

RIO GRANDE COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2016



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Wall,
Smith,
Bateman Inc.
Certified Public Accountants

RIO GRANDE COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Rio Grande County, Colorado
Del Norte, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Certified Public Accountants

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Opinions

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

Other Matters

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 11 and 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 7, 2017

**Rio Grande County
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

As County Administrator, I would like to offer readers of Rio Grande County Financial Statements an overview and analysis of the financial activities of the County for the year ended December 31, 2016. This analysis and discussion is not intended to be a stand-alone document. Rather, it is to be used in conjunction with the Rio Grande County Financial Statements.

Financial Highlights

- § The County's Total Net Position, which is our Total Assets less Total Liabilities, decreased slightly, .17% or \$84,390, disregarding the adjustments made for GASB 34 infrastructure reporting.
- § General revenues, primarily taxes, account for approximately \$4,142,192 or 24% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for 70% of total revenues of \$16,920,079.
- § The County had \$17,004,466 in expenses; 70% of these expenses were offset by program revenues received from charges for services and grants.
- § Rio Grande County invested in \$733,290 in road paving, and \$159,274 in vehicles, a Compactor and miscellaneous Road and Bridge equipment. We deleted \$33,224 net from capital assets and booked \$1,868,822 in depreciation resulting in total Capital Assets of \$39,490,815.
- § Rio Grande County saw a 4% increase in assessed value resulting in a slight property tax increase. In 2016, each resident paid approximately \$237.03 in property taxes.
- § Sales tax had an increase of 10% in 2016 to \$934,737 which is \$81.46 per capita. This is a continuation of the slight increase from 2014 to 2015 of 2.31%.
- § Interest on investments increased \$35,710 from 2015 to 2016 which was a substantial gain.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include:

- § The first two statements are government-wide financial statements that provide both short-term and long-term information about the County's overall financial status.
- § The remaining statements are fund financial statements that focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements.
- § The governmental funds statements tell how basic services were financed in the short-term as well as what remains for future spending.
- § Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements, and includes a comparison to the County's budget for the year.

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

Statement of Net Position Changes

Rio Grande County experienced an increase in current assets due to an increase in cash, accounts receivables and inventory while the decrease in noncurrent assets is due to depreciation expense. The Deferred Inflow of Resources are based on future years' receipt of property taxes. The increase was due to the increase in property taxes because of higher assessed valuations. Deferred Outflows and Inflows are not included in Assets and Liabilities.

Accounts payables caused an increase in current liabilities, however, looking at the previous years, this level of accounts payable is not unusual. Noncurrent liabilities continue to decrease due to annual repayment of debt.

Table 1		
Condensed Statement of Net Position		
	Governmental Activities 2016	Governmental Activities 2015
Current and Other Assets	14,998,053	13,967,640
Noncurrent Assets	39,490,815	40,500,297
Total Assets	\$54,488,868	\$54,467,937
Current liabilities	\$684,229	\$530,310
Noncurrent liabilities	\$1,695,162	\$1,874,226
Total Liabilities	\$2,379,391	\$2,404,536
Deferred Inflows of Resources	\$2,894,122	\$2,763,656
Net position		
Net Invested in Capital Assets	\$37,852,342	\$38,712,357
Restricted	\$1,387,663	\$689,810
Unrestricted (Deficit)	\$9,975,350	\$9,897,578
Total Net Position at Dec. 31, 2016 and 2015	\$49,215,355	\$49,299,745

Liquidity is a measure of having the means to cover its existing obligations in the short term. Liquidity can best be measured by a Current Ratio (current assets/current liabilities) which is at 17.69:1. This means that for every \$1 in current liabilities (one year or less) the County owes, they have \$17.69 to pay it. This ratio is less than 2015 (21.13) but better than the 2014 (15.27) ratio. The 2015 was higher because accounts payables were smaller.

Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016

Solvency is a measure to see if Rio Grande County has the means available to cover its existing obligations in the long run. A Liability to Net Asset (L/NA) ratio (total liabilities /total net position) is a good way to measure that. As of 12/31/16, our L/NA was 4.83%. This means that the County would need to liquidate 4.83% of their assets to pay off all debt. Since the majority of total net assets are held in capital assets, using a Liability to Unrestricted Net Asset provides a more conservative estimate of total assets needed to liquidate to pay off debt. This ratio is 23.9%.

Long Term Liabilities

An annually renewable lease purchase agreement, dated January 11, 2005, was entered into between San Luis Valley Federal Bank (the "Bank"), as lessor, and Rio Grande County (the "County"), as lessee. The bank issued \$2,500,000 to the County for the purchase of the McCallister Building, the Courthouse Annex, the Road and Bridge Shop Building, and the Road and Bridge Truck Garage. The County is leasing the buildings back via the lease purchase agreement at 4.50% interest. The County used the proceeds from the sale to construct and equip a new jail facility. Payments are due to the Bank in annual installments through October 2025, from the General Fund. The buildings are included in fixed assets at a cost of \$1,762,653 with accumulated depreciation of \$878,376. Principal balance at December 31, 2016, was \$1,395,230.

A Lease Purchase Agreement, dated November 20, 2012, was entered into between All American Investment Group, LLC, as lessor, and Rio Grande County (the "County"), as lessee, in the amount of \$367,062, with an interest rate of 2.50%. The County is drawing down the proceeds to purchase energy efficient components based on an energy efficiency audit on the County buildings. Quarterly payments of principal and interest are made from the General Fund through January 2023. Principal balance at December 31, 2016, was \$243,243.

Changes in Net Position from Operating Results

The Statement of Activity gives insight into the Expenditure and Revenues the County received and expended during 2016. Rio Grande County had \$17,004,466 in expenditures with revenues of \$16,920,076 for a difference of (\$84,390) which reduces the Total Net Position. The Total Net Position includes capital assets and long term liabilities that are not seen in the Total Fund Balances. The reconciliation of these items can be found behind the Governmental Funds Balance Sheet.

Operating grants provide the lion's share of revenues at 64.8%, charges for services offers an additional 5.2%, local tax revenues comprise 24.5%, and 5.5% comes from Payment in Lieu of Taxes (PILT) and miscellaneous revenues.

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

Table 2				
Condensed Statement of Activities				
	2016		2015	
Revenues				
Program Revenues				
Charges for Services	\$ 879,684	5.2%	\$ 802,649	4.7%
Operating grants and contributions	10,963,426	64.8%	10,710,161	63.4%
Capital grants/restricted investment earnings	-	0.0%	503,315	3.0%
General revenues				
Taxes	4,142,192	24.5%	4,031,786	23.8%
Payment in Lieu of Taxes	803,148	4.7%	777,661	4.6%
Other	131,626	0.8%	79,337	0.5%
Total Revenues	\$ 16,920,076	100.0%	\$ 16,904,909	100.0%
Expenses				
General Government	\$ 2,744,840	16.1%	\$ 2,855,775	17.3%
Public Safety	2,041,988	12.0%	2,143,770	13.0%
Health and Welfare	8,442,813	49.7%	8,425,720	51.1%
Highways and Streets	3,262,823	19.2%	2,573,048	15.6%
Judicial	175,000	1.0%	175,000	1.1%
Auxiliary Services	61,339	0.4%	64,091	0.4%
Culture and recreation	202,646	1.2%	185,828	1.1%
Interest on Debt	73,017	0.4%	78,957	0.5%
Total Expenses	\$ 17,004,466	100.0%	\$ 16,502,189	100.0%
Increase (decrease) in net position	(84,390)		402,720	
Ending Net Position	\$ 49,215,355		\$ 49,299,745	

A review of program expenses by department is shown in Table 2. Health and Welfare, which includes Department of Social Services, Public Health and RGC Weed District, require the largest portion of the budget. Highways and Streets are second with general government a close third. Public Safety is at 12% with the smaller funds making up the remainder of the budget.

It should be noted that while Health and Welfare and Highways & Streets use the largest percentage of the budget, they also receive the largest percentage of the operating grants – depending on general revenue for only 26.7% of their funding which makes them very susceptible to having to reduce services should their operating grants be reduced.

The funds most dependent on General Revenues include General Government, Public Safety, Judicial, etc. Traditionally, these funds do not have access to sources of operating revenues from grants, etc.

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

A Risk Exposure ratio is one way we have to measure what we need to do if we see a decline in revenues that are outside of our control i.e. operating grants, PILT, etc. This ratio is determined by adding operating and capital grants, PILT, and interest on investment revenues and dividing them by the total of general property, sales and other taxes.

At this time our ratio is 2.85 which means that for every 1% decline we have in those revenues, we must raise taxes by 2.85% to offset the loss. One must keep in mind however, that some of those reductions would also see a corresponding reduction in expenditures such as capital improvements , staffing, and services.

Governmental Activities:	Operating Grants	General Revenue
General government	28.6%	71.4%
Public safety	25.3%	74.7%
Health and welfare	93.1%	6.9%
Highways and streets	80.2%	19.8%
Judicial	0.0%	100.0%
Auxiliary services	6.8%	93.2%
Culture and recreation	29.8%	70.2%
Interest on debt	0.0%	100.0%
Total Governmental Activities	69.6%	30.4%

Governmental Funds

Information about the County's funds follows the government-wide statements. These funds are accounted for using the modified accrual basis of accounting and had total revenues of \$16,992,061 with expenditures of \$16,245,587. The result was an overall increase in fund balance of \$753,605. These excesses are due to either an unexpected increase in revenues or, more likely, carefully budgeting of taxpayer funds to expend less than what was actually budgeted.

General Fund Budgetary Highlights

The actual expenditures were \$1,076,513 below the budget. The total revenues were \$47,347 less than the estimated amount. The net result was the revenues exceeded expenditures by \$332,246.

The fund balance as of December 31, 2016 was \$3,665,621, compared to \$3,333,375 as of December 31, 2015.

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

Road & Bridge Fund Highlights

Road and Bridge actual expenditures were \$576,326 below the budget. The total revenues were \$299,850 more than estimated due to an increase in HUTF funding. The net result was the expenditures were \$285,570 less than the revenues.

The fund balance as of December 31, 2016 was \$5,581,316 compared to \$5,295,746 as of December 31, 2015.

Social Service Fund Highlights

The Social Services Fund expenditures were \$2,639,881 less than projected. State and local funding sources were \$7,761,737, \$2,384,457 less than expected which resulted in increasing the fund balance to \$84,562.

The fund balance as of December 31, 2016, was \$1,042,292 compared to \$957,640 as of December 31, 2015.

Non-Major Funds Highlights

Non-Major Funds include the Airport Fund, Conservation Trust Fund, Tourism Fund, Capital Projects Fund, Public Health Agency Fund, and the Rio Grande County Weed Control District. These funds realized a \$51,137 increase in fund balance during 2016. The Airport Fund had a decrease of \$26,509. The Tourism Fund increased their fund balance by \$16,515; the Public Health Fund by \$26,857; the Conservation Trust Fund by \$27,714; and the Weed Control District Fund by \$6,560.

Fund balances do not reflect fixed asset additions, deletions or depreciation expense, lease payments, or non-cash items such as compensated absences or accrued interest payable changes. The reconciliation of the Net Change in fund balance to the Net Position of Governmental Funds will be found after the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The changes in the 2016 Fund Balances are reflected in the chart below:

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

Fund Balances as of 12/31/16			
	12/31/15 Fund Balance	Increase or (decrease)	12/31/16 Fund Balance
General Fund	3,333,375	332,246	3,665,621
Road and Bridge	5,295,746	285,570	5,581,316
Social Services	957,640	84,652	1,042,292
Other Governmental			-
Public Health	302,774	26,857	329,631
Airport	262,312	(26,509)	235,803
Conservation Trust	322,797	27,714	350,511
Tourism	181,166	16,515	197,681
Weed District	196,719	6,560	203,279
Capital Projects	8,180	-	8,180
County Fund Balance	10,860,709	753,605	11,614,314

A supplemental Budget was approved December 28, 2016 to approve budget amendments.

Economic Outlook

- § With the economic and political climate in the United States, the County is monitoring intergovernmental funding. We continue to see a decline in this funding, down to 69.5% from the 2015 level of 71.1% of our total revenues.
- § We also monitor expenditures and revenues in order to respond timely to any shortfalls. Again, in 2016, County departments ended with surplus funds, usually due to reduction in expenditures. The General Fund continues to be a major concern due to the reduction in revenues and increase costs that can only be reduced by cutting employees and programs.
- § The County continues to fight the trend of shifting costs from the State to the County. Of major concern at this time is the cost of health care of county inmates and the need to increase employee wages especially in light of upcoming increases in minimum wage.
- § Rio Grande County approved a budget of \$20,762,967 in December, 2016, based on 2017 projected revenues along with the needs of the departments.
- § With the reduction in residential assessment rate for property tax in 2017, from 7.95% to 7.2%, property tax revenues will be impacted for future years. We will be seeking ways to offset this decrease in revenue.

**Rio Grande County
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2016**

Contacting the County's Financial Management

This financial report is designed to provide the County's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator, 925 6th Street, Room 207, Del Norte, CO 81132.

RIO GRANDE COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS

RIO GRANDE COUNTY, COLORADO
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 10,942,343
Accounts Receivable	25,810
Due from Other Governments	641,223
Property Taxes Receivable	2,894,122
Inventories	494,555
Total Current Assets	14,998,053
Noncurrent Assets:	
Capital Assets:	
Land	433,301
Construction in Progress	-
Buildings	8,056,838
Machinery and Equipment	6,294,226
Infrastructure	58,363,375
Less: Accumulated Depreciation/Depletion	(33,656,925)
Total Noncurrent Assets	39,490,815
TOTAL ASSETS	54,488,868
LIABILITIES	
Current Liabilities:	
Accounts Payable	211,729
Due to Other Governments	43,633
Unearned Grant Revenue	234,255
Accrued Interest Payable	15,646
Lease Purchase Agreement	165,027
Compensated Absences	13,939
Total Current Liabilities	684,229
Noncurrent Liabilities:	
Lease Purchase Agreement	1,473,446
Compensated Absences	221,716
Total Noncurrent Liabilities	1,695,162
TOTAL LIABILITIES	2,379,391
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Property Tax	2,894,122
NET POSITION	
Net Investment in Capital Assets	37,852,342
Restricted for:	
TABOR	319,800
DSS Programs - SEP and CHRP	421,466
Title III	27,058
Clerk's Filing Surcharge	73,947
Culture and Recreation	545,392
Unrestricted	9,975,350
TOTAL NET POSITION	\$ 49,215,355

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 2,744,840	\$ 678,482	\$ 105,941	\$ -	\$ (1,960,417)
Public safety	2,041,988	107,395	409,115	-	(1,525,478)
Health and welfare	8,442,813	84,743	7,775,034	-	(583,036)
Highways and streets	3,262,823	1,006	2,616,775	-	(645,042)
Judicial	175,000	-	-	-	(175,000)
Auxiliary services	61,339	4,158	-	-	(57,181)
Culture and recreation	202,646	3,900	56,561	-	(142,185)
Interest on debt	73,017	-	-	-	(73,017)
Total Governmental Activities	\$ 17,004,466	\$ 879,684	\$ 10,963,426	\$ -	(5,161,356)
General Revenues:					
Taxes:					
General Property Taxes - Net					2,719,903
Sales Taxes					934,737
Other Taxes					487,552
Payment in Lieu of Taxes					803,148
Interest on Investments					57,326
Gain on Sale of Capital Assets					7,631
Miscellaneous					66,669
Total General Revenues					5,076,966
Change in Net Position					(84,390)
Net Position - Beginning					49,299,745
Net Position - Ending					\$ 49,215,355

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

RIO GRANDE COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 3,541,647	\$ 4,948,948	\$ 1,160,232	\$ 1,291,516	\$ 10,942,343
Accounts Receivable - Net	-	-	25,810	-	25,810
Property Taxes Receivable	2,049,685	269,294	433,308	141,835	2,894,122
Due From Other Governments	238,905	171,513	136,639	94,166	641,223
Inventory	-	494,555	-	-	494,555
TOTAL ASSETS	\$ 5,830,237	\$ 5,884,310	\$ 1,755,989	\$ 1,527,517	\$ 14,998,053
LIABILITIES					
Accounts Payable	\$ 114,931	\$ 33,700	\$ 2,501	\$ 60,597	\$ 211,729
Due to Other Governments	-	-	43,633	-	43,633
Unearned Revenue - Grants	-	-	234,255	-	234,255
TOTAL LIABILITIES	114,931	33,700	280,389	60,597	489,617
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue - Property Tax	2,049,685	269,294	433,308	141,835	2,894,122
FUND BALANCE					
Nonspendable - Inventory	-	494,555	-	-	494,555
Restricted for:					
TABOR	140,000	85,000	78,000	16,800	319,800
DSS Programs - SEP and CHRP	-	-	421,466	-	421,466
Title III	27,058	-	-	-	27,058
Clerk's Filing Surcharge	73,947	-	-	-	73,947
Culture and Recreation	-	-	-	545,392	545,392
Committed - Capital Projects	-	-	-	8,180	8,180
Assigned to:					
Public Safety	25,958	-	-	-	25,958
Highways and Streets	-	5,001,761	-	-	5,001,761
Health and Welfare	-	-	542,826	321,631	864,457
Weed Control	-	-	-	198,279	198,279
Astronaut Rominger Airport	-	-	-	234,803	234,803
Designated for subsequent years	446,515	-	-	-	446,515
Unassigned	2,952,143	-	-	-	2,952,143
TOTAL FUND BALANCE	3,665,621	5,581,316	1,042,292	1,325,085	11,614,314
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 5,830,237	\$ 5,884,310	\$ 1,755,989	\$ 1,527,517	\$ 14,998,053

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

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

Total governmental fund balances		\$ 11,614,314
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		39,490,815
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Lease Purchase Agreement	\$ (1,638,473)	
Compensated Absences	(235,655)	
Accrued Interest Payable	(15,646)	
	(1,889,774)	(1,889,774)
Net position of governmental activities		\$ 49,215,355

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

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 3,017,632	\$ 331,096	\$ 489,634	\$ 303,830	\$ 4,142,192
Intergovernmental Revenue	1,498,405	2,449,691	7,272,103	591,145	11,811,344
Licenses and Permits	158,009	200	-	-	158,209
Investment Income	56,447	-	-	879	57,326
Charges for Services	516,262	806	-	123,323	640,391
Miscellaneous	86,342	67,347	-	28,910	182,599
TOTAL REVENUES	5,333,097	2,849,140	7,761,737	1,048,087	16,992,061
EXPENDITURES					
Current Expenditures:					
General Government	2,523,368	-	-	108,834	2,632,202
Public Safety	1,941,676	-	-	-	1,941,676
Judicial	175,000	-	-	-	175,000
Highways and Streets	-	2,436,320	-	-	2,436,320
Health and Welfare	-	-	7,677,085	745,815	8,422,900
Auxiliary Services	61,339	-	-	-	61,339
Culture and Recreation	52,460	-	-	129,901	182,361
Capital Outlay	24,524	134,381	-	12,400	171,305
Debt Service	222,484	-	-	-	222,484
TOTAL EXPENDITURES	5,000,851	2,570,701	7,677,085	996,950	16,245,587
Excess (deficiency) of revenues over expenditures	332,246	278,439	84,652	51,137	746,474
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	7,131	-	-	7,131
TOTAL OTHER FINANCING SOURCES (USES)	-	7,131	-	-	7,131
Net Change in Fund Balance	332,246	285,570	84,652	51,137	753,605
Fund Balance at beginning of year	3,333,375	5,295,746	957,640	1,273,948	10,860,709
Fund Balance at end of year	\$ 3,665,621	\$ 5,581,316	\$ 1,042,292	\$ 1,325,085	\$ 11,614,314

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

RIO GRANDE COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 753,605

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity for the current period.

Fixed Asset Additions	\$ 892,564	
Fixed Asset Deletions Net of Accumulated Depreciation	(33,224)	
Depreciation Expense	<u>(1,868,822)</u>	(1,009,482)

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

Lease Payments	<u>149,467</u>	
		149,467

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	20,634	
Accrued Interest Payable Changes	<u>1,386</u>	
		<u>22,020</u>

Change in net position of governmental funds \$ (84,390)

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

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 715,663
TOTAL ASSETS	<u>\$ 715,663</u>
LIABILITIES	
Funds Held For Others	\$ 715,663
TOTAL LIABILITIES	<u>\$ 715,663</u>

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

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

The County provides a wide range of services to its residents including general administration, public safety, highways and streets, health and social services, public improvements, planning, zoning, airport, and weed control.

Component Units

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

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

Rio Grande County has operational responsibility and manages the Rio Grande County Weed Control District. The District is blended into the County's financial statements as a special revenue fund.

GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

- § Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- § Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

Cash

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

Investments

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

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable. The 2016 property tax levy due January 1, 2017, has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources.

Inventories

Inventory is valued at the lower of cost (last-in, first-out) or market. Inventory in the Road and Bridge Fund consists of expendable supplies held for use.

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	20 - 100
Vehicles and Equipment	5 - 50
Infrastructure	40

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

Compensated Absences

Annual leave may be accrued to the maximum of:

1st-10th year	21 days
11th-15th year	27 days
16th year and over	31 days

Upon separation from the County, an employee shall be paid for the amount of annual leave that he/she has accrued, subject to the limitation above. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

Unearned Revenue

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Encumbrances

The County does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

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

- § *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- § *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- § *Unrestricted* – consists of the net amount of assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance

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

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

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

Use of Estimates

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

Reclassifications

Certain amounts from prior years financial statements have been reclassified for current year financial statement presentation.

Change in Accounting Principle

GASB Statements No. 72

During fiscal year 2016, the County adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Those requirements result in enhanced comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

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

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

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

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

Cash on Hand	\$	1,329
Cash Deposited in Banks		3,219,686
Investments		8,436,991
Total Cash, Deposits, and Investments (Book Balance)		11,658,006
Less: Amounts Related to Agency Fund		(715,663)
Total Cash, Deposits, and Investments on the Statement of Net Position	\$	10,942,343

Cash and Deposits

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

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2016, \$2,216,902 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

Investments

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

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

Custodial Credit Risk - Investments

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

Interest Rate Risk

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

Fair Value

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

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

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

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

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

<u>Investment Type</u>		<u>Rating</u>	<u>Up to 120 days</u>	<u>121 days to 5 years</u>	<u>Fair Value Measurements Using: Level 2</u>
Federal National Mortgage Assoc.	1%	AAA/Aaa	\$ -	\$ 108,401	\$ 108,401
Financing Corporation	3%	AAA	-	216,314	216,314
Federal Farm Credit Bank	4%	AAA/Aaa	80,500	251,488	331,988
Federal Home Loan Mortgage Corp	2%	AAA	167,122	-	167,122
			<u>\$ 247,622</u>	<u>\$ 576,203</u>	<u>823,825</u>
Money Market Funds	1%	unrated			96,338
SIGMA Certificates of Deposit	1%	unrated			98,845
LPL Financial Certificates of Deposit	8%	unrated			698,464
ColoTrust	80%	AAAm			6,710,384
C-SAFE	0%	AAAm			9,135
					<u>7,613,166</u>
					<u>\$ 8,436,991</u>

NOTE 4 PROPERTY TAXES RECEIVABLE

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

General Fund	\$ 2,049,685
Road and Bridge Fund	269,294
Social Services Fund	433,308
Public Health Fund	62,835
Weed Control District	79,000
	<u>\$ 2,894,122</u>

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

NOTE 5 CAPITAL ASSETS

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

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 433,301	\$ -	\$ -	\$ 433,301
Total capital assets not being depreciated	<u>433,301</u>	<u>-</u>	<u>-</u>	<u>433,301</u>
Capital assets being depreciated				
Buildings and Improvements	8,056,838	-	-	8,056,838
Vehicles and Equipment	6,292,307	159,274	157,355	6,294,226
Infrastructure	57,630,085	733,290	-	58,363,375
Total capital assets being depreciated	<u>71,979,230</u>	<u>892,564</u>	<u>157,355</u>	<u>72,714,439</u>
Less: accumulated depreciation for				
Buildings and Improvements	2,956,509	143,418	-	3,099,927
Vehicles and Equipment	4,563,415	254,547	124,131	4,693,831
Infrastructure	24,392,310	1,470,857	-	25,863,167
Total accumulated depreciation	<u>31,912,234</u>	<u>1,868,822</u>	<u>124,131</u>	<u>33,656,925</u>
Total Capital Assets being depreciated, net	<u>40,066,996</u>	<u>(976,258)</u>	<u>33,224</u>	<u>39,057,514</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,500,297</u>	<u>\$ (976,258)</u>	<u>\$ 33,224</u>	<u>\$ 39,490,815</u>

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

Governmental Activities:	
General Government	\$ 127,258
Public Safety	100,312
Health and Welfare	51,178
Highways and Streets	1,569,789
Culture and Recreation	20,285
Total Depreciation Expense	<u>\$ 1,868,822</u>

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

NOTE 6 OPERATING LEASES

The County has entered into operating lease arrangements for computer software, copy machines, and Road and Bridge equipment. Lease terms range from 36 to 60 months. Rental expense for all operating leases for the year ended December 31, 2016, was approximately \$249,922.

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	12/31/2015			12/31/2016	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
<i>Governmental Activities:</i>					
Lease Purchase Agreement					
Jail	\$ 1,518,432	\$ -	\$ 123,202	\$ 1,395,230	\$ 128,746
Energy Performance Audit	269,508	-	26,265	243,243	36,281
Total	<u>1,787,940</u>	<u>-</u>	<u>149,467</u>	<u>1,638,473</u>	<u>165,027</u>
Compensated Absences	<u>256,289</u>	<u>-</u>	<u>20,634</u>	<u>235,655</u>	<u>13,939</u>
Total Governmental Activities	<u>\$ 2,044,229</u>	<u>\$ -</u>	<u>\$ 170,101</u>	<u>\$ 1,874,128</u>	<u>\$ 178,966</u>

Lease Purchase Agreements

An annually renewable lease purchase agreement, dated January 11, 2005, was entered into between San Luis Valley Federal Bank (the “Bank”), as lessor, and Rio Grande County (the “County”), as lessee. The bank issued \$2,500,000 to the County for the purchase of the McCallister Building, the Courthouse Annex, the Road and Bridge Shop Building, and the Road and Bridge Truck Garage. The County is leasing the buildings back via the lease purchase agreement at 4.50% interest. The County used the proceeds from the sale to construct and equip a new jail facility. Payments are due to the Bank in annual installments through October 2025, from the General Fund. The County can purchase the building back at any time for the Purchase Option Price included in the lease. The buildings are included in fixed assets at a cost of \$1,762,653 with accumulated depreciation of \$878,376. Principal balance at December 31, 2016, was \$1,395,230.

A Lease Purchase Agreement, dated November 20, 2012, was entered into between All American Investment Group, LLC, as lessor, and Rio Grande County (the “County”), as lessee, in the amount of \$367,062, with an interest rate of 2.50%. The County is drawing down the proceeds to purchase energy efficient components based on an energy efficiency audit on the County buildings. Quarterly payments of principal and interest are made from the General Fund through January 2023. Principal balance at December 31, 2016, was \$243,243.

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

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

	Principal	Interest	Total
2017	\$ 165,027	\$ 68,328	\$ 233,355
2018	171,901	61,615	233,516
2019	178,898	54,618	233,516
2020	186,192	47,324	233,516
2021	193,795	39,722	233,517
2022-2025	742,660	79,893	822,553
	\$ 1,638,473	\$ 351,500	\$ 1,989,973

NOTE 8 DEFINED CONTRIBUTION PLAN

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

Employees are eligible immediately upon their employment with Rio Grande County, County contributions begin after one year of employment, and participation is mandatory after one year of employment. Employee contributions are always 100% vested, and the employer match follows a five year vesting schedule. Employees are fully vested after a five year participation period, or at the age of 55, whichever is earlier. Elected officials are 100% vested immediately upon participation.

The County must contribute a minimum of 4% and a maximum of 6% of the compensation of each employee. For 2016, the contribution rate was 4%. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2016, employee contributions totaled \$161,216 and the County recognized pension expense of \$161,216. The County recognized \$9,805 of forfeitures in retirement expense during 2016.

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

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10 TABOR AMENDMENT RESERVE

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. The voters of the County passed a ballot issue in 1999 allowing the County to retain and expend all revenues collected in the year 2000 and thereafter, which do not involve any new taxes and or an increase in the existing mill levy, notwithstanding the limitations of section 29-1-301, C.R.S. and Article X, section 20 of the Colorado Constitution.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. The Emergency Reserve has been presented as a restriction of fund balance in the County funds and restricted net position on the Statement of Net Position. The County is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 11 COLORADO CONTRABAND FORFEITURE ACT

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

NOTE 12 RISK MANAGEMENT

Colorado Counties Casualty and Property Pool (CAPP)

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

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

Colorado Workers' Compensation Pool (CWCP)

The County is exposed to various risks of loss related to injuries of employees while on the job. The County has joined together with other counties in the State of Colorado to form the Colorado Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the pool will be financially self-

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

sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2016, CWCP had assets of \$41,463,122, liabilities of \$22,425,987 (including \$21,026,093 reserved for losses and claims) and members' equity of \$19,037,135. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2016, amounted to \$11,305,540, total expenses were \$8,548,795, resulting in net income before return of surplus of \$2,756,745.

NOTE 13 JOINT VENTURES

SAN LUIS VALLEY REGIONAL SOLID WASTE AUTHORITY

The San Luis Valley Regional Solid Waste Authority was created by an intergovernmental agreement between Rio Grande County and Alamosa County on April 14, 1995, pursuant to the authority granted by C.R.S. 29-1-203. It has been designated as a joint venture under the provisions of GASB Statement No. 14. Its purpose is to provide the citizens of both counties an integrated municipal solid waste disposal facility in accordance with provision of C.R.S. 30-20-1005.

The Authority is governed by a Board of Directors consisting of five members as follows: one Rio Grande County Commissioner, one Alamosa County Commissioner, one director appointed by the City of Monte Vista, one director appointed by the City of Alamosa, and one director who is a member of the Rio Grande County Land Use or administrative staff as appointed by the Rio Grande County Commissioners.

It is the intent of the counties that the initial funding of the Authority by each county be provided on a loan basis in substantially the same proportion that the population of each county bears to the combined population of both counties. Alamosa and Rio Grande Counties may provide additional funding at any time in the future if they choose to do so by resolution.

Closure and Post-Closure Care

Rio Grande and Alamosa Counties are exposed to closure and post-closure expenses, should the Authority be unable to meet those obligations when they become due. Management believes the risk of failure to be minimal. State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Authority reported \$793,166 as landfill closure and post-closure care liability at December 31, 2016, that represents the cumulative amount reported to date based on the use of 33% of the estimated capacity of the landfill.

The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,618,723 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016, the most recent information available. The Authority expects to close the landfill in the year 2043. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The most recent audited financial statements of the authority report total assets of \$4,609,922, total liabilities of \$840,420, and net position of \$3,769,502 at December 31, 2016.

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

The San Luis Valley Regional Solid Waste Authority issues publicly available annual financial statements. That report may be obtained by writing to the San Luis Valley Regional Solid Waste Authority, PO Box 861, Monte Vista, Colorado 81144.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Insurance Pools

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

RIO GRANDE COUNTY, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 2,882,660	\$ 2,882,660	\$ 3,017,632	\$ 134,972
Intergovernmental Revenue	1,750,718	1,750,718	1,498,405	(252,313)
Licenses and Permits	111,500	111,500	158,009	46,509
Investment Income	70,000	70,000	56,447	(13,553)
Charges for Services	499,400	499,400	516,262	16,862
Miscellaneous	66,166	66,166	86,342	20,176
TOTAL REVENUES	<u>5,380,444</u>	<u>5,380,444</u>	<u>5,333,097</u>	<u>(47,347)</u>
EXPENDITURES				
General Government	3,109,745	3,221,745	2,523,368	698,377
Public Safety	2,296,390	2,296,390	1,941,676	354,714
Judicial	175,000	175,000	175,000	-
Auxiliary Services	65,327	65,327	61,339	3,988
Culture and Recreation	60,100	60,100	52,460	7,640
Capital Outlay	26,000	26,000	24,524	1,476
Debt Service	232,802	232,802	222,484	10,318
TOTAL EXPENDITURES	<u>5,965,364</u>	<u>6,077,364</u>	<u>5,000,851</u>	<u>1,076,513</u>
Net Change in Fund Balance	(584,920)	(696,920)	332,246	1,029,166
Fund Balance at beginning of year	<u>2,482,612</u>	<u>2,482,612</u>	<u>3,333,375</u>	<u>850,763</u>
Fund Balance at end of year	<u>\$ 1,897,692</u>	<u>\$ 1,785,692</u>	<u>\$ 3,665,621</u>	<u>\$ 1,879,929</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 309,540	\$ 309,540	\$ 331,096	\$ 21,556
Intergovernmental Revenue	2,228,000	2,228,000	2,449,691	221,691
Licenses and Permits	250	250	200	(50)
Charges for Services	-	-	806	806
Miscellaneous	11,500	11,500	67,347	55,847
TOTAL REVENUES	<u>2,549,290</u>	<u>2,549,290</u>	<u>2,849,140</u>	<u>299,850</u>
EXPENDITURES				
Highways and Streets	2,967,027	2,967,027	2,436,320	530,707
Capital Outlay	180,000	180,000	134,381	45,619
TOTAL EXPENDITURES	<u>3,147,027</u>	<u>3,147,027</u>	<u>2,570,701</u>	<u>576,326</u>
Excess (deficiency) of revenues over expenditures	<u>(597,737)</u>	<u>(597,737)</u>	<u>278,439</u>	<u>876,176</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	200	200	7,131	6,931
TOTAL OTHER FINANCING SOURCES (USES)	<u>200</u>	<u>200</u>	<u>7,131</u>	<u>6,931</u>
Net Change in Fund Balance	(597,537)	(597,537)	285,570	883,107
Fund Balance at beginning of year	<u>4,555,652</u>	<u>4,555,652</u>	<u>5,295,746</u>	<u>740,094</u>
Fund Balance at end of year	<u>\$ 3,958,115</u>	<u>\$ 3,958,115</u>	<u>\$ 5,581,316</u>	<u>\$ 1,623,201</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 485,050	\$ 485,050	\$ 489,634	\$ 4,584
Intergovernmental Revenue	9,661,144	9,661,144	7,272,103	(2,389,041)
TOTAL REVENUES	10,146,194	10,146,194	7,761,737	(2,384,457)
EXPENDITURES				
Health and Welfare	10,316,966	10,316,966	7,677,085	2,639,881
TOTAL EXPENDITURES	10,316,966	10,316,966	7,677,085	2,639,881
Net Change in Fund Balance	(170,772)	(170,772)	84,652	255,424
Fund Balance at beginning of year	494,485	494,485	957,640	463,155
Fund Balance at end of year	\$ 323,713	\$ 323,713	\$ 1,042,292	\$ 718,579

Notes to Required Supplementary Information

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

RIO GRANDE COUNTY, COLORADO

OTHER SUPPLEMENTARY INFORMATION

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

RIO GRANDE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

PUBLIC HEALTH FUND – This fund is used to account for the multiple programs of providing public health nursing services. Financing is provided by grants and fees for services.

AIRPORT FUND – This fund is used to account for improvements to and operations of the Astronaut Rominger Airport.

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

TOURISM FUND – This fund is used to account for the County share of the lodging tax collected on each hotel/motel that is rented in Rio Grande County. The monies may be expended to promote Rio Grande County to tourists.

RIO GRANDE COUNTY WEED CONTROL DISTRICT – This fund is used to provide monies for spraying undesirable plants along the roads within Rio Grande County as required by the Colorado Weed Management Act.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the financing of capital purchases or construction for Rio Grande County and its facilities.

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

SPECIAL REVENUE FUNDS

	PUBLIC HEALTH FUND	AIRPORT FUND	CONSERVATION TRUST FUND	TOURISM FUND	RIO GRANDE COUNTY WEED CONTROL DISTRICT	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
ASSETS							
Cash and Investments	\$ 283,852	\$ 236,686	\$ 360,511	\$ 198,731	\$ 203,556	\$ 8,180	\$ 1,291,516
Property Taxes Receivable	62,835	-	-	-	79,000	-	141,835
Due From Other Governments	89,404	-	-	-	4,762	-	94,166
TOTAL ASSETS	\$ 436,091	\$ 236,686	\$ 360,511	\$ 198,731	\$ 287,318	\$ 8,180	\$ 1,527,517
LIABILITIES							
Accounts Payable	\$ 43,625	\$ 883	\$ 10,000	\$ 1,050	\$ 5,039	\$ -	\$ 60,597
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenue - Property Tax	62,835	-	-	-	79,000	-	141,835
FUND BALANCE							
Restricted for:							
Tabor Amendment Reserve	8,000	1,000	200	2,600	5,000	-	16,800
Culture and Recreation	-	-	350,311	195,081	-	-	545,392
Committed to:							
Capital Projects	-	-	-	-	-	8,180	8,180
Assigned to:							
Health and Welfare	321,631	-	-	-	-	-	321,631
Weed Control	-	-	-	-	198,279	-	198,279
Astronaut Rominger Airport	-	234,803	-	-	-	-	234,803
TOTAL FUND BALANCE	329,631	235,803	350,511	197,681	203,279	8,180	1,325,085
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 436,091	\$ 236,686	\$ 360,511	\$ 198,731	\$ 287,318	\$ 8,180	\$ 1,527,517

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

SPECIAL REVENUE FUNDS

	PUBLIC HEALTH FUND	AIRPORT FUND	CONSERVATION TRUST FUND	TOURISM FUND	RIO GRANDE COUNTY WEED CONTROL DISTRICT	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
REVENUES							
Taxes	\$ 97,652	\$ -	\$ -	\$ 117,569	\$ 88,609	\$ -	\$ 303,830
Intergovernmental Revenue	502,930	31,613	56,561	-	41	-	591,145
Investment Income	270	467	-	-	142	-	879
Charges For Services	26,854	45,140	-	-	51,329	-	123,323
Miscellaneous	6,483	17,505	-	-	4,922	-	28,910
TOTAL REVENUES	634,189	94,725	56,561	117,569	145,043	-	1,048,087
EXPENDITURES							
Current Expenditures:							
General Government	-	108,834	-	-	-	-	108,834
Health and Welfare	607,332	-	-	-	138,483	-	745,815
Culture and Recreation	-	-	28,847	101,054	-	-	129,901
Capital Outlay	-	12,400	-	-	-	-	12,400
TOTAL EXPENDITURES	607,332	121,234	28,847	101,054	138,483	-	996,950
Net Change in Fund Balance	26,857	(26,509)	27,714	16,515	6,560	-	51,137
Fund Balance at beginning of year	302,774	262,312	322,797	181,166	196,719	-	1,265,768
Fund Balance at end of year	\$ 329,631	\$ 235,803	\$ 350,511	\$ 197,681	\$ 203,279	\$ -	\$ 1,316,905

RIO GRANDE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES REPORTED ON THE GAAP BASIS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Governmental Funds				
Non-major Governmental Funds				
Special Revenue Funds				
Public Health Agency Fund	\$ 596,855	\$ 695,155	\$ 607,332	\$ 87,823
Airport Fund	77,600	144,600	121,234	23,366
Conservation Trust Fund	32,751	32,751	28,847	3,904
Tourism Fund	106,750	112,750	101,054	11,696
Weed Control District	183,500	183,500	138,483	45,017
	<u>183,500</u>	<u>183,500</u>	<u>138,483</u>	<u>45,017</u>
Total Non-major Governmental Funds	<u>\$ 997,456</u>	<u>\$ 1,168,756</u>	<u>\$ 996,950</u>	<u>\$ 171,806</u>

RIO GRANDE COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

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

Total Amount: \$ 2,926,832

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	Name of Pass-through Entity, if any	Identifying number assigned by the Pass-through Entity, if any	Federal Award Passed Through to Sub-recipients
93	074	HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS	\$ 14,500	N/A	\$ 14,500		N	COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	HF15J/HW17J	N
93	268	IMMUNIZATION COOPERATIVE AGREEMENTS	\$ 6,675	N/A	\$ 6,675		N	COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	KA15H/KA16H	N
93	069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	\$ 18,797	N/A	\$ 18,797		N	COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	HN16J/HW16J	N
93	994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	\$ 16,779	N/A	\$ 16,779		N	COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	ND15L/ND16L/ND17L	N
93	624	ACA- STATE INNOVATION MODELS: FUNDING FOR MODEL DESIGN AND MODEL TESTING ASSISTANCE	\$ 25,382	N/A	\$ 25,382		N	COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	ZM16L	N

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

Total Amount: \$ 2,948,52

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	Name of Pass-through Entity, if any	Identifying number assigned by the Pass-through Entity, if any	Federal Award Passed Through to Sub-recipients
93	778	MEDICAL ASSISTANCE PROGRAM - HEALTHY COMMUNITIES	\$ 53,063	MEDICAID CLUSTER	\$ 382,694	\$ 382,694	N	COLORADO DEPARTMENT OF HEALTH CARE POLICY	UGAGP0196	N
93	767	CHILDREN'S HEALTH INSURANCE PROGRAM	\$ 12,634	N/A	\$ 12,634		N	COLORADO DEPARTMENT OF HEALTH CARE POLICY	UCCBB0330	N
93	778	MEDICAL ASSISTANCE PROGRAM - OLTC/SEP	\$ 102,220	MEDICAID CLUSTER	\$ 382,694	\$ 382,694	N	COLORADO DEPARTMENT OF HEALTH CARE POLICY	14-55375OL3	N
10	665	SCHOOLS AND ROADS- GRANTS TO STATES	\$ 202,492	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$ 219,184	\$ 219,184	N	COLORADO DEPARTMENT OF TREASURY		\$151,869
10	665	SCHOOLS AND ROADS- GRANTS TO STATES	\$ 16,692	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$ 219,184	\$ 219,184	N	COLORADO DEPARTMENT OF TREASURY		N
97	067	HOMELAND SECURITY GRANT PROGRAM	\$ 56,599	N/A	\$ 56,599		N	GOVERNOR'S OFFICE OF HOMELAND SECURITY	14SHS15SLV	N

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

Total Amount: \$ 2,948.:54

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	Name of Pass-through Entity, if any	Identifying number assigned by the Pass-through Entity, if any	Federal Award Passed Through to Sub-recipients
97	067	HOMELAND SECURITY GRANT PROGRAM	\$ 168,831	N/A	\$ 168,831		N	GOVERNOR'S OFFICE OF HOMELAND SECURITY	15SHS16SLV	N
14	228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	\$ 10,000	CDBG - ENTITLEMENT GRANTS CLUSTER	\$ 10,000	\$ 10,000	Y	COLORADO DEPARTMENT OF LOCAL AFFAIRS	F15CDB14590	\$10,000
15	608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	\$ 20,658	N/A	\$ 20,658		N			N
10	561	STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	\$ 149,685	SNAP CLUSTER	\$ 149,685	\$ 149,685	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$ 598,191	TANF CLUSTER	\$ 598,191	\$ 598,191	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	568	LOW-INCOME HOME ENERGY ASSISTANCE	\$ 348,816	N/A	\$ 348,816		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N

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

Total Amount: \$ 2,948.:54

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	Name of Pass-through Entity, if any	Identifying number assigned by the Pass-through Entity, if any	Federal Award Passed Through to Sub-recipients
93	575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 97,588	CCDF CLUSTER	\$ 170,331	\$ 170,331	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	596	CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	\$ 72,743	CCDF CLUSTER	\$ 170,331	\$ 170,331	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	\$ 10,373	N/A	\$ 10,373		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	563	CHILD SUPPORT ENFORCEMENT	\$ 216,167	N/A	\$ 216,167		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	658	FOSTER CARE_TITLE IV-E	\$ 208,281	N/A	\$ 208,281		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	090	GUARDIANSHIP ASSISTANCE	\$ 4,411	N/A	\$ 4,411		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N

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

Total Amount: \$ 2,926,832

Federal Awarding Agency Prefix	CFDA Three Digit Extension	Name of Federal Award	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	Name of Pass-through Entity, if any	Identifying number assigned by the Pass-through Entity, if any	Federal Award Passed Through to Sub-recipients
93	659	ADOPTION ASSISTANCE	\$ 70,529	N/A	\$ 70,529		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	667	SOCIAL SERVICES BLOCK GRANT	\$ 124,448	N/A	\$ 124,448		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	556	PROMOTING SAFE AND STABLE FAMILIES	\$ 18,961	N/A	\$ 18,961		N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	778	MEDICAL ASSISTANCE PROGRAM	\$ 216,510	MEDICAID CLUSTER	\$ 382,694	\$ 382,694	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
93	778	MEDICAL ASSISTANCE PROGRAM - HCA	10,901	MEDICAID CLUSTER	\$ 382,694	\$ 382,694	N	COLORADO DEPARTMENT OF HUMAN SERVICES		N
10	569	EMERGENCY FOOD ASSISTANCE PROGRAM	\$ 53,906	FOOD DISTRIBUTION CLUSTER	\$ 53,906	\$ 53,906	N	COLORADO DEPARTMENT OF HUMAN SERVICES AND CARE AND SHARE FOOD BANK		N
Total Federal Awards Expended			\$ 2,926,832							

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

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rio Grande County, Colorado under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rio Grande County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rio Grande County, Colorado.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FOOD DISTRIBUTION

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

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

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rio Grande County, Colorado under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rio Grande County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rio Grande County, Colorado.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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NOTE 3 FOOD DISTRIBUTION

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

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



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Rio Grande County, Colorado
Del Norte, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande 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 September 7, 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, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. Finding 2016-001.

Certified Public Accountants

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rio Grande County's Response to Findings

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 7, 2017

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



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Rio Grande County, Colorado
Del Norte, Colorado

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Rio Grande County, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Certified Public Accountants

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

Report on Internal Control Over Compliance

Management of the County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 7, 2017

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

Section I – Summary of Auditor s’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

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

Section II – Financial Statement Findings

Finding 2016-001: Internal Control Over Financial Reporting
(Repeat of finding 2015-001)

Type of Finding: Internal Control (material weakness)

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

Cause: Turnover in the County Administration Department in addition to a conversion in the finance and treasurer's department accounting software created reconciliation difficulties .

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

Effect: Audit adjustments were proposed to properly state the General Fund, Road and Bridge Fund, and Public Health Fund amounts in the County financial statements as of December 31, 2016, in accordance with generally accepted accounting principles.

Recommendation: The County should strengthen its internal controls with adopted policies and procedures to reconcile year end account balances and record necessary adjustments when performing financial close and reporting at year end.

Management's Response: See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

None

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

Section II – Financial Statement Findings

Finding 2015-001: Internal Control over Financial Reporting and on Compliance

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

Condition: The County does not have a complete system of internal control to properly monitor the budget and to prevent and detect financial misstatements.

Status: Partially Implemented

RIO GRANDE COUNTY

BOARD OF COUNTY COMMISSIONERS

rgcommissioner@riograndecounty.org

925 6th St., Room 207
Del Norte, Colorado
81132
(719) 657-2744
Fax (719) 657-2514

CORRECTIVE ACTION PLAN

BOARD OF
COMMISSIONERS

Karla L. Shriver
Chairman

Gene W. Glover
Vice Chairman

Suzanne Bothell
Commissioner

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

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

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

ADMINISTRATION OFFICE:

ADMINISTRATOR

Roni K. Wisdom

Human Resources/Payroll Administrator

Kristy Dennis

Audit period: Year ended December 31, 2016

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

Section II – Financial Statement Findings

Finding 2016-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Recommendation: The County should strengthen its internal controls with adopted policies and procedures to reconcile year end account balances and record necessary adjustments when performing financial close and reporting at year end.

Action taken: We will use a team approach using the elected officials, department heads and software developers, to develop processes and documented internal controls which will allow the County to review and identify concerns within our accounting system which may allow for misstatements in the financial statements.

We will specifically address the following areas:

- General computer and software controls
- Revenues
- Grants
- Expenses
- Payroll

We will identify and document necessary internal controls by December 31, 2017 and implement the procedures on or before December 31, 2018.

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

Sincerely yours,

A handwritten signature in black ink that reads "Roni Wisdom". The signature is written in a cursive style with a large initial "R".

Roni Wisdom
County Administrator
Rio Grande County, Colorado

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Rio Grande County
	YEAR ENDING : December 31, 2016

This Information From The Records Of Rio Grande County	Prepared By: Roni Wisdom
	Phone: 719-657-4215

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,625,853
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	341,538
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	29,886
2. General fund appropriations		b. Snow and ice removal	464,893
3. Other local imposts (from page 2)	390,754	c. Other	72,875
4. Miscellaneous local receipts (from page 2)	75,484	d. Total (a. through c.)	567,654
5. Transfers from toll facilities		4. General administration & miscellaneous	159,316
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,694,361
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	466,238	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	2,378,410	2. Notes:	
D. Receipts from Federal Government (from page 2)	71,281	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,915,929	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)	2,694,361

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
	4,699,188	2,915,929	2,694,361	4,920,756	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 31, 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	346,230	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	7,131
4. Licenses		f. Charges for Services	49,457
5. Specific Ownership &/or Other	44,524	g. Other Misc. Receipts	18,896
6. Total (1. through 5.)	44,524	h. Other	0
c. Total (a. + b.)	390,754	i. Total (a. through h.)	75,484
	(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	2,336,873	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	50,623
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	39,999	d. Federal Transit Admin	
d. Other (Specify) - DOLA Mineral	1,538	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	20,658
f. Total (a. through e.)	41,537	g. Total (a. through f.)	71,281
4. Total (1. + 2. + 3.f)	2,378,410	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		728	728
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		1,625,125	1,625,125
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,625,125	1,625,125
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,625,853	1,625,853
			(Carry forward to page 1)

Notes and Comments: