000	5,750	(250)
Total revenues	226,287	226,287	242,355	16,068
EXPENDITURES				
General government	80,775	80,775	160,340	(79,565)
Public safety		80,775	3,500	
Capital outlay	1,200,000	1,200,000	571,751	628,249
Total expenditures	1,280,775	1,361,550	735,591	548,684
Net changes in fund balance	$ (1,054,488)	$ (1,135,263)	(493,236)	$ 642,027
FUND BALANCE, Beginning of year			1,132,383	
FUND BALANCE, End of year			$ 639,147	

OTERO COUNTY, COLORADO

GENERAL HUMAN SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental	$ 843,183	$ 851,683	$ 1,002,517	$ 150,834
Miscellaneous	500	500		(500)
Total revenues	843,683	852,183	1,002,517	150,334
EXPENDITURES				
Health and welfare	1,195,357	958,757	766,229	192,528
Capital outlay	-	257,500	237,091	20,409
Total expenditures	1,195,357	1,216,257	1,003,320	212,937
Net changes in fund balance	$ (351,674)	$ (364,074)	(803)	$ 363,271
FUND BALANCE, Beginning of year			70,653	
FUND BALANCE, End of year			$ 69,850	

OTERO COUNTY, COLORADO

SUPPLEMENTAL INFORMATION

OTERO COUNTY, COLORADO

GENERAL FUND (Without Contingent Fund)
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 3,118,608	$ 4,392,215
Cash with trustee	54,665	76,551
Investments	1,532,666	
Receivables:		
Accounts	412,024	238,241
Property taxes	1,802,864	1,828,295
Interest	19,753	6,057
Due from other funds	69,825	69,825
Total assets	7,010,405	6,611,184
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 235,168	$ 199,012
Accrued expenses	17,177	17,196
Public trustee deposits	16,936	-
Due to other funds	42,204	42,204
Notes payable	206,890	229,994
Total liabilities	518,375	488,406
DEFERRED INFLOWS OF RESOURCES		
Property tax	1,802,864	1,828,295
Total deferred inflows of resources	1,802,864	1,828,295
FUND BALANCE		
Restricted:	788,227	349,378
Unassigned	3,900,939	3,945,105
Total fund balance	4,689,166	4,294,483
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 7,010,405	$ 6,611,184

OTERO COUNTY, COLORADO

GENERAL FUND (Without Contingent Fund)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
REVENUES		
Property taxes	$ 1,816,454	$ 1,736,149
Specific ownership tax	372,508	395,302
Sales tax	1,563,551	1,690,983
Intergovernmental taxes	21,159	7,499
Intergovernmental	1,001,617	1,065,576
Charges for services	502,741	455,480
Fines and forfeitures	2620	2,157
Investment earnings	125,426	77,424
Miscellaneous	114,408	98,231
Current year market value change	11,128	
Total revenues	5,531,612	5,528,801
EXPENDITURES		
General government	2,950,649	2,806,504
Public safety	1,961,848	1,890,254
Public works	153,105	141,152
Health and welfare	82,674	45,983
Culture and recreation	26,996	26,768
Conservation	124,893	119,698
Capital outlay		
Principal retirement	-	40,023
Interest and fiscal charges	5,750	7,076
Total expenditures	5,305,915	5,077,458
Excess (deficiency) of revenues over expenditures	225,697	451,343
Other financing uses:		
Sale of assets	1,102	2,800
Transfers in		50,000
Transfers out	(56,493)	(56,493)
Total other financing uses	(55,391)	(3,693)
Net change in fund balance	170,306	447,650
FUND BALANCE, Beginning of year	4,518,860	4,071,210
FUND BALANCE, End of year	$ 4,689,166	$ 4,518,860

OTERO COUNTY, COLORADO

GENERAL FUND (Without Contingent Fund)
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Property taxes	$ 1,821,128	$ 1,821,128	$ 1,816,454	$ (4,674)
Specific ownership tax	350,675	350,675	372,508	21,833
Sales taxes	1,456,069	1,456,069	1,563,551	107,482
Intergovernmental taxes	8,000	8,000	21,159	13,159
Total taxes	3,635,872	3,635,872	3,773,672	137,800
Intergovernmental:				
Federal and state grants	473,758	473,758	544,443	70,685
Payment in lieu of taxes	449,018	449,018	457,174	8,156
Total intergovernmental	922,776	922,776	1,001,617	78,841
Charges For Services:				
Sheriff	46,500	46,500	97,984	51,484
Engineer	15,000	15,000	26,754	11,754
Clerk	133,100	133,100	168,150	35,050
Treasurer	65,554	65,554	119,195	53,641
Public trustee	10,000	10,000	33,632	23,632
Administration	49,716	49,716	57,026	7,310
Total charges for services	319,870	319,870	502,741	182,871
Fines and Forfeitures:				
Administration	2,600	2,600	2,620	20
Total fines and forfeitures	2,600	2,600	2,620	20
Investment earnings	55,000	55,000	125,426	70,426
Miscellaneous:				
Rent	96,847	96,847	114,408	17,561
Total miscellaneous	96,847	96,847	114,408	17,561
Total revenues	$ 5,032,965	$ 5,032,965	$ 5,520,484	$ 487,519

OTERO COUNTY, COLORADO

GENERAL FUND (Without Contingent Fund)
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General government:				
Assessor	$ 376,756	$ 385,555	$ 377,768	$ 7,787
Attorney	92,353	92,353	92,192	161
Clerk and recorder	324,067	324,067	307,906	16,161
Commissioners	2,042,026	2,042,026	1,789,838	252,188
Public works	167,156	167,156	125,498	41,658
Treasurer	231,746	231,746	229,095	2,651
Public trustee			28,352	(28,352)
Total general government	3,234,104	3,242,903	2,950,649	292,254
Public safety:				
Sheriff	1,762,423	1,827,563	1,795,177	32,386
Emergency management	21,922	21,922	20,031	1,891
Courthouse security	59,301	59,301	43,112	16,189
Coroner	73,933	78,040	81,250	(3,210)
Predator control	22,112	22,122	22,278	(156)
Total public safety	1,939,691	2,008,948	1,961,848	47,100
Public works:				
Public service	142,515	142,515	124,025	18,490
Veterans	29,091	29,401	29,080	321
Total public works	171,606	171,916	153,105	18,811
Public health and welfare	79,352	79,352	82,674	(3,322)
Culture and recreation:				
Recreation	3,100	3,100	3,100	
Senior citizens	23,209	23,209	20,896	2,313
Library	5,000	5,000	3,000	2,000
Total culture and recreation	31,309	31,309	26,996	4,313
Conservation	137,523	137,523	124,893	12,630
Capital outlay				
Debt service				
Principal retirement				
Interest and fiscal charges	6,500	6,500	5,750	750
Total debt service	6,500	6,500	5,750	750
Total expenditures	$ 5,600,085	$ 5,678,451	$ 5,305,915	$ 372,536

OTERO COUNTY, COLORADO

ROAD & BRIDGE FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 2,005,052	$ 2,992,181
Investments	963,127	
Receivables:		
Accounts	169,108	128,730
Property taxes	621,811	602,422
Due from other funds	18,259	18,259
Prepaid items	15,000	
Inventory	134,156	131,349
Total assets	3,926,513	3,872,941
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 37,119	$ 21,740
Accrued liabilities	3,918	6,461
Due to other funds	20,761	20,762
Total liabilities	61,798	48,963
DEFERRED INFLOWS OF RESOURCES		
Property tax	621,811	602,422
Total deferred inflows of resources	621,811	602,422
FUND BALANCE		
Non-spendable inventory	134,156	131,349
Committed	3,108,748	3,090,207
Total fund balance	3,242,904	3,221,556
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 3,926,513	$ 3,872,941

OTERO COUNTY, COLORADO

ROAD & BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
REVENUES		
Property taxes	$ 598,210	$ 552,690
Specific ownership tax	132,181	115,804
Intergovernmental taxes	1,695,788	112,367
Intergovernmental	58,346	1,749,980
Charges for services	227,412	227,324
Miscellaneous	-	9,517
Total revenues	2,711,937	2,767,682
EXPENDITURES		
Public works	2,377,123	2,255,913
Capital outlay	803,495	371,237
Total expenditures	3,180,618	2,627,150
Excess (deficiency) of revenues over expenditures	(468,681)	140,532
Other financing sources		
Sale of assets	153,609	32,250
Proceeds from capital lease	336,420	-
Total other financing sources	490,029	32,250
Net change in fund balance	21,348	172,782
FUND BALANCE, Beginning of year	3,221,556	3,048,774
FUND BALANCE, End of year	$ 3,242,904	$ 3,221,556

OTERO COUNTY, COLORADO

SOCIAL SERVICES
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 791,040	$ 849,027
Receivables:		
Accounts		195,948
Property taxes	449,069	435,067
Due from other government	423,970	
Due from other funds	28,329	19,075
Total assets	1,692,408	1,499,117
LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 51,039	$ 88,421
Due to other funds	12,894	12,894
Due to other governments	163,697	
Due to State		109,078
Total liabilities	227,630	210,393
DEFERRED INFLOWS OF RESOURCES		
Property tax	449,069	435,067
Unavailable grant revenue	281,316	120,052
Total deferred inflows of resources	730,385	555,119
FUND BALANCE		
Committed	734,393	733,605
Total fund balance	734,393	733,605
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,692,408	$ 1,499,117

OTERO COUNTY, COLORADO

SOCIAL SERVICES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
REVENUES		
Property taxes	$ 432,029	$ 399,178
Specific ownership tax	95,460	83,633
Intergovernmental	3,286,568	2,592,756
Total revenues	3,814,057	3,075,567
EXPENDITURES		
Health and welfare	3,660,885	3,146,390
Capital outlay	152,384	
Total expenditures	3,813,269	3,146,390
Excess of revenues over expenditures	788	(70,823)
Net change in fund balance	788	(70,823)
FUND BALANCE, Beginning of year	733,605	804,428
FUND BALANCE, End of year	$ 734,393	$ 733,605

OTERO COUNTY, COLORADO

CAPITAL IMPROVEMENT FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 207,377	$ 921,691
Investments	268,510	
Accounts receivable	6,661	-
Property tax receivable	336,802	181,278
Note receivable from general fund	206,890	229,994
Due from other funds	10,265	10,266
Total assets	1,036,505	1,343,229
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 55,029	$ 24,041
Due to other funds	5,527	5,527
Total liabilities	60,556	29,568
DEFERRED INFLOW OF RESOURCES		
Property tax	$ 336,802	$ 181,278
Total deferred inflows of resources	336,802	181,278
FUND BALANCE		
Committed	639,147	1,132,383
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,036,505	$ 1,343,229

OTERO COUNTY, COLORADO

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
REVENUES		
Property taxes	$ 179,831	$ 166,204
Specific ownership tax	39,774	32,490
Intergovernmental	17,000	
Miscellaneous	5,750	6,313
Total revenues	242,355	205,007
EXPENDITURES		
General government	160,340	24,974
Public safety	3,500	
Capital outlay	571,751	47,324
Total expenditures	735,591	72,298
Excess (deficiency) of revenues over expenditures	(493,236)	132,709
Net change in fund balance	(493,236)	132,709
FUND BALANCE, Beginning of year	1,132,383	999,674
FUND BALANCE, End of year	$ 639,147	$ 1,132,383

OTERO COUNTY, COLORADO

GENERAL HUMAN SERVICES FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 688,304	$ 1,239,780
Investments	383,825	
Accounts receivable	11,152	188,366
TOTAL ASSETS	1,083,281	1,428,146
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 14,922	$ 12,555
Due to other funds	15,036	5,781
Total liabilities	29,958	18,336
DEFERRED INFLOWS OF RESOURCES		
Unavailable grant revenue	983,473	1,339,157
Total deferred inflows of resources	983,473	1,339,157
FUND BALANCE		
Committed	69,850	70,653
Total fund balance	69,850	70,653
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,083,281	$ 1,428,146

OTERO COUNTY, COLORADO

GENERAL HUMAN SERVICES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
REVENUES		
Intergovernmental	1,002,517	610,651
Miscellaneous	-	700
Total revenues	1,002,517	611,351
EXPENDITURES		
Health and welfare	766,229	689,582
Capital outlay	237,091	-
Total expenditures	1,003,320	689,582
Excess (deficiency) of revenues over expenditures	(803)	(78,231)
Net change in fund balance	(803)	(78,231)
FUND BALANCE, Beginning of year	70,653	148,884
FUND BALANCE, End of year	$ 69,850	$ 70,653

OTERO COUNTY, COLORADO
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Insurance Fund	Clerk Hire	Conservation Trust	Health Fund	AAA Services	Otero County Land Trust	Total Non-Major Special Revenue Funds
ASSETS							
Cash and cash equivalents	$ 277,542	$ 412,951	$ 356,799	$ 891,646	$ 102,687	$ 66,640	$ 2,108,265
Receivables:							
Accounts	2,277	12,438		296,855	139,166		450,736
Property tax	74,845						74,845
Due from other funds	2,198						2,198
TOTAL ASSETS	356,862	425,389	356,799	1,188,501	241,853	66,640	2,636,044
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES							
Accounts payable	1,279	1,112	168	28,072	131,298	173	162,102
Accrued liabilities		183		1,114	-		1,297
Due to other funds	2,373			4,543	106		7,022
Total liabilities	3,652	1,295	168	33,729	131,404	173	170,421
DEFERRED INFLOWS OF RESOURCES							
Unavailable grant revenue				-	45,308		45,308
Property tax	74,845			-			74,845
Total deferred inflows of resources	74,845	-	-	-	45,308		120,153
FUND BALANCE							
Restricted - grants			356,631				356,631
Restricted - statute		424,094				66,467	490,561
Committed	278,365			1,154,772	65,141		1,498,278
Total fund balance	278,365	424,094	356,631	1,154,772	65,141	66,467	2,345,470
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 356,862	$ 425,389	$ 356,799	$ 1,188,501	$ 241,853	$ 66,640	$ 2,636,044

OTERO COUNTY, COLORADO

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Insurance Fund	Clerk Hire	Conservation Trust	Health Fund	AAA Services	Otero County Land Trust	Total Non-Major Special Revenue Funds
REVENUES							
Property tax	$ 72,046						$ 72,046
Specific ownership tax	15,910						15,910
Intergovernmental			58,000	1,121,537	828,323		2,007,860
Charges for services		176,688		95,426			272,114
Investment earnings	133		2,865			553	3,551
Miscellaneous	50,005		2,687	136,726	3,280		192,698
Total revenues	138,094	176,688	63,552	1,353,689	831,603	553	2,564,179
EXPENDITURES							
CURRENT							
General government	140,560	132,468					273,028
Health and welfare				1,327,551	834,164		2,161,715
Culture and recreation			40,961				40,961
Conservation						1,208	1,208
Economic development							
Total expenditures	140,560	132,468	40,961	1,327,551	834,164	1,208	2,476,912
Excess (deficiency) of revenues over expenditures	(2,466)	44,220	22,591	26,138	(2,561)	(655)	87,267
Other financing sources:							
Insurance Recovery	3,053						3,053
Transfers in				56,493			56,493
Total other financing sources	3,053			56,493			59,546
Net change in fund balance	587	44,220	22,591	82,631	(2,561)	(655)	146,813
FUND BALANCE, Beginning of year	277,778	379,874	334,040	1,072,141	67,702	67,122	2,198,657
FUND BALANCE, End of year	$ 278,365	$ 424,094	$ 356,631	$ 1,154,772	$ 65,141	$ 66,467	$ 2,345,470

OTERO COUNTY, COLORADO

INSURANCE FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 277,542	$ 276,998
Receivables:		
Accounts	2,277	956
Property tax	74,845	72,511
Due from other funds	2,198	2,198
TOTAL ASSETS	356,862	352,663
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 1,279	$ -
Due to other funds	2,373	2,374
Total liabilities	3,652	2,374
DEFERRED INFLOWS OF RESOURCES		
Property tax	74,845	72,511
Total deferred inflows of resources	74,845	72,511
FUND BALANCE		
Committed	278,365	277,778
Total fund balance	278,365	277,778
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE	$ 356,862	$ 352,663

OTERO COUNTY, COLORADO

INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Property tax	$ 72,251	$ 72,251	$ 72,046	$ (205)	$ 66,535
Specific ownership tax	12,000	12,000	15,910	3,910	14,528
Investment earnings	90	90	133	43	137
Miscellaneous	40,000	40,000	50,005	10,005	46,097
Total revenues	124,341	124,341	138,094	13,753	127,297
EXPENDITURES					
General government	146,966	146,966	140,560	6,406	144,990
Total expenditures	146,966	146,966	140,560	6,406	144,990
Excess (deficiency) of revenues over expenditures	(22,625)	(22,625)	(2,466)	20,159	(17,693)
Other financing sources:					
Insurance recovery	5,000	5,000	3,053	(1,947)	2,686
Net change in fund balance	$ (17,625)	$ (17,625)	587	$ 18,212	(15,007)
FUND BALANCE, Beginning of year			277,778		292,785
FUND BALANCE, End of year			$ 278,365		$ 277,778

OTERO COUNTY, COLORADO

CLERK HIRE FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 412,951	$ 368,223
Accounts receivable	12,438	12,374
TOTAL ASSETS	425,389	380,597
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 1,112	$ 683
Accrued liabilities	183	40
Total liabilities	1,295	723
FUND BALANCE		
Restricted - statute	424,094	379,874
Total fund balance	424,094	379,874
TOTAL LIABILITIES AND FUND BALANCE	$ 425,389	$ 380,597

OTERO COUNTY, COLORADO

CLERK HIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Charges for services	$ 170,000	$ 170,000	$ 176,688	$ 6,688	$ 178,210
Total revenues	170,000	170,000	176,688	6,688	178,210
EXPENDITURES					
General government	159,883	159,883	132,468	27,415	119,206
Total expenditures	159,883	159,883	132,468	27,415	119,206
Excess (deficiency) of revenues over expenditures	10,117	10,117	44,220	34,103	59,004
Net change in fund balance	$ 10,117	$ 10,117	44,220	$ 34,103	59,004
FUND BALANCE, Beginning of year			379,874		320,870
FUND BALANCE, End of year			$ 424,094		$ 379,874

OTERO COUNTY, COLORADO

CONSERVATION TRUST FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 356,799	$ 334,332
TOTAL ASSETS	356,799	334,332
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 168	$ 292
Total liabilities	168	292
FUND BALANCE		
Restricted - grants	356,631	334,040
Total fund balance	356,631	334,040
TOTAL LIABILITIES AND FUND BALANCE	$ 356,799	$ 334,332

OTERO COUNTY, COLORADO

CONSERVATION TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Intergovernmental	$ 53,000	$ 53,000	$ 58,000	$ 5,000	$ 50,466
Interest Earnings	650	650	2,865	2,215	2,038
Miscellaneous	2,687	2,687	2,687		2,687
Total revenues	56,337	56,337	63,552	7,215	55,191
EXPENDITURES					
Culture and recreation	365,298	365,298	40,961	324,337	30,673
Total expenditures	365,298	365,298	40,961	324,337	30,673
Excess (deficiency) of revenues over expenditures	(308,961)	(308,961)	22,591	331,552	24,518
Net change in fund balance	$ (308,961)	$ (308,961)	22,591	$ 331,552	24,518
FUND BALANCE, Beginning of year			334,040		309,522
FUND BALANCE, End of year			$ 356,631		$ 334,040

OTERO COUNTY, COLORADO

HEALTH FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 891,646	$ 870,240
Accounts receivable	296,855	242,968
TOTAL ASSETS	1,188,501	1,113,208
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 28,072	$ 27,648
Accrued expenses	1,114	283
Due to other funds	4,543	4,544
Total liabilities	33,729	32,475
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	8,592
Total deferred inflows of resources		8,592
FUND BALANCE		
Committed	1,154,772	1,072,141
Total fund balance	1,154,772	1,072,141
TOTAL LIABILITIES AND FUND BALANCE	$ 1,188,501	$ 1,113,208

OTERO COUNTY, COLORADO

HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Intergovernmental	$ 1,213,005	$ 1,213,005	$ 1,121,537	$ (91,468)	$ 1,115,934
Charges for services	104,766	104,766	95,426	(9,340)	93,030
Miscellaneous	26,735	26,735	136,726	109,991	129,055
Total revenues	1,344,506	1,344,506	1,353,689	9,183	1,338,019
EXPENDITURES					
Health and welfare	1,400,999	1,400,999	1,327,551	73,448	1,357,412
Total expenditures	1,400,999	1,400,999	1,327,551	73,448	1,357,412
Excess (deficiency) of revenues over expenditures	(56,493)	(56,493)	26,138	82,631	(19,393)
Other financing sources: Transfers in	56,493	56,493	56,493		56,493
Net change in fund balance	$ -	$ -	82,631	$ 82,631	37,100
FUND BALANCE, Beginning of year			1,072,141		1,035,041
FUND BALANCE, End of year			$ 1,154,772		$ 1,072,141

OTERO COUNTY, COLORADO

AAA SERVICES FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 102,687	$ 126,804
Accounts receivable	139,166	163,591
TOTAL ASSETS	241,853	290,395
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 131,298	$ 187,192
Due to other funds	106	106
Total liabilities	131,404	187,298
DEFERRED INFLOWS OF RESOURCES		
Unavailable grant revenue	45,308	35,395
Total deferred inflows of resources	45,308	35,395
FUND BALANCE		
Restricted - grants	65,141	67,702
Total fund balance	65,141	67,702
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 241,853	$ 290,395

OTERO COUNTY, COLORADO

AAA SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Intergovernmental	$ 827,831	$ 881,734	$ 828,323	$ (53,411)	$ 827,296
Charges for services	5,000	5,000		(5,000)	6,305
Miscellaneous	2,000	4,600	3,280	(1,320)	831
Total revenues	834,831	891,334	831,603	(59,731)	834,432
EXPENDITURES					
Health and welfare	844,843	844,843	834,164	10,679	878,587
Total expenditures	844,843	844,843	834,164	10,679	878,587
Excess (deficiency) of revenues over expenditures	(10,012)	46,491	(2,561)	(49,052)	(44,155)
Net change in fund balance	$ (10,012)	$ 46,491	(2,561)	$ (49,052)	(44,155)
FUND BALANCE, Beginning of year			67,702		111,857
FUND BALANCE, End of year			$ 65,141		$ 67,702

OTERO COUNTY, COLORADO

OTERO COUNTY LAND TRUST FUND
BALANCE SHEETS
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 66,640	$ 67,276
TOTAL ASSETS	66,640	67,276
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 173	$ 154
Total liabilities	173	154
FUND BALANCE		
Restricted - statute	66,467	67,122
Total fund balance	66,467	67,122
TOTAL LIABILITIES AND FUND BALANCE	$ 66,640	$ 67,276

OTERO COUNTY, COLORADO

OTERO COUNTY LAND TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Interest Earnings	$ 100	$ 100	$ 553	$ 453	$ 412
Total revenues	100	100	553	453	412
EXPENDITURES					
Conservation	3,600	3,600	1,208	2,392	1,594
Total expenditures	3,600	3,600	1,208	2,392	1,594
Excess (deficiency) of revenues over expenditures	(3,500)	(3,500)	(655)	2,845	(1,182)
Net change in fund balance	$ (3,500)	$ (3,500)	(655)	$ 2,845	(1,182)
FUND BALANCE, Beginning of year			67,122		68,304
FUND BALANCE, End of year			$ 66,467		$ 67,122

OTERO COUNTY, COLORADO

OTHER FUNDS - CONTINGENT FUND - BEFORE TRANSFER TO GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 305,558	$ 315,185
Due from other funds	318	318
TOTAL ASSETS	305,876	315,503
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ -	$ 9,629
Total liabilities		9,629
FUND BALANCE		
Committed	305,876	305,874
Total fund balance	305,876	305,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 305,876	$ 315,503

OTERO COUNTY, COLORADO

OTHER FUNDS - CONTINGENT FUND - BEFORE TRANSFER TO GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Property tax			$ 2	$ 2	$ 3
Specific ownership tax					
Miscellaneous revenues					
Total revenues			2	2	3
EXPENDITURES					
General government					9,630
Total expenditures	-	-	-	-	9,630
Excess (deficiency) of revenues over expenditures			2	2	(9,627)
Other financing sources					
Transfers in				-	50,000
Net change in fund balance	$ -	$ -	2	$ 2	40,373
FUND BALANCE, Beginning of year			305,874		265,501
FUND BALANCE, End of year			$ 305,876		$ 305,874

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2016 (with comparative totals for 2015)

	2016			
	Internal Service	Medical Trust	Total	2015 Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 536,364	$ 1,661,867	$ 2,198,231	$ 2,177,040
Accounts receivable	125	16,331	16,456	462
Total current assets	536,489	1,678,198	2,214,687	2,177,502
NON-CURRENT ASSETS				
Capital assets:				
Depreciable capital assets, net	275,187		275,187	235,073
TOTAL ASSETS	811,676	1,678,198	2,489,874	2,412,575
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable				27,501
Claims payable		376,220	376,220	182,357
Due to other funds	25,749		25,749	25,749
TOTAL LIABILITIES	25,749	376,220	401,969	235,607
NET POSITION				
Investment in capital assets	275,187		275,187	235,073
Unrestricted	510,740	1,301,978	1,812,718	1,941,895
TOTAL NET POSITION	$ 785,927	$ 1,301,978	$ 2,087,905	$ 2,176,968

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 (with compartive totals for 2015)

	2016			
	Internal Service	Medical Trust	Total	2015 Total
OPERATING REVENUES				
Charges for services	$ 138,001	$ 2,081,252	$ 2,219,253	$ 1,945,215
Total operating revenues	138,001	2,081,252	2,219,253	1,945,215
OPERATING EXPENSES				
General government	18,572		18,572	14,404
Claims		2,198,714	2,198,714	1,333,994
Depreciation	99,054		99,054	69,983
Total operating expenses	117,626	2,198,714	2,316,340	1,418,381
Operating income (loss)	20,375	(117,462)	(97,087)	526,834
NON-OPERATING REVENUES				
Gain on sale of assets	3,174		3,174	
Interest revenue		4,850	4,850	644
Total non-operating revenues	3,174	4,850	8,024	644
Transfers out				(100,000)
Change in net position	23,549	(112,612)	(89,063)	427,478
NET POSITION, Beginning of year	762,378	1,414,590	2,176,968	1,749,490
NET POSITION, End of year	$ 785,927	$ 1,301,978	$ 2,087,905	$ 2,176,968

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with compartive totals for 2015)

	2016			
	Internal Service	Medical Trust	Total	2015 Total
OPERATING ACTIVITIES				
Cash received from customers	$ 137,876	$ 2,065,383	$ 2,203,259	$ 2,059,030
Cash payments for goods and services	(46,073)	(2,004,851)	(2,050,924)	(1,340,512)
Net cash provided by operating activities	91,803	60,532	152,335	718,518
NONCAPITAL FINANCING ACTIVITIES				
Transfers out				(100,000)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES				(100,000)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of assets	3,250		3,250	(135,452)
Payments for capital acquisitions	(139,244)		(139,244)	
Net cash used in capital and related financing activities	(135,994)		(135,994)	(135,452)
INVESTING ACTIVITIES				
Interest received	-	4,850	4,850	644
NET CASH PROVIDED BY INVESTING ACTIVITIES		4,850	4,850	644
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44,191)	65,382	21,191	483,710
CASH AND CASH EQUIVALENTS, Beginning of year	580,555	1,596,485	2,177,040	1,693,330
CASH AND CASH EQUIVALENTS, End of year	$ 536,364	$ 1,661,867	$ 2,198,231	$ 2,177,040
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	20,375	(117,462)	(97,087)	$ 526,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	99,054		99,054	69,983
Change in operating assets and liabilities:				
Accounts receivable	(125)	(15,869)	(15,994)	113,815
Claims payable	(27,501)		(27,501)	(19,615)
Accounts payable		193,863	193,863	27,501
Net cash provided by operating activities	$ 91,803	$ 60,532	$ 152,335	$ 718,518

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016 (with comparative amonts for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 536,364	$ 580,555
Accounts receivable	125	-
Total current assets	536,489	580,555
NON-CURRENT ASSETS		
Capital assets:		
Depreciable capital assets, net	275,187	235,073
TOTAL ASSETS	811,676	235,073
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	27,501
Due to other funds	25,749	25,749
TOTAL LIABILITIES	25,749	53,250
NET POSITION		
Investment in capital assets	275,187	235,073
Unrestricted	510,740	527,305
TOTAL NET POSITION	$ 785,927	$ 762,378

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
OPERATING REVENUES		
Charges for services	$ 138,001	$ 118,105
Total operating revenues	138,001	118,105
OPERATING EXPENSES		
General government	18,572	14,404
Depreciation	99,054	69,983
Total operating expenses	117,626	84,387
Operating Income	20,375	33,718
NON-OPERATING REVENUES		
Gain on sale of assets	3,174	-
Change in net position	23,549	33,718
NET POSITION Beginning of year	762,378	728,660
NET POSITION End of year	$ 785,927	$ 762,378

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015

	2016	2015
OPERATING ACTIVITIES		
Cash received from customers	$ 137,876	$ 118,105
Cash payments for goods and services	(46,073)	13,097
Net cash provided by operating activities	91,803	131,202
CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	3,250	-
Payments for purchase of capital acquisition	(139,244)	(135,452)
Net cash used in capital and related financing activities	(135,994)	(135,452)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44,191)	(4,250)
CASH AND CASH EQUIVALENTS, Beginning of Year	580,555	584,805
CASH AND CASH EQUIVALENTS, End of Year	536,364	580,555
RECONCILITION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	20,375	33,718
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	99,054	69,983
Gain on sale of assets		-
Change in operating assets and liabilities:		
Accounts receivable	(125)	-
Accounts payable	(27,501)	27,501
Net cash provided by operating activities	$ 91,803	$ 131,202

OTERO COUNTY, COLORADO

INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2015 Actual
OPERATING REVENUES					
Charges for services	$ 135,938	$ 135,938	$ 138,001	$ 2,063	$ 118,105
Total operating revenues	135,938	135,938	138,001	2,063	118,105
OPERATING EXPENSES					
General government	18,670	18,670	18,572	98	14,404
Capital outlay	117,979	117,979	-	117,979	-
Total operating expenses	136,649	136,649	18,572	118,077	14,404
Operating income (loss)	(711)	(711)	119,429	120,140	103,701
NON-OPERATING REVENUES					
Gain on sale of assets	3,000	3,000	3,174	174	-
Total non-operating revenues	3,000	3,000	3,174	174	-
Excess of revenues and other financing sources over expenditures.	$ 2,289	$ 2,289	122,603	$ 120,314	103,701
RECONCILIATION OF REVENUE AND EXPENSES - GAAP BASIS TO BUDGETARY BASIS					
Change in net position per statement of revenues:			23,549		33,718
Expenses and changes in net position					
Expenditures for budgetary purposes:					
Depreciation			99,054		69,983
Excess of revenues over expenditures			$ 122,603		$ 103,701

OTERO COUNTY, COLORADO

MEDICAL TRUST FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,661,867	$ 1,596,485
Accounts receivable	16,331	462
Total current assets	1,678,198	1,596,947
TOTAL ASSETS	1,678,198	1,596,947
LIABILITIES		
CURRENT LIABILITIES		
Claims payable	376,220	182,357
TOTAL LIABILITIES	376,220	182,357
NET POSITION		
Unrestricted	1,301,978	1,414,590
TOTAL NET POSITION	$ 1,301,978	$ 1,414,590

OTERO COUNTY, COLORADO

MEDICAL TRUST FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016	2015
OPERATING REVENUES		
Charges for services	$ 2,081,252	$ 1,827,110
Total operating revenues	2,081,252	1,827,110
OPERATING EXPENSES		
Claims	2,198,714	1,333,994
Operating income	(117,462)	493,116
Transfers out	-	(100,000)
NON-OPERATING REVENUES		
Interest on investments	4,850	644
Total non-operating revenues	4,850	644
NET POSITION Beginning of year	1,414,590	1,020,830
NET POSITION End of year	$ 1,301,978	$ 1,414,590

OTERO COUNTY, COLORADO

MEDICAL TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015

	2016	2015
OPERATING ACTIVITIES		
Cash received from customers	$ 2,065,383	$ 1,940,925
Cash payments for goods and services	(2,004,851)	(1,353,609)
Net cash provided by operating activities	60,532	587,316
NONCAPITAL FINANCING ACTIVITIES		
Transfers out		(100,000)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIE	-	(100,000)
INVESTING ACTIVITIES		
Interest received	4,850	644
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,850	644
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,382	487,960
CASH AND CASH EQUIVALENTS, Beginning of Year	1,596,485	1,108,525
CASH AND CASH EQUIVALENTS, End of Year	1,661,867	1,596,485
RECONCILITION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	(117,462)	493,116
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	(15,869)	113,815
Claims payable	193,863	(19,615)
Net cash provided by operating activities	$ 60,532	$ 587,316

OTERO COUNTY, COLORADO

MEDICAL TRUST FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2015 Actual
OPERATING REVENUES					
Charges for services	$ 1,860,835	$ 1,860,835	$ 2,081,252	$ 220,417	$ 1,827,110
Total operating revenues	1,861,085	1,861,085	2,086,102	225,017	1,827,754
OPERATING EXPENSES					
Claims	1,701,992	1,701,992	2,198,681	(496,689)	1,333,994
Total operating expenses	1,702,012	1,702,012	2,198,714	(496,702)	1,333,994
NONOPERATING REVENUES					
Interest revenue	250	250	4,850	4,600	644
Total operating expenses	1,702,012	1,702,012	2,198,714	(496,702)	-
Transfers out				0	(100,000)
Change in net position			(112,612)		393,760
NET POSITION Beginning of year			1,414,590		1,020,830
NET POSITION End of year			$ 1,301,978		$ 1,414,590

OTERO COUNTY, COLORADO

COMPONENT UNIT - SMALL BUSINESS DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

		2016
OPERATING ACTIVITIES		
Cash received from customers	$	25,446
Cash paid for goods and services		(11,452)
Net cash provided by operating activities		13,994
NET CHANGE IN CASH AND CASH EQUIVALENTS		13,994
CASH AND CASH EQUIVALENTS, Beginning of Year		142,778
CASH AND CASH EQUIVALENTS, End of Year		156,772
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income		92,691
activities:		
Depreciation		
Change in operating assets and liabilities -		
Accounts receivable		(78,698)
Accounts payable		1
Net cash provided by operating activities	$	13,994

OTERO COUNTY, COLORADO

COMPONENT UNIT - SMALL BUSINESS DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2015 Actual
OPERATING REVENUES					
Intergovernmental	$ 200,000	$ 200,000	$ 78,800	$ (121,200)	$ 35,000
Charges for services	15,000	15,000	12,608	(2,392)	5,600
Miscellaneous	18,000	18,000	12,736	(5,264)	13,329
Total operating revenues	233,000	233,000	104,144	(128,856)	53,929
OPERATING EXPENSES					
Economic development	241,700	241,700	11,453	230,247	254
Total operating expenses	241,700	241,700	11,453	230,247	254
Other financing sources:					
Issuance of notes				-	
Operating gain (loss)	$ (8,700)	$ (8,700)	92,691	$ 101,391	53,675
RECONCILIATION OF REVENUE AND EXPENSES - GAAP BASIS TO BUDGETARY BASIS					
Change in net position per statement of revenues, expenses and changes in net position:			92,691		53,675
Expenditures for budgetary purposes:					
Capital outlay					-
Depreciation			-		-
Excess of revenues over expenditures			$ 92,691		$ 53,675

OTERO COUNTY, COLORADO

COMPONENT UNIT - E911 FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative amounts for 2015)

	2016
OPERATING ACTIVITIES	
Cash received from customers	$ 143,382
Cash paid for goods and services	(125,966)
Net cash provided by operating activities	17,416
CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital acquisitions	(4,441)
NET CASH (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(4,441)
INVESTING ACTIVITIES	
Investment earnings	739
NET CASH PROVIDED BY INVESTING ACTIVITIES	739
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,714
CASH AND CASH EQUIVALENTS, Beginning of Year	370,436
CASH AND CASH EQUIVALENTS, End of Year	384,150
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (loss):	(26,274)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	44,404
Change in operating assets and liabilities:	
Accounts receivable	(464)
Pre-paid expense	
Accounts payable	(250)
Net cash provided by operating activities	$ 17,416

OTERO COUNTY, COLORADO

COMPONENT UNIT - E911 FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative actual amounts for 2015)

	2016				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2015 Actual
OPERATING REVENUES					
Charges for services	$ 120,000	$ 120,000	$ 143,846	$ 23,846	$ 143,401
Investment earnings	100	100	739	639	139
Total operating revenues	120,100	120,100	144,585	24,485	143,540
OPERATING EXPENSES					
Cash payments for good and services	183,848	183,848	125,716	58,132	115,866
Total operating expenses	183,848	183,848	125,716	58,132	115,866
Operating gain (loss)	$ (63,748)	$ (63,748)	18,869	$ 82,617	27,674
RECONCILIATION OF REVENUE AND EXPENSES - GAAP BASIS TO BUDGETARY BASIS					
Change in net position per statement of revenues, expenses and changes in net position:			(25,535)		(19,359)
Expenditures for budgetary purposes:					
Capital outlay					-
Depreciation			44,404		47,033
Excess of revenues over expenditures			$ 18,869		$ 27,674

OTERO COUNTY, COLORADO

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Treasurer				
ASSETS				
Cash and Investments	$ 377,231	$ 11,994,579	$ (12,022,824)	$ 348,986
LIABILITIES				
Due to other governmental entities	377,231	11,994,579	(12,022,824)	348,986
Clerk				
ASSETS				
Cash and investments	329,241	4,411,431	(4,409,891)	330,781
LIABILITIES				
Due to other governmental entities	329,241	4,411,431	(4,409,891)	330,781
Public Trustee				
ASSETS				
Cash and investments	30,937	6,102	(5,490)	31,549
LIABILITIES				
Funds held in trust	30,937	6,102	(5,490)	31,549
TOTAL				
ASSETS				
Cash and investments	737,409	16,412,112	(16,438,205)	711,316
LIABILITIES				
Due to other governmental entities	706,472	16,406,010	(16,432,715)	679,767
Funds held in trust	30,937	6,102	(5,490)	31,549
Total liabilities	$ 737,409	$ 16,412,112	$ (16,438,205)	$ 711,316

OTERO COUNTY, COLORADO

COMPLIANCE AND INTERNAL CONTROL SECTION

The public report burden for this information collection is estimated to average 380 hours annually. Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT	City or County: OTERO COUNTY
	YEAR ENDING : December 2016
This Information From The Records of the County of Otero:	Prepared By: TINA MASCARENAS Phone: 719-383-3005

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	730,391
4. Miscellaneous local receipts (from page 2)	542,390
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	1,272,781
B. Private Contributions	
C. Receipts from State government (from page 2)	1,845,413
D. Receipts from Federal Government (from page 2)	21,087
E. Total receipts (A.7 + B + C + D)	3,139,281

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	2,683,998
2. Maintenance:	116,715
3. Road and street services:	
a. Traffic control operations	8,998
b. Snow and ice removal	
c. Other	148,051
d. Total (a. through c.)	157,049
4. General administration & miscellaneous	47,804
5. Highway law enforcement and safety	
6. Total (1 through 5)	3,005,566
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	3,005,566

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
3,109,189	3,139,281	3,005,566	3,242,904	0

Notes and Comments:

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

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	598,210	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalities	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	153,609
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	132,181	g. Other Misc. Receipts	52,361
6. Total (1. through 5.)	132,181	h. Other - Proceeds From Capital Lease	336,420
c. Total (a. + b.)	730,391	i. Total (a. through h.)	542,390
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user taxes	1,808,155	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	37,199	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) - Waste Tire	59	f. Other Federal	21,087
f. Total (a. through e.)	37,258	g. Total (a. through f.)	21,087
4. Total (1. + 2. + 3.f)	1,845,413	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		38,803	38,803
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		459,639	459,639
(3). System Preservation		1,378,917	1,378,917
(4). System Enhancement & Operation		806,639	806,639
(5). Total Construction (1) + (2) + (3) + (4)	0	2,645,195	2,645,195
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	2,683,998	2,683,998
			(Carry forward to page 1)

Notes and Comments:

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

MBDG PC
McPherson, Breyfogle, Daveline & Goodrich, PC
Certified Public Accountants

503 N. Main St., Suite 740
Pueblo, CO 81003-3131
Phone (719) 543-0516
Fax (719) 544-2849

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

Board of County Commissioners
Otero County, Colorado
LaJunta, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Otero 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control (2016-001) described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

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*.

Otero County, Colorado's Response to Findings

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

Purpose of this Report

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

McPherson, Brueggeh, Dworkin & Goodrich, PC

August 31, 2017

MBDG PC
McPherson, Breyfogle, Daveline & Goodrich, PC
Certified Public Accountants

503 N. Main St., Suite 740
Pueblo, CO 81003-3131
Phone (719) 543-0516
Fax (719) 544-2849

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of County Commissioners
Otero County, Colorado
LaJunta, Colorado

Report on Compliance on Each Major Federal Program

We have audited Otero County, Colorado's (the County's) 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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 program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

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 major federal programs for the year ended December 31, 2016.

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 types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

McPherson, Brayfield, Dierking & Goodrich, PC

August 31, 2017

OTERO COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Unmodified opinions were rendered on the basic financial statements as of and for the year ended December 31, 2016 that were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

- Material weakness(es) identified? ___X__ Yes _____ No
- Significant deficiency(ies) identified? _____ Yes ___X__ None Reported

Noncompliance material to financial statements noted? _____ Yes ___X__ No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ___X__ No
- Significant deficiency(ies) identified? _____ Yes ___X__ None Reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) _____ Yes ___X__ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.658	Foster Care Title IV-E
93.778	Medical Assistance Program

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

Auditee qualified as a low-risk auditee? ___X__ Yes _____ No

FINANCIAL STATEMENT FINDINGS

FINDING 2016-001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria:

The County Commissioners and management are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments are required to access the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Condition;

Otero County, Colorado's internal controls over financial reporting are considered deficient in certain aspects because of the lack of appropriate application of generally accepted accounting principles to various transactions resulting in misstatements as reported below.

Context/Effect/Cause

In performing audit procedures for Otero County, Colorado's governmental funds, we noted numerous misstatements related to both balances reported as of December 31, 2015 and internally reported at December 31, 2016. The misstatements noted at December 31, 2015 required various proposed fund prior period accounting adjustments that were accepted by management. The current year (2016) misstatements also necessitated additional proposed fund adjustments related to 2016 that were also accepted by management. The following table summarizes the misstatements by broad caption for both the current year (2016) and prior year(s).

Description of Misstatement	Current Year	Prior Year(s)
Investments/interest earnings	$ 18,859	$ -
Accounts receivable/revenue	437,104	293,714
Unrecorded activity	206,034	43,030
Inventory	43,195	-
Accounts payable/expenditures	93,135	-
Deferred inflows of resources/revenue	152,038	-
Due from/due to state of Colorado	-	53,813
Prior years revenue/expenditures recorded in current year	-	135,521
Classification of blended component unit to discretely-presented	-	142,769

-

The existence of these conditions was essentially the result of the lack of the application of generally accepted accounting principles to the specific circumstances encountered.

Recommendation

We recommend Otero County, Colorado finance and other appropriate personnel be cognizant of generally accepted accounting principles as they apply to specific transactions identified.

Views of Responsible Officials

We agree that the audit firm McPherson, Breyfogle, Daveline & Goodrich, PC conducted the 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. However, the interpretation of the standards varied from the two previous audit firms, particularly with respect to the sales tax and specific ownership tax amounts reported as part of the accounts receivable/revenue amounts in both the current year and the prior year(s) that are included in the context/effect/cause section of the financial statement findings of the schedule of findings and questioned costs.

We feel the applicable accounts receivable/revenue accounting principles were applied to both the current year and the prior year(s) based on the interpretation of the previous audit firms and were not the result of Otero County, Colorado's lack of application of generally accounting principles.

FEDERAL AWARD FINDINGS

No findings or questioned costs for federal awards were noted.

OTERO COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Reference Number	Current Status
2015-001	Corrective action was taken
2015-002	Corrective action was taken
2015-003	Corrective action was taken

OTERO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
U.S. DEPARTMENT OF AGRICULTURE:				
Passed-through the State of Colorado Department of Human Services -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A		$ 416,220
Passed-through the State of Colorado Department of Public Health -				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	08-FLA00475		$ 721,922
Total U.S. Department of Agriculture			$ -	$ 1,138,142
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Aging - Cluster				
Passed-through the State of Colorado Department of Human Services -				
Special Programs For The Aging Title III Part B - Grants For Supportive Services and Senior Centers	93.044	16 IHEA AASC 84667; 17 IHEA AASC 88259	$ 56,674	$ 72,896
Special Programs For The Aging Title III - Administration	93.044	16 IHEA AASC 84667; 17 IHEA AASC 88259		$ 38,304
Special Programs For The Aging Title III Part C - Nutrition Services	93.045	16 IHEA AASC 84667; 17 IHEA AASC 88259	$ 149,649	$ 149,649
Nutrition Services Incentive Program	93.053	16 IHEA AASC 84667; 17 IHEA AASC 88259	$ 24,548	$ 24,548
Total Aging - Cluster			$ 230,871	$ 285,397
CCDF - Cluster				
Passed-through the State of Colorado Department of Human Services -				
Child Care and Development Block Grant	93.575	N/A		$ 109,075
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A		$ 46,957
Total CCDF - Cluster			$ -	$ 156,032

OTERO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
Other Programs				
Passed-through the State of Colorado Department of Local Affairs -				
Community Services Block Grant	93.569	L15CSBG33		$ 100,934
Passed-through the State of Colorado Department of Human Services -				
Special Programs For The Aging Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	16 IHEA AASC 84667; 17 IHEA AASC 88259		$ 2,353
Special Programs For The Aging Title III Part D - Disease Prevention & Health Promotion Services	93.043	16 IHEA AASC 84667; 17 IHEA AASC 88259	$ 4,826	$ 4,826
Aging and Disability Resource Center	93.048	2015001868; 2015001868OL2		$ 7,449
National Family Caregiver Support Title III Part E	93.052	16 IHEA AASC 84667; 17 IHEA AASC 88259	$ 35,031	$ 35,031
Relative Guardianship Assistance	93.090	N/A		$ 16,880
Temporary Assistance For Needy Families	93.558	N/A		$ 936,092
Child Support Enforcement	93.563	N/A		$ 192,226
Adoption Assistance	93.659	N/A		$ 92,275
Social Services Block Grant	93.667	N/A		$ 133,184
Low Income Home Energy Assistance	93.568	N/A		$ 670,598
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A		$ 15,108
Foster Care - Title IV-E	93.658	N/A		$ 338,306
Preventive Health Services Block Grant	93.991	CT FAAA 2016*2115		$ 43,980
Passed-through the State of Colorado Department of Public Health And Enviroment -				
Public Health Emergency Preparedness	93.074	CT FAAA201600000000002203 / PO FJA EPR1341921		$ 177,756
Immunization Grants	93.268	FHHA20150000000000143		$ 73,872
Maternal & Child Health Services Block Grant to the States	93.994	13FLA48084, FLA PSD1459152		$ 10,928

OTERO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
Passed-through the State of Colorado Department of Public Health Care Policy & Financing -				
Children's Health Insurance Program	93.767	201000000000021		$ 5,015
Medical Assistance Program	93.778	16 IHGA 82090	$ 36,780	$ 852,577
Adjustment per State	93.xxx	N/A		$ 205
Passed-through Office of the Secretary				
Medical Reserve Corps Small Grant Program	93.008	MRC 16-2577		$ 25,544
Passed-through the Centers for Medicare and Medicaid Services				
ACA - State Innovation Models	93.624	ENSWRHC02		$ 82,626
Passed-through the Administration for Children and Families				
Promoting Safe and Stable Families	93.556	N/A		$ 977
Total Other Programs			$ 76,637	$ 3,818,742
Passed-through the Association of Food and Drug Officials				
RESEARCH AND DEVELOPMENT				
Food and Drug Administration Research	93.103	G-SP-1509-02414	$ -	$ 2,500
Total Research and Development			$ -	$ 2,500
Total U.S. Department of Health And Human Services			$ 307,508	$ 4,262,671
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-through Colorado Department of Local Affairs				
Community Development Block Grant	14.228	N/A		$ 91,408
Total U.S. Department of Housing and Urban Development			$ -	$ 91,408

OTERO COUNTY, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Assistance -				
Retired and Senior Volunteer Program	94.002	N/A		$ 38,214
Total Corporation for National and Community Service			$ -	$ 38,214
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Direct Assistance -				
VHA Home Care	64.044	N/A	$ 35,285	$ 37,829
Total U.S. Department of Veterans Affairs			$ 35,285	$ 37,829
Total Expenditures of Federal Awards			$ 342,793	$ 5,568,264

OTERO COUNTY, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Basis of Presentation

   The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Otero 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 Administrative Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Otero County, Colorado, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Otero County, Colorado.

2. Summary of Significant Accounting Policies

   Expenditures reported on the Schedule are generally reported using the cash basis of accounting. Such expenditures are recognized following, as applicable, either the Cost Principles in Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments or the cost principles contained in the Uniform Guidance. As such, certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

   Otero County, Colorado has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Keith Goodwin - Commissioner Dist. 1
Kevin Karney - Commissioner Dist. 2
Jim Baldwin - Commissioner Dist. 3
Michael L. Nicklos - County Attorney
Jean Hinkle - County Administrator

Office of the Commissioners

August 31, 2017

Re: Single Audit Finding Response

The following is the Corrective Action Plan (CAP) related to the noted finding:

Corrective Action Plan (CAP)

Agency:	Corporation for National and Community Service
Audit Period:	December 2016
Audit Finding Number:	2016-001
Audit Finding Title:	Internal Control Over Financing Reporting
Specific steps to be taken:	Procedures have been put in place to ensure that transactions are applied according to generally accepted accounting principles. The majority of the misstatements were transactions that were either accepted or not required by previous auditors. Under the recommendation of our current auditors, additional transactions have been added to our year-end procedures.
Anticipated Completion Date:	October 31, 2017
Name(s) and Title(s) of contact person(s) responsible for corrective action:	Tina Mascarenas, Finance Officer; Jean Hinkle, County Administrator; and Donna Rohde, Human Services Director

If you should have any questions or comments, please do not hesitate to contact me at tmascarenas@oterogov.org or by phone at 719-383-3000.

Sincerely,

Tina Mascarenas

Tina Mascarenas
Finance Officer