

ROUTT COUNTY

FINANCIAL AND COMPLIANCE REPORT DECEMBER 31, 2016



State of Colorado detail of Routt County

The mission of Routt County is to efficiently deliver a balance of public services and infrastructure to provide a safe and healthy place to live for present and future generations.

ROUTT COUNTY, COLORADO
FINANCIAL AND COMPLIANCE REPORT
For the Year Ended December 31, 2016

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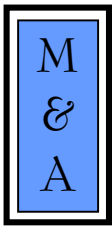
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INDEPENDENT AUDITOR'S REPORT

**To the Board of County Commissioners
Routt County, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Routt 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 an opinion 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 30 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.

The budgetary comparison schedules on pages 64 through 73 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. These budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements taken as a whole. The combining fund financial statements, individual fund budgetary schedules, and the Local Highway Finance Report, as listed in the accompanying Table of Contents, are presented for purposes of additional analysis and are not a required part of the County's financial statements. The combining fund financial statements, the individual fund budgetary information, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Other Matters (continued)

Additionally, the Schedule of Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards are presented for the purpose of additional analysis, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and are not a required part of the County's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 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 the 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.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
July 11, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Routt County's annual financial report presents the discussion and analysis of the County's financial performance during the year ended December 31, 2016. Please read this in conjunction with the County's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The County has seen a modest improvement in two of its major governmental activities revenues. Base property tax revenues (General Fund, Road and Bridge, Communications and Human Services) increased \$.3 million or 2% and sales tax increased \$.5 million or 8% from the prior year.

The County's partially self-funded health insurance pool (Pool) experienced very high claims of \$4.0 million in 2016 after incurring claims of \$3.9 million in 2015. In 2017, the County's contribution to the Pool increased, employee contributions increased and the plan design was modified resulting in projected savings for claims. After these changes, the 2017 budget anticipates a \$1.0 million reserve balance at year end. At this time, actual claims are not expected to return to the lower levels experienced in 2011 – 2014, which averaged \$2.4 million annually during this time.

Road and Bridge resurfaced 13.47 miles, which represent 9% of the paved road system for \$1.9 million. The replacement of County Road 67 Green Pipe Bridge was completed for \$1.3 million.

The County is the sponsor of a \$2.2 million Broadband Fiber Optic Project (Project) to improve broadband services through the installation of a City-wide fiber optic trunk line and lateral connections to community anchor institutions. Funding for the Project is provided by a \$.8 million state Energy and Mineral Impact Assistance grant, \$1.1 million from partner entities and \$.3 million from Routt County. In 2016, actual expenditures were \$.6 million funded by \$.3 million from the state grant, \$.2 million from the County's partners and the remaining \$.1 million from County reserves. The Project is scheduled for completion in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information and a supplementary section presenting combining statements for nonmajor proprietary funds and for internal service funds, actual to budget comparisons schedules for various funds, the statement of changes in assets and liabilities for agency funds and the local highway finance report.

The basic financial statements include two types of statements that present different views of the County's financial information. The two types of statements are Government-wide financial statements and Fund financial statements. They are described below:

- 1) Government-wide statements include two statements that provide both long-term and short-term information about the County's overall financial status.
- 2) Fund Financial statements focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The governmental funds statements illustrate how general government services such as public safety, road and bridge, human services and communications are financed in the short-term as well as what remains for future spending.
 - Proprietary funds statements include short and long-term financial information about the activities the County operates like businesses such as the Yampa Valley Regional Airport, the Regional Building Department, the Phippsburg Water and Sanitation System, the Milner Sanitation System and the Internal Service Funds which provide services to other departments in the County on a cost-reimbursement basis. The Internal Service Funds predominantly provide governmental benefits rather than business-type functions and therefore have been included within governmental activities in the government-wide financial statements.
 - Fiduciary fund statements provide information about the Agency Fund – Assets and Liabilities and the Retirement Plans for the County's employees. The County acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The notes to the financial statements explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides actual to budget comparisons for the General Fund and the following major special revenue funds: Road and Bridge, Human Services and Communications. In addition to these required components, a section called supplemental information includes combining statements providing further detail about the County's nonmajor proprietary funds and internal service funds (each of which are added together and presented in single columns in each of the basic proprietary fund financial statements), proprietary and internal service funds budget to actual comparisons, combining fiduciary funds for the retirement fund and changes in assets and liabilities for the Agency Fund.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities, and deferred inflows/outflows of resources including capital assets and road and bridge infrastructure. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide

statements report the County's net position and how it has changed. Net position (the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the County's financial health or current financial position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to additional non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The government-wide financial statements of the County are divided into two categories as follows:

- 1) **Governmental Activities**—Most of the County's basic services such as public safety, road and bridge, human services, etc. are included here. Property tax, sales tax and state and federal revenues finance most of these activities.
- 2) **Business-type Activities**—The County charges fees to customers to help cover the costs of providing certain services. The County's Yampa Valley Regional Airport, Regional Building Department, Phippsburg Water and Sanitation System and Milner Sanitation System are included in these financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law (Road and Bridge and Human Services) and other funds are established by the Board of County Commissioners to control and manage money for particular purposes (Communications and Airport). The County uses three types of funds as follows:

Governmental Funds

Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided after the Governmental Funds Balance Sheet that explains the relationship (or differences) between the government-wide Statement of Net Position and the Statement of Activities compared with the Governmental Funds statements.

Proprietary Funds

Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary Funds, like the government-wide statements, provide both short and long-term financial information. A reconciliation is provided after the Proprietary Funds Statement of Net Position that explains the relationship (or differences) between the government-wide Statement of Net Position and the Statement of Activities compared with the Proprietary – Enterprise Funds statements.

- The County’s Proprietary Funds are the same as its business-type activities, but more detailed information is provided in the Proprietary Fund statements, such as cash flow statements.
- The County’s Internal Service Funds are used to report activities that provide supplies and services for the County’s other programs and activities, such as information systems, emergency communication system, fleet services, building and plant and a partially self-funded employee health insurance plan.

Fiduciary Funds

The County is the trustee or fiduciary for the property tax revenues collected and distributed to County funds and other governmental entities by statute, for special assessment revenues collected and distributed to bondholders and for its employees’ retirement plans. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in the separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.



FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's net position is \$193.4 million as of December 31, 2016 a decrease of \$.1 million or 0% from the prior year.

The following table provides a summary of the County's governmental and business-type net position for 2016 and 2015.

Routt County, Colorado
Net Position
(millions of dollars)

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 56.2	\$ 56.4	\$ 5.3	\$ 3.9	\$ 61.5	\$ 60.3
Capital assets	112.8	110.6	53.0	56.1	165.8	166.7
Total assets	169.0	167.0	58.3	60.0	227.3	227.0
Deferred Outflows of Resources						
Deferred charge on refunding	0.5	0.6	-	-	0.5	0.6
Total assets and deferred outflows of resources	169.5	167.6	58.3	60.0	227.8	227.6
Liabilities						
Current and other liabilities	2.8	2.4	2.0	2.0	4.8	4.4
Long-term liabilities	10.9	11.7	0.5	0.4	11.4	12.1
Total liabilities	13.7	14.1	2.5	2.4	16.2	16.5
Deferred Inflows of Resources						
Unavailable revenue - property taxes	18.2	17.6	-	-	18.2	17.6
Net Position						
Net investment in capital assets	103.7	100.7	51.4	54.4	155.1	155.1
Restricted	3.1	3.8	0.2	0.2	3.3	4.0
Unrestricted	30.8	31.4	4.2	3.0	35.0	34.4
Total net position	137.6	135.9	55.8	57.6	193.4	193.5
Total liabilities, deferred inflows of resources and net position	\$ 169.5	\$ 167.6	\$ 58.3	\$ 60.0	\$ 227.8	\$ 227.6

Net Investment in Capital

The largest portion of net position is net investment in capital assets of \$155.1 million, which was unchanged from the prior year. Net investment in capital includes land, buildings and improvements, equipment and all road and bridge infrastructure less depreciation and associated debt. Although the net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used in a short period of time to liquidate these liabilities. The cost of these capital assets funded by capital grants and contributions does not offset these revenue sources as an expense in the government-wide Statement of Net Activities. Instead, these costs are capitalized and then depreciated over the useful life of the asset. The major capital projects are summarized in the section entitled “CAPITAL ASSETS AND DEBT ADMINISTRATION”.

Unrestricted Net Position

The second largest portion of net position is unrestricted of \$35.0 million, which increased \$.6 million or 2% from the prior year. This portion of net position is available to provide funds for capital asset replacements and additions, cash flow for ongoing operations and cash flow for fluctuations between planned and actual resources and emergencies.

Governmental activities unrestricted net position decreased \$.6 million or 2% to \$30.8 million from the prior year.

Governmental activities generated \$5.2 million in operating income, a decrease of \$1.1 million or 17% from the prior year. The \$5.2 million of operating income was used to purchase \$5.0 million of capital additions and replacements and debt service of \$1.2 million. Non-operating revenue generated \$.4 million from \$.3 million in interest revenue and \$.1 million in proceeds from the sale of equipment. The resulting \$.6 million decrease in net position is comprised of the \$.7 million decrease in the Governmental Funds, the \$.6 million decrease in the Insurance Pool, and the \$.7 million increase in the Equipment Pool. Additional information relating to the fund financial statements can be found in the “FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS” sections.

Additional information for governmental activities revenue and expense is available in the following section entitled “Governmental Activities”.

Business-type activities unrestricted net position increased \$1.2 million or 40% to \$4.2 million from the prior year. The increase is primarily attributed to Yampa Valley Regional Airport with a \$.9 million increase and a \$.3 million increase for the Regional Building Department which is described in more detail in the following section entitled “Business-type Activities”.

Restricted Net Position

The remaining portion of the County's net position is restricted net position of \$3.3 million which decreased \$.7 million or 18% from the prior year.

Governmental activities restricted net position decreased \$.7 million or 18% to \$3.1 million from the prior year. The change in governmental activities restricted net position is primarily due to the Purchase of Development Rights (PDR) restricted fund balance decrease of \$.7 million or 30% to \$2.3 million with the completion of several purchase of development rights transactions carried over from 2015 to 2016.

Business activities restricted net position remained unchanged at \$.2 million from the prior year due to minimal change in the Taxpayer Bill of Rights (TABOR) reserve requirement for Yampa Valley Regional Airport.



Changes in Net Position

During 2016, net position decreased by \$.1 million or less than 1% from the prior year and is comprised of a \$1.7 million or 1% increase from governmental activities and a \$1.8 million or 3% decrease from business-type activities. The following financial statement summarizes the change in net position.

Routt County, Colorado
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 3.7	\$ 3.7	\$ 6.4	\$ 5.8	\$ 10.1	\$ 9.5
Operating grants and contributions	9.9	11.1	0.1	0.1	10.0	11.2
Capital grants and contributions	1.6	0.3	0.6	12.9	2.2	13.2
General revenues						
Property tax	18.9	18.4	-	-	18.9	18.4
Sales tax	6.8	6.3	-	-	6.8	6.3
Interest earnings	0.3	0.1	-	-	0.3	0.1
Loss on disposal of capital assets	(0.3)	-	-	-	(0.3)	-
Total revenues	40.9	39.9	7.1	18.8	48.0	58.7
Expenses						
Administration	6.6	6.1	-	-	6.6	6.1
Community services	7.3	5.9	-	-	7.3	5.9
Property tax administration	2.2	2.1	-	-	2.2	2.1
Public safety	8.6	8.2	-	-	8.6	8.2
Road and bridge	8.9	9.4	-	-	8.9	9.4
Human services	5.2	5.1	-	-	5.2	5.1
Interest expense on long-term debt	0.4	0.4	-	-	0.4	0.4
Airport	-	-	7.8	6.2	7.8	6.2
Building department	-	-	0.9	0.9	0.9	0.9
Water and sanitation	-	-	0.2	0.2	0.2	0.2
Total expenses	39.2	37.2	8.9	7.3	48.1	44.5
Increase (decrease) in net position						
before special item and transfers	1.7	2.7	(1.8)	11.5	(0.1)	14.2
Special Item	-	-	-	(0.4)	-	(0.4)
Transfers	-	(0.1)	-	0.1	-	-
Increase (decrease) in net position	1.7	2.6	(1.8)	11.2	(0.1)	13.8
Net position - beginning	135.9	133.3	57.6	46.4	193.5	179.7
Net position - ending	\$ 137.6	\$ 135.9	\$ 55.8	\$ 57.6	\$ 193.4	\$ 193.5

Governmental Activities

Total net position from governmental activities increased \$1.7 million or 1% to \$137.6 million from the prior year.

The following are explanations of significant changes in revenue and expense from 2015 to 2016.

Revenues

Charges for Services remained unchanged at \$3.7 million from the prior year.

Peabody Energy Corporation and several of its direct and indirect subsidiaries (Peabody) on April 13, 2016 filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. Due to the impact this bankruptcy would have on property tax collections for the County and other taxing entities, the Treasurer deemed it necessary to hire outside legal counsel to advise the Treasurer on how best to protect the County's interests through the bankruptcy process. Peabody Energy Corporation made available \$.1 million to cover the legal cost. Peabody in 2016 paid their delinquent taxes and interest.

Oil and Gas Permit Fees decreased \$.1 million. The decrease is due to lower oil and gas prices which has resulted in a decrease in exploration activities.

Operating Grants and Contributions decreased \$1.2 million or 11% to \$9.9 million from the prior year.

Payment in Lieu of Taxes (PILT) decreased \$.3 million or 19% to \$1.3 million primarily due to an increase in Federal mineral lease funds in the prior year, which is a deduction to the PILT payment. Peabody Energy Corporation Twenty Mile Coal increased coal production on property owned by the Federal government. The Federal government requires a royalty to be paid from the mine from production of oil or gas on Federal property and the royalty is distributed in accordance with the Federal Mineral Lease Act and State of Colorado statutes.

Severance Tax decreased \$.8 million or 73% to \$.3 million due primarily to refunds to oil and gas producers following the State of Colorado's Colorado Supreme Court ruling allowing energy companies to deduct additional costs from revenue when calculating their severance tax.

Capital Grants and Contributions increased \$1.3 million or 433% to \$1.6 million from the prior year.

Community Resources increased \$.5 million from \$35,000 in the prior year. Routt County, through the Colorado Department of Local Affairs, received an Energy Impact Assistance Fund (EIAF) grant to help fund a portion of the installation of a fiber optic trunk line and lateral connections to various local governments and private entities. In 2016, total expenses were \$. 6 million with \$.3 million funded by the EIAF state grant, \$.1 million

provided by local government and private business partners and the remaining by Routt County. The total \$2.2 million project will span approximately 3 years and began in 2015. Community Resources replaced the Council on Aging Van used to meet the transportation needs of seniors. Funding from the grant increased \$.1 million.

Road and Bridge capital grants and contributions increased \$.8 million or 400% to \$1.0 million from the prior year. Road and Bridge received a federal bridge grant from the Colorado Department of Transportation for replacement of the Green Pipe Bridge located on County Road 67. The construction project spans the years 2015 – 2016. In 2016, the County received \$.5 million of grant funds greater than in 2015. Road and Bridge received a federal air quality grant to pave the gravel area at the Steamboat Springs District 3 Shop parking lot. The construction grant totaled \$.3 million.

Property Tax revenue increased \$.5 million or 3% to \$18.9 million from the prior year. Base property taxes (General Fund, Road and Bridge, Human Services and E911 Communications) increased \$.3 million or 2% to \$14.7 million from the prior year due to the Taxpayers Bill of Rights (TABOR) property tax revenue limitation of 2.4% and abatement/refunds. The 2.4% TABOR property tax revenue limitation is composed of a .9% increase from new construction and a 1.5% increase from inflation. The County assessed valuation increased \$57.3 million or 6% to \$1.0 billion from the prior year. Voter approved property taxes increased \$.2 million or 7% to \$2.9 million from the prior as result of the 6% increase in assessed valuation.

Sales Tax revenue increased \$.5 million or 8% to \$6.8 million from the prior year. Sales tax is collected on goods sold at retail, except for, food and pharmaceuticals and includes building and auto use taxes. Sales tax collected on retail sales increased \$.4 million or 8% to \$5.7 million from the prior year due to increases in tourist spending because of the improved economy. Building use tax collected on construction materials increased \$.1 million or 25% to \$.6 million from the prior year due to increase in construction activity because of an improved economy.

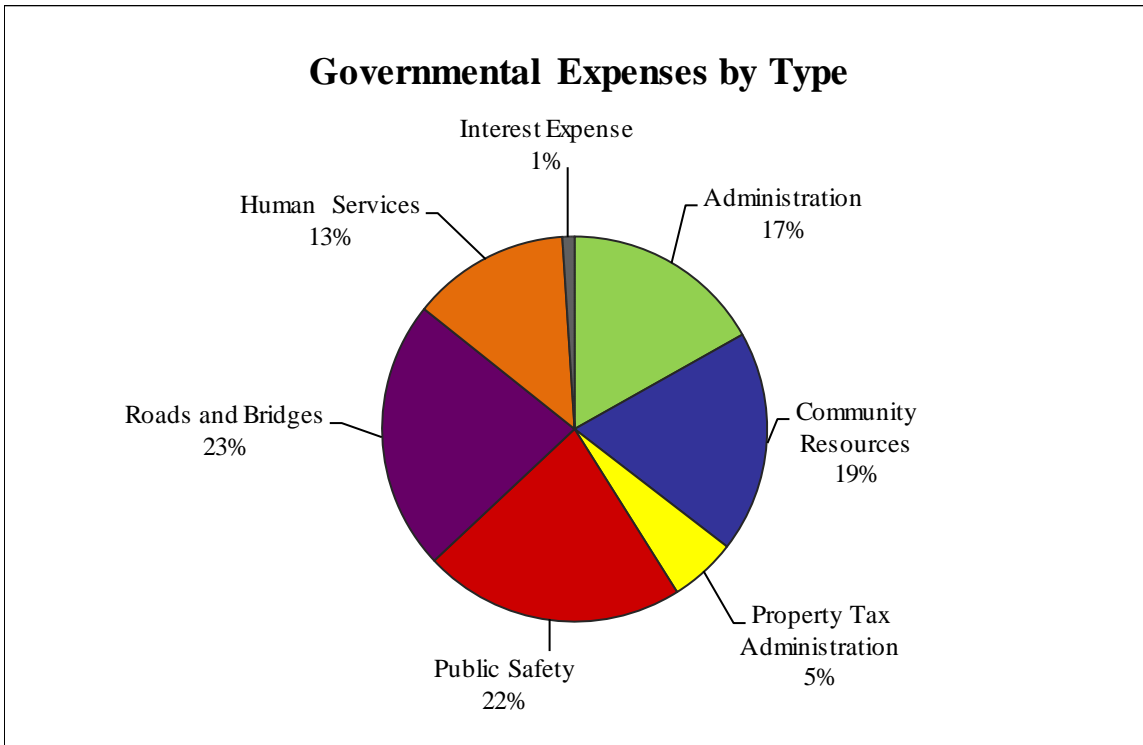
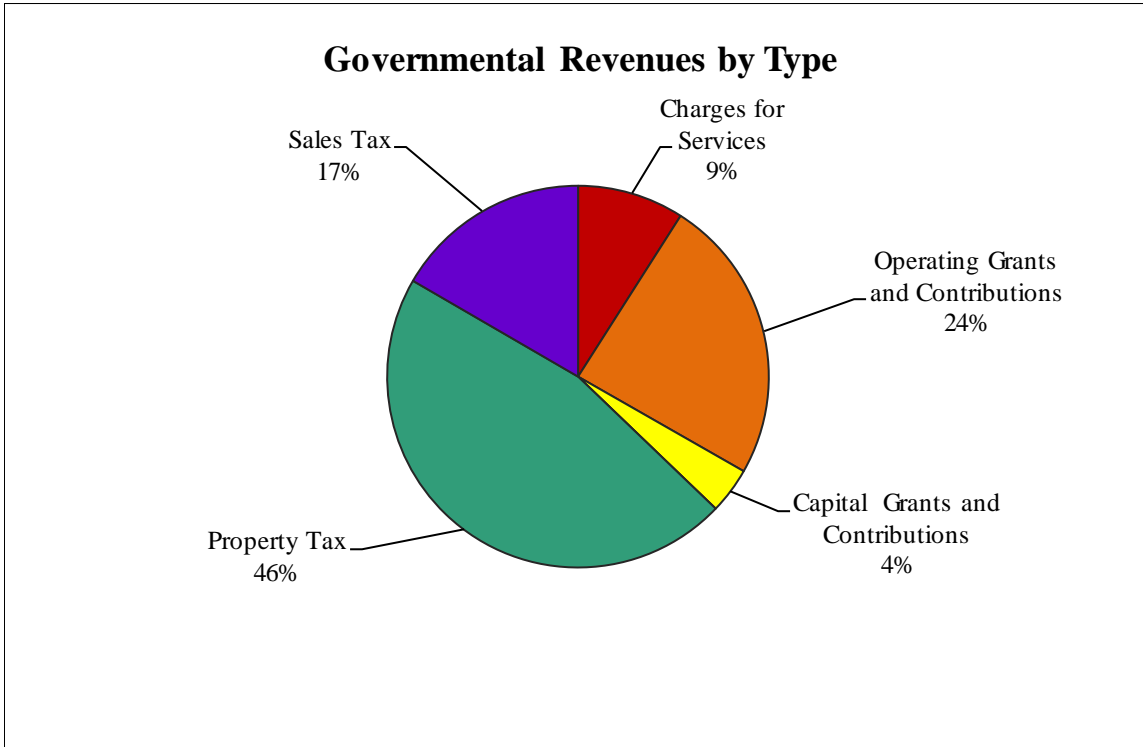
Interest Revenue increased \$.2 million or 200% to \$.3 million from the prior year. The increase in interest revenue is primarily the result of the County's interest rate increasing .5% or 208% to .74%. The increase in the County's interest rate is from the Federal Reserve increasing the Federal Funds rate.

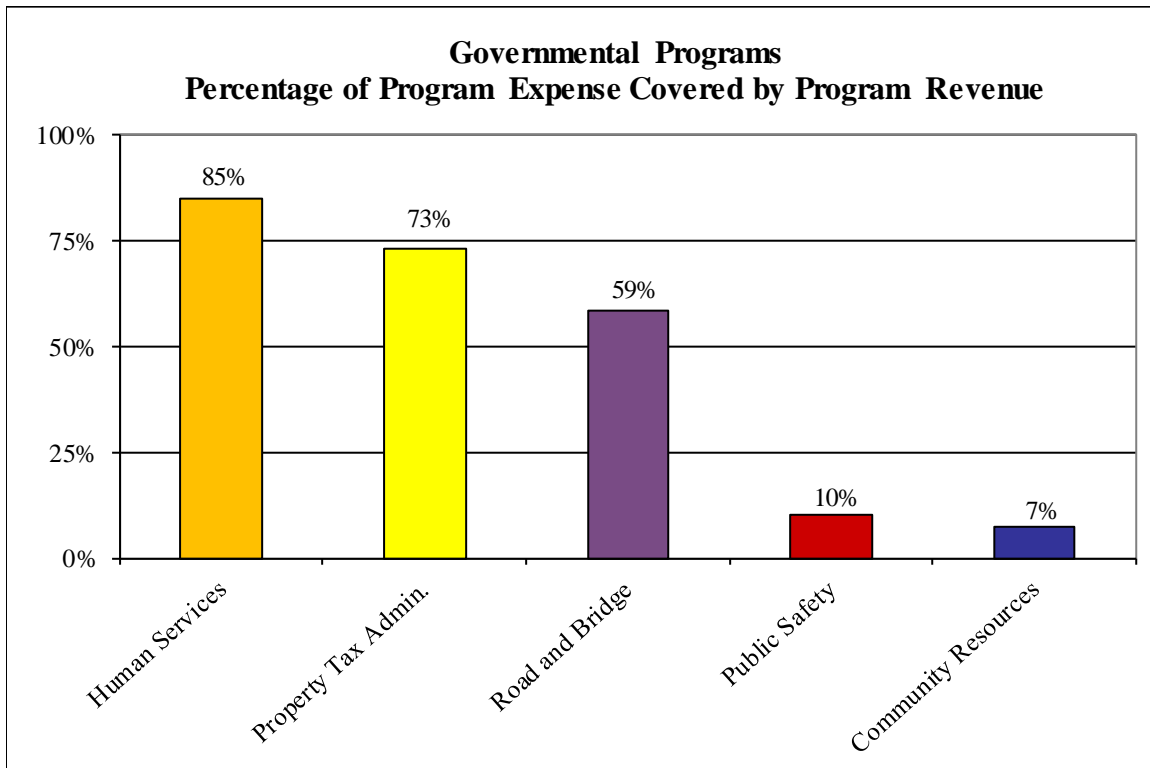
Loss on Disposal of Capital Assets increased \$.3 million from the prior year and is primarily the result of the State of Colorado taking over ownership, repair and replacement of the E911 radio system at one of the County mountain top repeater sites.

Expenses

Community Resources expenses increased \$1.4 million or 24% to \$7.3 million from the prior year. The decrease is primarily attributable to the \$1.0 million or 71% increase to \$2.4 million Purchase of Development Rights program. Three development rights transactions started in 2015 were not completed as planned and were finalized in 2016.

The following graphs show governmental revenues and expenses by type and a comparison of governmental program revenue versus expense.





Note: The program revenue shown in the above graph does not include capital grants and contributions and charges for services related to capital totaling \$1.6 million. The costs related to capital acquisitions are capitalized as assets and depreciated over the useful lives of the assets. Only depreciation on those assets is included above.

Business-type Activities

Total net position from business-type activities decreased \$1.8 million or 3% to \$55.8 million from the prior year. The key factors related to this increase follow.

Net investment in capital assets decreased \$3.0 million or 6% to \$51.4 million from the prior year. The decrease was primarily due to Yampa Valley Regional Airport capital asset activity, described in detail in the following “CAPITAL ASSETS AND DEBT ADMINISTRATION” section.

Restricted net position remained unchanged at \$.2 million from the prior year.

Unrestricted net position increased \$1.2 million or 40% to \$4.2 million from the prior year and is described below in more detail.

Yampa Valley Regional Airport (YVRA)

Total net position decreased \$2.1 million or 4% to \$53.4 million from the prior year and consists of \$50.9 million in net investment in capital assets, \$2.3 million in unrestricted net position and \$.2 million in restricted net position.

Net investment in capital assets decreased \$3.0 million or 6% to \$50.9 million from the prior year. The decrease consists of \$.5 million of capital purchases and \$.1 million

principal payment on the interfund loan with Road and Bridge offset by \$3.4 million of depreciation, and \$.2 million of capital deletions net of accumulated depreciation.

Unrestricted net position increased \$.9 million or 64% to \$2.3 million from the prior year. The increase consists of a \$.9 million increase from operations.

The following is an explanation of significant revenue and expense changes from the prior year.

Charges for Services increased \$.5 million or 11% to \$5.0 million from the prior year. The increase is primarily due to higher revenues collected in the Airside, Landside, and Restaurant Departments explained below.

In 2015, the airport was closed for 2 months due to the runway rehabilitation project. As a result, 2016 had significant increases in enplanements, flights, and corresponding revenues. 2016 had 1,736 flights with a total of 110,545 enplaned passengers. 2015 had 1,528 flights with a total of 96,688 enplaned passengers. This represents 13,857 more passengers or a 14% increase year over year. YVRA reached a high in 2008 with 140,000 enplanements.

Airside charges for services increased \$.2 million or 22% to \$1.1 million from the prior year primarily due to an increase in Fixed Based Operator (FBO) fees, landing fees, and commercial fuel flow fees related to the prior year closure mentioned above.

Landside charges for services increased \$.2 million or 22% to \$1.1 million from the prior year primarily due to an increase in fees collected from the car rental companies, taxi/bus/limo concessions, and paid parking lot revenues related to the prior year closure mentioned above.

Restaurant/snack bar sales increased \$.1 million or 14% to \$.8 million from the prior year primarily due to the following items: the restaurant recovered some revenues compared to the prior year when the airport was closed for the runway rehabilitation; and restaurant and snack bar hours were modified to more closely align with the needs of travelers. In years prior, the snack bar was closed during the off season.

Capital grants and contributions decreased \$12.3 million or 95% to \$.6 million from the prior year. The decrease is primarily due to lower federal and state grant needed because of the completion of the \$17.3 million Runway Rehabilitation Project in 2015.

In 2016, Federal Aviation Administration Airport Improvement Program capital grants consisted of \$.1 million for the replacement and relocation of the airport beacon and replacement of snow removal equipment and \$.4 million of passenger facility charges. Additionally, in 2016 YVRA recognized \$.1 million in customer facility charges (CFC) revenues. CFC revenues are being used to repay the interfund loan that was issued from Road and Bridge to fund a portion of Runway Rehabilitation Project not funded by grants.

In 2015, Federal Aviation Administration Airport Improvement Program capital grants consisted of \$10.8 million for the Runway Rehabilitation Project and \$.3 million of

passenger facility charges. State capital grants were \$.1 million for the airport master plan and \$1.6 million for the Runway Rehabilitation Project. Additionally, in 2015 YVRA recognized \$.1 million in customer facility charges (CFC) revenues. CFC revenues are being used to repay the interfund loan that was issued from Road and Bridge to fund a portion of Runway Rehabilitation Project not funded by grants.

Personnel increased \$.3 million or 13% to \$2.7 million from the prior year. For 2016, YVRA increased full time equivalents (FTE's) by .21 or 1% to 41.45 from the prior year. The increase in personnel costs is primarily in the administration, airfield, security, and landside departments. The increase in personnel costs is a combination of increased staffing needed for the parking lot booth, changes to security personnel staffing to align with business needs, and increases in health insurance costs. In addition, the airport was closed for two months in 2015 for the runway rehabilitation project.

The 2016 compensation plan included a 1.5% market adjustment across all pay scales and for eligible employees, a current anniversary step and the final 'catch up' step. The County's Step Compensation Plan was suspended during the time period 2009-2013 due to the recession and resulted in a maximum of five steps (catch up steps) being missed during this time period. Two catch up steps were reinstated in both 2014 and 2015, and one in 2016.

Operations increased \$1.2 million or 32% to \$5.0 million from the prior year. The increase is primarily due to the following.

Depreciation expenses increased \$1.1 million or 46% to \$3.4 million from the prior year. The increase in depreciation is primarily due to the replacement of the runway.

Regional Building Department

Unrestricted net position for the Regional Building Department (RBD) increased \$.3 million or 21% to \$1.7 million compared to the prior year.

Operating income increased \$.1 million to \$.3 million compared to the prior year. Significant changes in revenues and expenses are as follows.

Building permit fees increased \$.1 million or 9% to \$1.2 million and is an indicator that the economy is improving. The \$.1 million increase in building permit is primarily a result of an increase in construction activity.

Personnel costs for the Regional Building Department remained flat at \$.6 million compared to the prior year. Operating expenses remained flat at \$.3 million compared to the prior year.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The analysis of the County's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. This information is useful in assessing the County's financing requirements.

Governmental Funds

The fund balance for governmental funds is \$22.1 million, a decrease of \$1.4 million or 6% from the prior year. A description of the types and changes in fund balance follows.

Nonspendable fund balance remained at \$1.7 million. Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance decreased \$.7 million or 18% to \$3.1 million from the prior year. Restricted fund balances include amounts that are restricted for specific purposes pursuant to constraints either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance decreased \$.7 million or 4% to \$17.3 million from the prior year. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by an adopted resolution of the Board of County Commissioners.

There is no unassigned fund balance in either 2016 or 2015. Unassigned fund balance is the residual fund balance for the General Fund that has not been classified as nonspendable, restricted or committed for a specific purpose in the General Fund.

The key factors related to these changes are as follows.

General Fund

The total fund balance of the General Fund decreased \$.7 million or 12% to \$5.1 million from the prior year.

The restricted fund balance of the General Fund decreased \$.7 million due to the completion of three outstanding 2015 Purchase of Development Rights projects that were completed in 2016.

The committed fund balance of the General Fund remained the same as the prior year at \$1.8 million maintaining compliance with the General Fund Committed Reserve Policy. The General Fund Committed Reserve Policy was approved by a resolution of the Board of County Commissioners and establishes the year end committed fund balance of the General Fund to be no less than 10% of General Fund expenditures of the prior year and shall exclude expenditures from voter approved mill levies such as the Purchase of Development Rights, Developmental Disabilities, the Museum and Heritage Fund and future voter approved mill levies restricted for a specific purpose and transfers.

Road and Bridge Fund

The Road and Bridge total fund balance decreased \$1.0 million or 6% to \$15.0 million from the prior year.

The Road and Bridge committed fund balance decreased \$1.0 million or 7% to \$13.5 million. The following explanation includes the primary reasons for the decrease in Road and Bridge committed fund balance.

Sales taxes had a favorable budget variance of \$1.2 million or 63% resulting from an 8% increase in sales tax revenues from the prior year due to an improving economy and the reallocation of sales tax from the General Fund as part of the General Fund Committed Reserve Policy. The reallocation of sales tax can be used to partially fund the replacement of Road and Bridge infrastructure in the future.

The Federal bridge replacement budget net expenditures over revenues had a favorable budget variance of \$.3 million due to construction delays related to the Butler Creek Bridge replacement. The Green Pipe Bridge was completed as planned in the 2016 budget.

Highway Users Tax Fund (HUTF) revenue has a favorable budget variance of \$.1 million. The favorable budget variance is due from people driving more as a result of lower fuel prices and is reflective of an improvement in the economy.

Severance Tax had a favorable budget variance of \$.1 million due to a conservative budget estimate related to the volatility of severance tax funds.

Road and Bridge operations had a favorable \$.7 million budget variance due primarily to lower than anticipated small bridges repairs and lower gravel costs due to the current overall good condition of the gravel road system.

A remodel and expansion of the Oak Creek District 1 shop has been completed for \$.7 million. The expansion provides more storage for Road and Bridge vehicles, and includes heating and electrical upgrades along with a remodel of the employee break room.

The remainder of the change \$2.7 million is from the planned repair and replacement of the road and bridge system.

Human Services

The Human Services committed fund balance increased \$.1 million or 25% to \$.5 million. The total 2016 Human Service budget was prepared with the County contributing enough property tax so total revenues would fund total expenditures resulting in a net zero budget. The Child Care program is one of many programs included in the total Human Services budget. The Child Care budget planned for a deficiency of revenues under expenditures. The deficiency was reduced because unused Federal and State Child Care allocations were purchased from other counties and resulted in a \$.1 million decrease in the deficiency.

Communications

Communications fund balance increased \$.2 million or 15% to \$1.5 million from the prior year. Dispatch and Radio Technician staff turnover resulted in a \$.1 million favorable personnel budget variance. The remaining \$.1 million was the result of under spending the budgeted repairs and maintenance costs for planned preventative maintenance that was not completed in 2016 after the turnover in the Radio Tech position.

Proprietary Funds

Enterprise Funds

Please refer to the previous section “FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE - Business-type Activities” above.

Internal Service Funds

The Internal Service Funds’ net position increased \$1.3 million or 3% to \$39.2 million and unrestricted net position increased \$.1 million or 1% to \$13.1 million from the prior year. Net investment in capital assets increased \$1.2 million or 5% to \$26.1 million from the prior year.

Equipment Pool

Unrestricted net position, which can be used for the future replacement of capital, increased \$.7 million or 6% to \$12.6 million from the prior year. Equipment Pool operations

provided \$2.8 million to unrestricted net position. Capital additions were funded by \$2.3 million of transfers in from other funds. Sales of assets provided \$.1 million in proceeds. Capital purchases totaled \$3.3 million. Capital replacements included the replacement of six vehicles, a grader, completion of the security system at the Detention Center and 23 mobile data terminals for Sheriff's patrol cars. Capital additions included broad band fiber optic construction, a weed shed, Road and Bridge shop expansion and lighting, a virtual server environment, Detention Center parking lot expansion, E-911 Communications call recording system and remodel of the Motor Vehicle office which included the heating and cooling system. Debt service of \$1.2 million on the Refunding Certificates of Participation Series 2012 was paid as planned.

Net investment in capital increased \$1.2 million or 6% to \$26.1 million from the prior year. An increase of \$1.6 million is attributable to \$3.3 million in capital purchases, a principal payment of \$.9 million on capital related debt offset by \$2.6 million in depreciation expense. The remaining decrease of \$.4 million is from net capital asset deletions of \$.3 million and \$.1 million is from deferred cash outflows related to the 2012 Series Certificates of Participation (COPs) used to refinance the 2006 Series COPs to construct the Justice Center.

See "CAPITAL ASSETS AND DEBT ADMINISTRATION" for more details about significant capital and debt projects.

Insurance Pool

The Insurance Pool's unrestricted net position decreased \$.6 million or 55% to \$.5 million from the prior year. Unrestricted net position can be used to fund future health insurance claims for the County's partially self-funded health insurance plan for employees.

The County experienced very high medical claims expense totaling \$4.0 million in 2016 or \$1.5 million greater than planned. Average claims for 2015 and 2016 are \$3.9 million. During the years 2011 - 2014, average claims were \$2.4 million. The County purchases individual and aggregate stop loss insurance to limit its exposure during years with high claims expense. Total receipts from stop loss insurance in 2016 were \$.6 million for individual claims greater than the County's \$75,000 deductible, which is \$.3 million over budget and offsets a portion of the claims expense budget overage. The high claims expense in 2016 is primarily due to large claims, which are claims over \$35,000. The average number of large claims for 2015 and 2016 is 24 or 54% of total claims compared to 13 large claims representing 42% of total claims for the years 2011 -2014. The County budgeted a \$.4 million increase in reserves in 2016, but experienced a \$.6 million decrease and as a result the 2017 budget includes an increase in contributions from the County and employees along with plan design modifications projected to decrease claims expense. See the following "NEXT YEAR'S BUDGET AND ECONOMIC FACTORS" section for additional detail related to medical insurance.

General Fund Budgetary Highlights

Budget Amendments

In 2016, the difference between the original revenue budget of \$25.8 million and the final amended revenue budget of \$26.2 million was an increase of \$.4 million or 2%. The difference between the original expense budget of \$22.9 million and the \$24.1 million final amended expense budget was an increase of \$1.2 million or 5%.

In 2016, the Board of County Commissioners approved a Deputy County Manager position for the purpose of creating effectiveness and efficiency within the oversight and supervision of County departments. The position will oversee the Environmental Health Department, Regional Building Department, Planning Department and the Purchasing process along with special projects. The new position increased personnel costs by \$.1 million.

Peabody Energy Corporation and several of its direct and indirect subsidiaries (Peabody) on April 13, 2016 filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. Due to the impact this bankruptcy would have on property tax collections for the County and other taxing entities, the Treasurer deemed it necessary to hire outside legal counsel to advise the Treasurer on how best to protect the County's interests through the bankruptcy process. Peabody Energy Corporation made available \$.1 million to cover the legal cost.

Purchase of Development Rights completed three projects that were started in 2015 and completed in 2016 for an additional cost of \$.7 million.

Budget Variances

The primary reasons for the budget variances are discussed as follows.

Total actual revenues were \$1.9 million or 7% below the final budget of \$26.2 million.

Sales tax was \$.7 million or 16% under the budget because sale tax allocated to the General Fund was redistributed to the Road and Bridge Fund to partially provide for the future replacement of Road and Bridge infrastructure and to maintain compliance with the General Fund Committed Reserve Policy.

Community Services revenues were \$.8 million or 67% under budget because the \$1.4 million Broadband Fiber Optic project sponsored by the County started later than anticipated. Revenue budgeted in 2016 for this project was \$.7 million from a state Energy and Mineral Impact Assistance grant and \$.5 million from local governments and private entity partners. Actual revenues were \$.3 million and \$.1 million from the state grant and County partner's, respectively. The project is scheduled for completion in 2017.

Revenue in the Fair budget was \$.4 million under budget. The 2016 budget included a \$350,000 Great Outdoors Colorado grant to help fund construction of recreational vehicle

pads and hook ups on the Fairgrounds. The County applied for the grant in 2016 and was not selected by the state for an award. After some revisions to the project plan, the County was awarded the grant in 2017.

Total actual expenses were \$.9 million or 4% below the final budget of \$24.1 million.

Information Systems expenditures were \$.2 million under the budget. Personnel was \$.1 million under budget due to vacancy savings for the Director and two System Administration positions and from hiring the new Director at a lower salary step. Operations expense was \$.1 million under budget due to not utilizing the full amount budgeted for continuing education and related expenses, consulting services related to Payment Card Industry compliance and controllable asset additions and replacements purchased were under budget due to lower actual costs, changing or eliminating planned replacements and moving some items budgeted in 2016 to 2017.

Public Trustee expenses were \$.1 million under budget due to fewer foreclosures than were budgeted. In 2016 the Public Trustee's office processed 31 foreclosures compared to the 50 that were budgeted. This is a decrease of 38% from the budget.

Expenditures in the Detention Center were under budget by \$.1 million. Numerous staff vacancies throughout the year resulted in personnel costs being under budget.

The remaining budget variances were relatively small.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2016, the County's capital assets decreased \$.1 million or 0% to \$240.7 million. Capital assets include heavy equipment, motor vehicles, E-911 communication equipment, buildings, road and bridge infrastructure, airport infrastructure, equipment and facilities and water and sewer systems. Governmental Activities capital increased \$4.3 million or 2.7% to \$162.7 million mainly due to several road and bridge overlay projects, completion of a bridge replacement, the expansion of the Road and Bridge Town of Oak Creek shop, the addition of a weed shed and a broadband fiber optic project. Business-type Activities capital decreased \$4.4 million or 5.3% to \$78.0 million primarily due to the replacement of runways, aprons, and taxiways as part of the runway rehabilitation project offset by the replacement cost capitalized at the completion of project in 2016.

The following table summarizes the components of the County's capital assets.

Routt County, Colorado
Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 4.0	\$ 3.9	\$ 44.4	\$ 31.2	\$ 48.4	\$ 35.1
Buildings and improvements	36.2	35.1	19.4	19.4	55.6	54.5
Equipment	25.7	26.1	10.0	10.7	35.7	36.8
Infrastructure	95.4	92.3	-	-	95.4	92.3
Water system	-	-	2.0	2.0	2.0	2.0
Sewer system	-	-	1.8	1.8	1.8	1.8
Construction in progress	1.4	1.0	0.4	17.3	1.8	18.3
Total capital assets	162.7	158.4	78.0	82.4	240.7	240.8
Accumulated depreciation	(49.9)	(47.8)	(25.0)	(26.3)	(74.9)	(74.1)
Total	\$ 112.8	\$ 110.6	\$ 53.0	\$ 56.1	\$ 165.8	\$ 166.7

Major Governmental Capital Asset Projects

During 2016, 13.94 miles of County Roads 14, 15, 16, 17, 86 and the Steamboat Springs District 3 Shop parking lot were overlaid for \$1.9 million. Replacement work was completed on the Green Pipe Bridge for a total cost of \$1.3 million. Green Pipe Bridge is the first of three bridges on CR 67 to be replaced during the years 2015-2018. The replacement cost of all three bridges on CR 67 is estimated to be \$3.0 million. The \$3.0 million cost of the bridges is anticipated to be offset with \$2.4 million of Federal Highway Department grants for a bottom line cost of \$.6 million. A \$.7 million expansion of the Road and Bridge Oak Creek Shop was completed to provide protection to the equipment from the weather. A \$.3 million Weed shed was built to expand the length of the spraying season by protecting chemicals and equipment from the freezing temperatures that occur early in the spring and late in the fall.

The County is the sponsor for a Broadband Fiber Optic project (Project) budgeted in 2016 for \$1.4 million. The Project includes installation of a fiber optic trunk line and lateral connections to community anchor institutions. In 2016, the Project scope was expanded to include a second trunk line resulting in a total project cost of \$2.2 million. Funding for the Project is provided by a \$.8 million state Energy and Mineral Impact Assistance grant, \$.3 million from Routt County and \$1.1 million from partner entities, which include the City of Steamboat Springs, Colorado Mountain College, Steamboat School District, Yampa Valley Electric Association and Yampa Valley Medical Center. Actual expenditures were

\$.6 million in 2016 funded by \$.3 million from the state grant, \$.2 million from the County's partners and the remaining \$.1 million from County reserves. The Project is scheduled for completion in 2017.

Major Business-type Capital Asset Projects

The Phippsburg Water and Sanitation Lagoon Liner Replacement Project is the most significant business-type capital project. The total project is estimated to be \$.3 million with less than \$.1 million spent in 2016 on engineering costs. The project consists of the replacement of the lagoon liner that no longer meets seepage standard requirements. Approximately half of the funding is being provided by several State and Federal grants. The remainder of the project will be funded by a Colorado Department of Local Affairs (DOLA) loan.

Long-term Debt

After making a principal payment of \$1.0 million in 2016 on the Series 2012 Refunding Certificates of Participation, the outstanding balance for Governmental Activities long-term debt is \$9.6 million.

On June 27, 2014, Standard Poor's assigned an AA- rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA. Standard and Poor's outlook is stable and the rationale for these ratings include the County's strong reserve levels, the per capita effective buying income of County residents being 103% of the national average, a per capita market value of approximately \$334,200, the County's low debt level and very strong liquidity. On March 3, 2017 Standard Poor's assigned an AA rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA+ with Standard and Poor's outlook stable and the rationale for these ratings again being the County's strong reserve levels, above national average per capita market value and buying income, low debt level and very strong liquidity.

Long-term debt for Business-type Activities is \$.2 million for Phippsburg Water and Sanitation System to finance a portion of the water filtration and waste water systems which consists of three loans with the State of Colorado under the Energy and Mineral Assistance program.

Routt County, Colorado
Outstanding Debt - Revenue Bonds and Loans
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Certificates of participation	\$ 9.6	\$ 10.6	\$ -	\$ -	\$ 9.6	\$ 10.6
Revenue loans	-	-	0.2	0.2	0.2	0.2
Capital lease	-	-	-	-	-	-
Total	\$ 9.6	\$ 10.6	\$ 0.2	\$ 0.2	\$ 9.8	\$ 10.8

NEXT YEAR’S BUDGET AND ECONOMIC FACTORS

The 2017 Routt County budget projects \$53,184,000 in revenues and \$54,314,000 in expenses resulting in \$1,130,000 of expenses over revenues. After removing \$555,000 of noncash expenses such as depreciation, the use of reserves is \$575,000. The 2017 budget as compared to the 2016 budget includes a \$3,156,000 or 6% increase in revenues and a \$1,764,000 or 3% increase in expenses. The 2017 budget is separated into governmental activities and business-type activities as follows.

Governmental Activities include the County’s basic services such as Property Tax Administration, Public Safety, Human Services, Community Services, Road and Bridge and Administration. Revenues are anticipated to increase \$1,773,000 or 4% to \$43,971,000, expenses are anticipated to increase \$719,000 or 2% to \$45,399,000 and results in revenues under expenses of \$1,428,000. The decrease in reserves is the result of several planned capital addition projects offset by an increase in reserves to set aside funding for future equipment replacements and medical claims.

The County’s base property tax revenue, which funds governmental activities, is anticipated to increase \$601,000 or 4.1% and is limited to this increase by the Taxpayers Bill of Rights (TABOR).

Sales tax from all sources is anticipated to increase \$494,000 or 8% based on 2016 actual collections.

The modest growth experienced in the County’s two largest revenue sources, property tax and sales tax, remains tentative given the continued degree of uncertainty in the economy.

Total personnel expense for governmental activities increased \$1,512,000 or 8% above the 2016 budget. The increase in personnel expense is primarily due to the following items.

In 2017, the County-wide compensation plan includes a 2% across the board market adjustment and eligible employees will receive an anniversary step. The 2017 compensation plan’s cost is \$464,000 or 3% above the 2016 budget. Also included in the 2017 budget is an \$82,000 increase in compensation and benefits for two of the three

County commissioners whose term will begin in 2017. Recent legislation approved by the State and Routt County Board has increased the compensation for a newly elected commissioner by 61%. County elected officials have not had an increase in compensation since 2007.

Health insurance expense for Governmental Activities increased \$611,000 or 21% over the 2016 budget. The County's partially self-funded health insurance pool (Pool) experienced \$3.9 million in claims in 2015 and is projected to incur \$3.8 million in 2016, whereas the historical average since starting the partially self-funded pool has been \$2.4 million. The increase in claims for 2015 and 2016 is due to exceptionally high claims experience driven by large claims, which are claims greater than \$35,000. In order to build the Pool's reserves and improve the Pool's sustainability while continuing to offer a competitive health insurance benefit to employees, in 2017 the County's contribution to the Pool was increased \$841,000 or 25% to \$4.2 million, employee contributions to the Pool were increased \$300,000 or 526% to \$357,000 and the plan design was changed by increasing deductibles, increasing out of pocket maximums and decreasing the coinsurance for the high deductible health plan saving \$183,000 or 5% in claims expense. At this time, actual claims are not expected to return to the lower levels experienced in 2011 - 2014. Through the changes made in 2017, the Pool's budgeted revenues over expenses are \$461,000 and result in a projected year end reserve balance of \$1.0 million.

The compensation and health insurance increases for governmental activities are primarily being funded by anticipated increases in property tax, sales tax and Highway User Tax Funds (HUTF).

The 2017 capital budget includes \$390,000 for architectural design costs to expand the Sheriff Department's administrative square footage as part of the joint City of Steamboat Springs (City) and County Law Enforcement facility (Joint Facility). The County's budget for its portion of the Joint Facility construction is \$3.0 million with anticipated funding of \$600,000 from the sale of land adjacent to the Detention Center to the City of Steamboat Springs and \$2.4 million from reserves. Construction is scheduled for 2018.

The County's current Enterprise Resource Planning (ERP) software provider is stopping support of their ERP software as of December 31, 2017. The County hired a consultant to assist in the request for proposal process (RFP) in order to find a vendor that will provide the County current best practices and technology. A vendor was selected and implementation began in early 2017 with a "go live" date for core ERP functions such as financial statements, budget, payroll, accounts payable, accounts receivable, purchasing, etc. set for January 1, 2018. Enhanced ERP functions such as on line vendor payments, online customer payments, capital assets, bid management, applicant tracking, benefit enrollment, work orders, etc. will be implemented throughout 2018.

The size of the ERP project and support stopping December 31, 2017 from the current ERP vendor requires additional temporary staff in order to meet the time line mentioned above. An additional 4.0 temporary FTEs for a total cost of \$255,000 have been included in the 2017 budget. Accounting has 2 FTEs, Human Resources 1 FTE, and Purchasing 1 FTE. In addition, \$99,000 of temporary overtime representing .93 FTEs for the departments

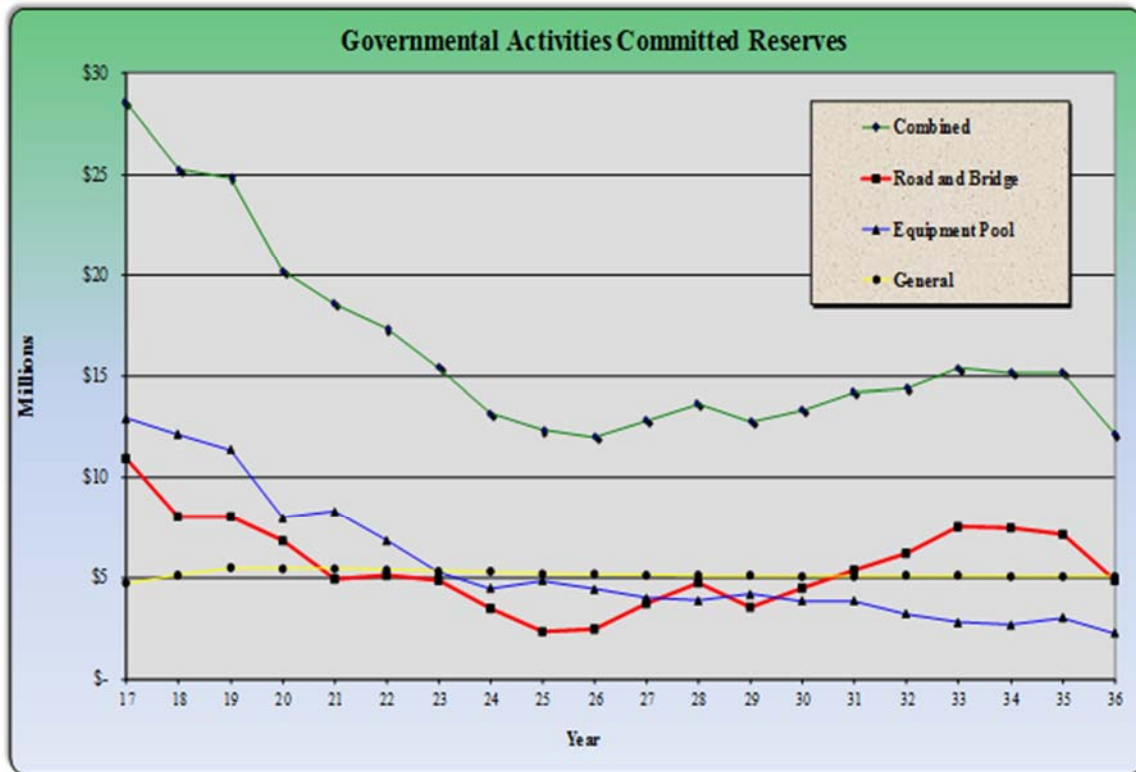
mentioned above plus Information Systems were included in the 2017 budget. Total temporary FTE and overtime costs are \$354,000 and total temporary FTEs are 4.93. The cost of the ERP software is currently estimated to be \$1,163,000. Total ERP project cost is \$1,517,000. Funding for the ERP project is being provided from available reserve balances.

The planned replacement of Road and Bridge infrastructure includes the Butler Creek Bridge on County Road 67, 5.4 miles of road will be overlaid and 1.4 mile of road will be chip and sealed. The combined 6.8 miles of road budgeted for overlay and chip and seal represents 4% of the total paved road system. Total infrastructure expense is \$1.6 million and is primarily funded by the Road and Bridge Fund's reserves.

Nationally, gross domestic product increased at an annual rate of 1.9% in the fourth quarter of 2016. Unemployment in the County has decreased slightly from 2015 levels by .1% to 2.1% and nationally by .3% to 4.7%.

Consumer sentiment has increased from 92 in January 2016 to 98.2 in December 2016, an increase of 7% due to a more optimistic outlook for the economy and job growth during the year ahead. The number of families on food assistance in the County has decreased by 103 families to 458 or 22% since December 2016. The decrease is due to the implementation of the Employment First program which requires those food assistance recipients who are capable of working to engage in "work registrant" activities in order to keep receiving benefits. Those activities can include volunteer work, educational activities, job search activities and work. The number of individuals on Medicaid or public assistance for health care has increased by 188 or 5% to 4,489 from December 2015 and represents 19% of the County's population as compared to 18% in 2016. Internationally, there is the potential for negative economic impacts from China, Europe and the Middle East.

A long-term forecast projects a balanced budget as seen in the following Governmental Activities Committed reserves graph; however, changes in levels of service, the cost of petroleum products, health insurance, etc. may cause the following graph to change positively or negatively.



Business Type Activities include the Yampa Valley Regional Airport (YVRA), the Regional Building Department, the Phippsburg Water and Sanitation System and the Milner Sanitation System. Revenues are anticipated to increase \$1,383,000 or 18% to \$9,213,000, expenses are anticipated to increase \$1,045,000 or 13% to \$8,915,000 and results in revenues over expenses of \$298,000. After removing \$555,000 of noncash expenses such as depreciation, reserves increased \$853,000. The business type activities are fundamentally financially self-sufficient by charging fees for services and receiving grants.

The Regional Building Department fees are anticipated to increase \$323,000 or 30% to \$1,413,000 based on actual collections in 2016 and are anticipated to continue in 2017 based on known construction activity and a strong economy. YVRA fees are anticipated to increase \$56,000 or 1% to \$4,831,000 based on a slight increase in enplanements.

Total personnel expense for business type activities increased \$80,000 or 2% above the 2016 budget. The increase in personnel expense is primarily due to the following items. The 2017 compensation plan's cost is \$78,000 or 3% above the 2016 budget. Health insurance expense charged to business type activities to finance the County's partially self-insured medical plans increased \$92,000 or 21% above 2016. Compensation, FTE and health insurance changes are discussed in more detail in the Governmental Activities section above.

YVRA state and federal revenues are increasing \$31,000 and \$675,000 from grants to fund capital improvement projects including design of the apron expansion scheduled to happen in 2018 and construction of a cold storage building. Capital increased \$663,000 or 38%

above the 2016 budget. YVRA capital expenses include a broom for \$510,000, a blower for \$605,000, apron expansion design for \$515,000 and construction of a cold storage building for \$309,000. The equipment replacements, design, and construction will be funded 100% from Federal Aviation Administration Airport Improvement Grants, Passenger Facility Charges, and State Aviation System Grants.

Conclusion

The County continues to analyze the budget wherever possible to effectively increase revenues and decrease costs.

Right now, the long-term forecast projects a balanced budget. The 2017 budget is a snapshot in time based on both known factors and certain assumptions. This financial plan will need to be revised by the County to respond to changing economic conditions. As new financial information becomes available, management will respond in an appropriate manner to maintain the County's overall financial well-being.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Routt County Finance Office, 136 6th Street, Steamboat Springs, CO 80477 or by phone at 970-870-5313 or on the website at co.routt.co.us.



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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 33,513,978	\$ 5,613,375	\$ 39,127,353
Receivables (net of allowance for uncollectibles)	878,431	868,336	1,746,767
Due from other governments	1,888,996	148,980	2,037,976
Internal balances	1,380,822	(1,380,822)	-
Prepays and inventories	294,707	16,944	311,651
Property tax receivable	18,207,706	-	18,207,706
Noncurrent assets			
Nondepreciable capital assets	54,218,869	21,244,460	75,463,329
Depreciable capital assets, net of accumulated depreciation	58,638,573	31,740,046	90,378,619
Total assets	169,022,082	58,251,319	227,273,401
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	499,814	-	499,814
Total assets and deferred outflows of resources	169,521,896	58,251,319	227,773,215
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities	1,955,435	1,096,646	3,052,081
Unearned revenue	777,529	923,909	1,701,438
Noncurrent liabilities			
Due within one year	1,622,862	151,849	1,774,711
Due in more than one year	9,294,426	298,391	9,592,817
Total liabilities	13,650,252	2,470,795	16,121,047
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	18,207,706	-	18,207,706
NET POSITION			
Net investment in capital assets	103,772,861	51,391,427	155,164,288
Restricted	3,138,536	158,151	3,296,687
Unrestricted	30,752,541	4,230,946	34,983,487
Total net position	137,663,938	55,780,524	193,444,462
Total liabilities, deferred inflows of resources and net position	\$ 169,521,896	\$ 58,251,319	\$ 227,773,215

The notes to the financial statements are an integral part of this statement.

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

Functions/Programs	Program Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Government		
	Total	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Administration	\$ 6,598,556	\$ 863,095	\$ 100,761	\$ -	\$ (5,634,700)	\$ -	\$ (5,634,700)
Community resources	7,274,246	375,019	155,773	554,318	(6,189,136)	-	(6,189,136)
Property tax administration	2,215,107	1,614,515	-	-	(600,592)	-	(600,592)
Public safety	8,630,212	679,563	211,169	8,272	(7,731,208)	-	(7,731,208)
Road and bridge	8,937,080	189,652	5,050,618	1,030,197	(2,666,613)	-	(2,666,613)
Human services	5,161,578	-	4,385,359	-	(776,219)	-	(776,219)
Interest expense on long-term debt	381,878	-	-	-	(381,878)	-	(381,878)
Total governmental activities	39,198,657	3,721,844	9,903,680	1,592,787	(23,980,346)	-	(23,980,346)
Business-type activities							
Airport	7,792,577	5,000,321	130,228	629,664	-	(2,032,364)	(2,032,364)
Regional building department	938,194	1,222,921	-	-	-	284,727	284,727
Water and sewer	213,566	157,702	-	9,688	-	(46,176)	(46,176)
Total business-type activities	8,944,337	6,380,944	130,228	639,352	-	(1,793,813)	(1,793,813)
Total government	\$ 48,142,994	\$ 10,102,788	\$ 10,033,908	\$ 2,232,139	(23,980,346)	(1,793,813)	(25,774,159)
General revenues:							
Property taxes					18,850,705	-	18,850,705
Sales taxes					6,833,297	-	6,833,297
Unrestricted investment earnings					297,752	9,856	307,608
Loss on disposal of capital assets					(261,792)	(30,452)	(292,244)
Special item					-	26,172	26,172
Total general revenues, special item and transfers					25,719,962	5,576	25,725,538
Change in net position					1,739,616	(1,788,237)	(48,621)
Net position - beginning					135,924,322	57,568,761	193,493,083
Net position - ending					\$ 137,663,938	\$ 55,780,524	\$ 193,444,462

The notes to the financial statements are an integral part of this statement.

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

	General	Road and Bridge	Human Services	Communi- cations	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,242,299	\$ 12,617,997	\$ 640,441	\$ 1,407,570	\$ 21,908,307
Accounts receivable (net of allowance for uncollectibles)	145,923	337,695	7,664	90,804	582,086
Property taxes receivable	15,468,310	813,631	547,257	1,378,508	18,207,706
Due from other governments	1,035,915	589,712	259,728	-	1,885,355
Due from other funds	34,980	1,085,598	-	3,221	1,123,799
Prepaid expenses	230,034	-	3,145	33,276	266,455
Inventory	-	28,252	-	-	28,252
Interfund loan	-	1,346,034	-	-	1,346,034
Total assets	24,157,461	16,818,919	1,458,235	2,913,379	45,347,994
LIABILITIES					
Accounts payable	610,031	239,044	54,638	24,628	928,341
Due to other governments	22,632	-	39,179	-	61,811
Due to other funds	2,557,549	745,120	35,014	-	3,337,683
Unearned revenue	311,656	143,945	292,453	-	748,054
Total liabilities	3,501,868	1,128,109	421,284	24,628	5,075,889
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	15,468,310	813,631	547,257	1,378,508	18,207,706
FUND BALANCES					
Nonspendable	244,834	1,374,286	3,145	33,276	1,655,541
Restricted	3,138,536	-	-	-	3,138,536
Committed					
General fund	1,803,913	-	-	-	1,803,913
Special revenue funds	-	13,502,893	486,549	1,476,967	15,466,409
Total fund balances	5,187,283	14,877,179	489,694	1,510,243	22,064,399
Total liabilities, deferred inflows of resources and fund balances	\$ 24,157,461	\$ 16,818,919	\$ 1,458,235	\$ 2,913,379	\$ 45,347,994

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
December 31, 2016

Total governmental fund balances	\$	22,064,399
<p>Internal service funds are used by management to charge the cost of fleet management, information systems, emergency communications, building and plant and employee health insurance to individual funds. In addition, internal service funds provide a systematic method to replace capital assets and to finance a partially self-insured health insurance program. The assets and liabilities of the internal service funds are included in governmental activities statement of net position, except for the cross over adjustment required for the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.</p>		
		39,088,964
<p>Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
		(1,319,267)
<p>Road and bridge infrastructure used in governmental activities is not a financial resource and therefore, is not reported in the funds.</p>		
		77,697,547
<p>Current asset not collected within 60 days of December 31, 2016 and not available as a current period resource, therefore, not included in governmental funds.</p>		
		<u>132,295</u>
Net position of governmental activities	\$	<u>137,663,938</u>

ROUTT COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL STATEMENT OF ACTIVITIES
December 31, 2016

Net change in fund balance - total governmental funds	\$	(1,432,906)
<p>The internal service funds are used by management to charge the cost of fleet management, information systems, emergency communications, building and plant and employee health insurance to individual funds. In addition, the internal service funds provide a systematic method to replace capital assets and to finance a partially self-insured health insurance program.</p>		
		1,299,312
<p>Change in compensated absences, which do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		(183,329)
<p>The Road and Bridge fund reports infrastructure capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$3,334,012 were greater than depreciation of \$1,406,585 and the loss on disposal of \$3,183 in the current period.</p>		
		1,924,244
<p>Revenue reported in governmental activities, which is not a current financial resource and therefore, not reported in the funds.</p>		
		<u>132,295</u>
Change in net position of governmental activities	\$	<u>1,739,616</u>

The notes to the financial statements are an integral part of this statement.

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

	Governmental Funds				Total Governmental Funds
	<u>General</u>	<u>Road & Bridge</u>	<u>Human Services</u>	<u>Communi- cations</u>	
REVENUES					
Taxes					
Property	\$ 15,770,838	\$ 869,335	\$ 583,194	\$ 1,627,338	\$ 18,850,705
Sales	3,656,376	3,176,921	-	-	6,833,297
Intergovernmental	897,998	6,057,306	4,385,359	-	11,340,663
Charges for services	3,753,267	84,315	-	493,482	4,331,064
Investment earnings	188,396	47,486	-	-	235,882
Total revenues	<u>24,266,875</u>	<u>10,235,363</u>	<u>4,968,553</u>	<u>2,120,820</u>	<u>41,591,611</u>
EXPENDITURES					
Administration	7,272,673	-	-	-	7,272,673
Property tax administration	2,160,204	-	-	-	2,160,204
Public safety	6,498,855	-	-	1,857,196	8,356,051
Road and bridge	-	10,610,205	-	-	10,610,205
Community resources	7,214,273	-	-	-	7,214,273
Human services	-	-	5,111,086	-	5,111,086
Total expenditures	<u>23,146,005</u>	<u>10,610,205</u>	<u>5,111,086</u>	<u>1,857,196</u>	<u>40,724,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,120,870</u>	<u>(374,842)</u>	<u>(142,533)</u>	<u>263,624</u>	<u>867,119</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	220,284	3,221	223,505
Transfers out	(1,778,410)	(745,120)	-	-	(2,523,530)
Total other financing sources and (uses)	<u>(1,778,410)</u>	<u>(745,120)</u>	<u>220,284</u>	<u>3,221</u>	<u>(2,300,025)</u>
Net change in fund balances	(657,540)	(1,119,962)	77,751	266,845	(1,432,906)
Fund Balances - beginning	<u>5,844,823</u>	<u>15,997,141</u>	<u>411,943</u>	<u>1,243,398</u>	<u>23,497,305</u>
Fund Balances - ending	<u>\$ 5,187,283</u>	<u>\$ 14,877,179</u>	<u>\$ 489,694</u>	<u>\$ 1,510,243</u>	<u>\$ 22,064,399</u>

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Total	Internal Service Funds
ASSETS					
Current assets					
Cash and investments	\$ 2,977,771	\$ 2,483,149	\$ 152,455	\$ 5,613,375	\$ 11,605,671
Accounts receivable (net of allowance for uncollectibles)	846,603	300	21,433	868,336	164,050
Due from other governments	148,980	-	-	148,980	3,641
Due from other funds	34	-	-	34	2,309,182
Prepays and inventories	16,944	-	-	16,944	-
Total current assets	<u>3,990,332</u>	<u>2,483,449</u>	<u>173,888</u>	<u>6,647,669</u>	<u>14,082,544</u>
Noncurrent assets					
Capital assets					
Land and improvements (non-depreciable)	20,810,791	-	39,894	20,850,685	3,102,766
Land improvements (depreciable)	23,566,869	-	-	23,566,869	981,914
Buildings	19,454,060	-	-	19,454,060	36,150,409
Equipment	9,950,062	-	-	9,950,062	25,669,074
Water system	1,044,170	-	977,962	2,022,132	-
Sewer system	443,367	-	1,313,440	1,756,807	-
Construction in progress	373,207	-	20,568	393,775	1,035,993
Total capital assets	75,642,526	-	2,351,864	77,994,390	66,940,156
Less accumulated depreciation	(23,410,884)	-	(1,599,000)	(25,009,884)	(31,780,261)
Total capital assets (net of accumulated depreciation)	<u>52,231,642</u>	<u>-</u>	<u>752,864</u>	<u>52,984,506</u>	<u>35,159,895</u>
Total assets	56,221,974	2,483,449	926,752	59,632,175	49,242,439
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	-	-	-	499,814
Total assets and deferred outflows of resources	<u>\$ 56,221,974</u>	<u>\$ 2,483,449</u>	<u>\$ 926,752</u>	<u>\$ 59,632,175</u>	<u>\$ 49,742,253</u>

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Total	Internal Service Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 764,182	\$ 4,660	\$ 4,502	\$ 773,344	\$ 438,781
Compensated absences	108,339	26,983	-	135,322	13,626
Claims liability	-	-	-	-	480,022
Accrued interest	-	-	2,613	2,613	22,375
Due to other funds	90,284	-	5,048	95,332	-
Due to Local Governments	-	315,359	-	315,359	-
Retainage payable	5,330	-	-	5,330	24,105
Unearned revenue	465,298	458,611	-	923,909	29,475
Current portion of long-term debt (net of unamortized discount)	-	-	16,527	16,527	960,058
Total current liabilities	1,433,433	805,613	28,690	2,267,736	1,968,442
Noncurrent liabilities					
Compensated absences	135,323	22,743	-	158,066	-
Loans payable	-	-	140,325	140,325	-
Interfund loan payable	1,250,719	-	95,315	1,346,034	-
Certificates of participation (net of unamortized discount)	-	-	-	-	8,624,337
Total liabilities	2,819,475	828,356	264,330	3,912,161	10,592,779
NET POSITION					
Net investment in capital assets	50,895,362	-	496,065	51,391,427	26,075,314
Restricted	158,151	-	-	158,151	-
Unrestricted	2,348,986	1,655,093	166,357	4,170,436	13,074,160
Total net position	53,402,499	1,655,093	662,422	55,720,014	39,149,474
Total liabilities and net position	\$ 56,221,974	\$ 2,483,449	\$ 926,752	\$ 59,632,175	\$ 49,742,253

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF NET POSITION
TO BUSINESS-TYPE ACTIVITIES STATEMENT OF NET POSITION
December 31, 2016

Total enterprise funds net position	\$	55,720,014
Cross over adjustment to reflect the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.		60,510
Net position of business type activities	\$	55,780,524

ROUTT COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE BUSINESS -TYPE STATEMENT OF ACTIVITIES
December 31, 2016

Change in net position - total enterprise funds	\$	(1,716,117)
Cross over adjustment to reflect the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.		(72,120)
Change in net position of business type activities	\$	(1,788,237)

The notes to the financial statements are an integral part of this statement.

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

	Business-type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Totals	Internal Service Funds
Operating revenues					
Charges for sales and services	\$ 5,000,321	\$ 1,222,921	\$ 157,702	\$ 6,380,944	\$ -
Operating grants	130,228	-	-	130,228	-
Internal service fees	-	-	-	-	7,667,487
Insurance proceeds	-	-	-	-	689,437
Total operating revenues	<u>5,130,549</u>	<u>1,222,921</u>	<u>157,702</u>	<u>6,511,172</u>	<u>8,356,924</u>
Operating expenses					
Salary and benefits	2,681,383	636,272	26,470	3,344,125	378,471
Depreciation	3,432,897	-	100,048	3,532,945	2,640,480
Claims	-	-	-	-	4,023,264
Purchased services and supplies	1,250,259	287,590	65,780	1,603,629	776,993
Repairs and maintenance	327,963	-	7,701	335,664	1,038,628
Total operating expenses	<u>7,692,502</u>	<u>923,862</u>	<u>199,999</u>	<u>8,816,363</u>	<u>8,857,836</u>
Operating income (loss)	<u>(2,561,953)</u>	<u>299,059</u>	<u>(42,297)</u>	<u>(2,305,191)</u>	<u>(500,912)</u>
Nonoperating revenues (expenses)					
Investment earnings	9,222	-	634	9,856	61,870
Royalty income	-	-	-	-	-
Interest expense	-	-	(8,367)	(8,367)	(381,878)
Interest expense - interfund	(42,287)	-	(5,200)	(47,487)	-
Interfund loan proceeds	-	-	-	-	-
Debt refunding issuance costs	-	-	-	-	-
Amortization of refunding debt insurance	-	-	-	-	(16,813)
Loss on disposal of capital assets	(30,452)	-	-	(30,452)	(258,609)
Total nonoperating expenses	<u>(63,517)</u>	<u>-</u>	<u>(12,933)</u>	<u>(76,450)</u>	<u>(595,430)</u>
Income (loss) before contributions, special item and transfers	<u>(2,625,470)</u>	<u>299,059</u>	<u>(55,230)</u>	<u>(2,381,641)</u>	<u>(1,096,342)</u>
Capital contributions					
Grants and donations	629,664	-	9,688	639,352	23,509
Special item - Contribution from Hayden	26,172	-	-	26,172	-
Transfers					
In	-	-	-	-	2,300,025
Change in net position	<u>(1,969,634)</u>	<u>299,059</u>	<u>(45,542)</u>	<u>(1,716,117)</u>	<u>1,227,192</u>
Total net position - beginning	<u>55,372,133</u>	<u>1,356,034</u>	<u>707,964</u>	<u>57,436,131</u>	<u>37,922,282</u>
Total net position - ending	<u>\$ 53,402,499</u>	<u>\$ 1,655,093</u>	<u>\$ 662,422</u>	<u>\$ 55,720,014</u>	<u>\$ 39,149,474</u>

The notes to the financial statements are an integral part of this statement.

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

	Business-type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional <u>Airport</u>	Regional Building <u>Department</u>	Other Enterprise <u>Funds</u>	All Enterprise <u>Totals</u>	Internal Service <u>Funds</u>
Cash flows from operating activities					
Receipts from customers and users	\$ 4,870,802	\$ 1,284,961	\$ 156,118	\$ 6,311,881	\$ -
Receipts from interfund services provided	-	-	-	-	7,756,933
Receipts from insurance	-	-	-	-	967,523
Payments to suppliers	(1,605,544)	(288,752)	(78,919)	(1,973,215)	(1,847,767)
Payments to employees	(2,644,386)	(635,113)	(26,292)	(3,305,791)	(385,926)
Payments to claims	-	-	-	-	(3,853,769)
Net cash provided by operating activities	<u>620,872</u>	<u>361,096</u>	<u>50,907</u>	<u>1,032,875</u>	<u>2,636,994</u>
Cash flows from noncapital financing activities					
Transfers in	-	98,736	-	98,736	-
Collections for other governments	-	2,070,421	-	2,070,421	-
Payments to other governments for collections	-	(1,755,062)	-	(1,755,062)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>414,095</u>	<u>-</u>	<u>414,095</u>	<u>-</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	-	-	-	62,541
Capital grants	1,045,478	-	9,688	1,055,166	23,509
Capital charges	73,227	-	-	73,227	-
Acquisition and construction of capital assets	(811,548)	-	(23,562)	(835,110)	(2,996,861)
Principal paid on capital debt	(83,069)	-	(20,152)	(103,221)	(945,000)
Interest paid on capital debt	(42,580)	-	(13,850)	(56,430)	(288,894)
Transfers in	-	-	-	-	476,931
Transfers out	-	-	-	-	(109,756)
Net cash provided (used) by capital and related financing activities	<u>181,508</u>	<u>-</u>	<u>(47,876)</u>	<u>133,632</u>	<u>(3,777,530)</u>
Cash flows from special activities					
Special item	(117,929)	-	-	(117,929)	-
Net cash used by special item	<u>(117,929)</u>	<u>-</u>	<u>-</u>	<u>(117,929)</u>	<u>-</u>
Cash flows from investing activities					
Earnings on investments	9,222	-	634	9,856	61,870
Net purchases and sales of investments	13,162	(88,240)	16,735	(58,343)	1,958,656
Net cash provided (used) by investing activities	<u>22,384</u>	<u>(88,240)</u>	<u>17,369</u>	<u>(48,487)</u>	<u>2,020,526</u>
Net increase in cash and cash equivalents	706,835	686,951	20,400	1,414,186	879,990
Cash and cash equivalents, beginning	1,132,234	846,639	73,756	2,052,629	6,287,662
Cash and cash equivalents, ending	1,839,069	1,533,590	94,156	3,466,815	7,167,652
Investments	1,138,702	949,559	58,299	2,146,560	4,438,019
Cash and investments, ending	<u>\$ 2,977,771</u>	<u>\$ 2,483,149</u>	<u>\$ 152,455</u>	<u>\$ 5,613,375</u>	<u>\$ 11,605,671</u>

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (2,561,953)	\$ 299,059	\$ (42,297)	\$ (2,305,191)	\$ (500,912)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	3,432,897	-	100,048	3,532,945	2,640,480
Noncapital financing activities					
Collections for other governments					
Due to other governments	-	(315,359)	-	(315,359)	-
Operating transfers					
Due from other funds	-	(98,736)	-	(98,736)	-
Capital financing activities					
Capital grants and transfers					
Accounts receivable	(12,899)	-	-	(12,899)	-
Due from other governments	(402,917)	-	-	(402,917)	-
Due from other funds	-	-	-	-	1,823,094
Due to other funds	(2,198)	-	-	(2,198)	109,756
Capital assets					
Accounts payable	(53,656)	-	-	(53,656)	(261,583)
Retainage payable	446,130	-	-	446,130	(2,255)
Due from other funds	-	-	-	-	(18,750)
Deferred revenue	(73,227)	-	-	(73,227)	-
Due to other funds	-	-	(202)	(202)	-
Interest expense					
Accrued interest	-	-	264	264	1,575
Special item					
Due from other governments	34,519	-	-	34,519	-
Due to other governments	109,582	-	-	109,582	-
Change in assets and liabilities:					
(Increase) decrease					
Accounts receivable	(383,052)	15,918	(1,904)	(369,038)	342,870
Due from other funds	(34)	98,736	-	98,702	(1,812,178)
Due from other governments	357,088	569	-	357,657	(767)
Prepaid expenses	1,246	-	-	1,246	54,156
Increase (decrease)					
Accounts payable	174,996	2,838	(4,940)	172,894	190,256
Accrued interest	-	-	(264)	(264)	(1,575)
Compensated absences	34,637	1,159	-	35,796	(11,502)
Claims liability	-	-	-	-	169,495
Unearned revenue	73,227	45,553	-	118,780	24,662
Retainage payable	(446,130)	-	-	(446,130)	2,255
Due to other funds	2,198	(4,000)	202	(1,600)	(112,083)
Due to other governments	(109,582)	315,359	-	205,777	-
Total adjustments	3,182,825	62,037	93,204	3,338,066	3,137,906
Net cash provided by operating activities	\$ 620,872	\$ 361,096	\$ 50,907	\$ 1,032,875	\$ 2,636,994
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	\$ 2,892	\$ 2,411	\$ 148	\$ 5,451	\$ 11,270
Capital asset trade-ins	127,848	-	-	127,848	-
Amortization related to refunding debt issue	-	-	-	-	(111,372)

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2016

	<u>Employee Retirement Plans</u>	<u>Agency</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ 1,087,099	\$ 1,087,099
Investments held for pension benefits	<u>31,107,850</u>	<u>-</u>	<u>31,107,850</u>
Total assets	<u><u>31,107,850</u></u>	<u><u>1,087,099</u></u>	<u><u>32,194,949</u></u>
LIABILITIES			
Due to other governments	-	729,430	729,430
Advanced tax collections	-	326,484	326,484
Funds held in trust	<u>-</u>	<u>31,185</u>	<u>31,185</u>
Total liabilities	<u><u>-</u></u>	<u><u>1,087,099</u></u>	<u><u>1,087,099</u></u>
NET POSITION			
Net position held in trust for pension benefits	<u>31,107,850</u>	<u>-</u>	<u>31,107,850</u>
Total liabilities and net position	<u><u>\$ 31,107,850</u></u>	<u><u>\$ 1,087,099</u></u>	<u><u>\$ 32,194,949</u></u>

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2016

	<u>Employee Retirement Plans</u>
Additions	
Employee contributions	\$ 1,165,962
Employer contributions	<u>726,309</u>
Total contributions	1,892,271
Net investment earnings	1,633,341
Transfers from other plans	<u>644,676</u>
Total additions	<u>4,170,288</u>
Deductions	
Benefits	<u>2,492,432</u>
Total deductions	<u>2,492,432</u>
Change in net position	1,677,856
Plan net position, beginning	<u>29,429,994</u>
Plan net position, ending	<u><u>\$ 31,107,850</u></u>

The notes to the financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Routt County is a body corporate and politic created by the Constitution of the State of Colorado, Article XIV and the Colorado State Legislature. Routt County exists as a political subdivision of the state to provide for the convenient administration of state government. The powers of the County, as enumerated in C.R.S. 30-11-101, shall be exercised by a Board of County Commissioners and such officers as may be required by statute or appointed by the Board.

The criteria used to determine the agencies or entities that comprise the County for financial reporting purposes include those entities for which the County is considered financially accountable. These financial statements present the government and its component units. Blended component units, although legally separate entities, are in substance, part of the County's operations. The County does not have a discretely presented component unit.

Blended Component Units

The following component entities are blended because there is financial accountability by the County and the entities exclusively benefit the County.

The Routt County Public Building Authority (Authority) is made up of three members including one of the County Commissioners, the Finance Director of the County, and a person appointed by the County Commissioners. The purpose of the Authority is to acquire real estate for public purposes, and to facilitate the financing of certain facilities within the County, which will inure to the benefit of the residents of the County. The Authority leases the Routt County Justice Center to the County under an annual lease purchase agreement dated April 1, 2012. The operations of the Authority are recorded in the General Fund. The Justice Center capital asset and related certificates of participation long-term debt are recorded in the Internal Service funds.

The following provides specific reasons for excluding agencies where there is financial accountability by the County.

The County issued \$750,000 of general obligation library bonds on December 15, 1998 for the West Routt Library District. The outstanding principal balance as of December 31, 2016 is \$110,000. The County does not have oversight responsibility because the payment of principal and interest on the bonds is made by a levy of ad valorem taxes on all taxable property within the Library District. The bonds are not subject to the County's limitation on indebtedness. The nature of this transaction emphasizes that the debt and revenues are, in substance, the debt and revenues of the Library District. The County does not appoint a majority of the governing authority. Instead, the County, along with the Town of Hayden and the Hayden School District, ratifies the appointment of the board of trustees. The County is not able to impose its will on the governing authority and none of the other criteria for inclusion in the oversight entity have been met. The separately issued financial statements for the West Routt Library District can be obtained from the Library District.

On March 18, 2004, the County issued Meadowgreen at Stagecoach Local Improvement District No. 2002-1 special assessment bonds in the amount of \$1,375,000 and taxable assessment bonds in the amount of \$195,000 for a total amount of \$1,570,000. As of December 31, 2016, there is \$448,000 of outstanding bonds. The bonds have an interest rate of 6.50% through August 1, 2024 and are payable by the property owners within the Local Improvement District through special assessments levied on assessable land. The bonds do not constitute a debt of the County, are not a general obligation of the County, and the County is not obligated in any manner for the debt.

The County is only acting as a paying agent for the property owners in the Local Improvement District by collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, as applicable. As of December 31, 2016 a reserve totaling \$137,500 is available to prevent a default in the payment of interest and the estimated redemption of the bonds. The bonds were issued for construction within the District to include grading and paving streets, water and sewer lines, and the extension of electrical and telephone utilities. There are no separately issued financial statements for the Meadowgreen at Stagecoach Local Improvement District.

The District Attorney is an elected official and represents the 14th Judicial District, a separate political subdivision of the state providing criminal justice services to three counties: Routt, Grand, and Moffat. The District Attorney's

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Office is subject to the budget and audit laws of the state; however, funding for the District Attorney's operations is basically provided by the three counties in proportion to census population. Therefore, the counties have a substantive influence on the District Attorney's budget in that the District Attorney must apply to the counties for funds and must limit expenditures to the amount the counties are willing to budget and appropriate within their own operational budgets plus any other revenues the District Attorney's office may generate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The government-wide focus shows the sustainability of the County as an entity and the change in overall financial position for the period.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information on the County as a whole. The government-wide Statement of Net Position displays both the governmental and business-type activities on a consolidated basis, by column. These statements include all financial activities of the government with the exception of fiduciary activities. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on charges for services for support. In general, the effect of interfund activity has been removed from these statements. Any net residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The government-wide Statement of Activities presents both the functional expenses and net cost of each function of the County's governmental and business-type activity, illustrating the degree to which the functional expenses of a given function are offset by program revenues. Functional expenses are those that are clearly identifiable with a specific function of a segment. Program revenues include charges paid by the recipient of the goods or services provided by the program, grants, contributions, and interest restricted to the use of the particular program. There are no related expenses shown for capital grants because the asset is included with capital assets on the Statement of Net Position.

Revenues not classified as program revenues are presented as general revenues of the County. The difference between program revenues and functional expenses shows the amount of subsidy, if any, required from the general revenues of the County.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts made up of assets, liabilities, fund balance/net position, revenues and expenses or expenditures, as appropriate. Fund categories include governmental, proprietary and fiduciary. Separate statements for each fund category are presented. The focus of fund financial statements is on major governmental and enterprise funds, each shown in a separate column. All remaining governmental and enterprise funds are combined and shown as nonmajor funds.

The County reports the following major governmental funds:

General Fund - The General Fund is used to account for financial resources and transactions not properly accounted for in other funds. County operations such as public safety, property valuation, tax collection and distribution, planning and zoning, vehicle licensing and administration are financed from taxes and general revenues accounted for in this fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The County's special revenue funds and their purposes are:

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Road and Bridge - to account for the maintenance and improvement of roads and bridges. Financing is provided by property taxes, sales taxes, state highway user fees, and other revenue sources.

Human Services - to account for the operations of social services programs such as Child Care, Old Age Pension, and Foster Care. Financing is provided by state and federal grants, allotments, and property tax revenue.

Communications - to account for the operation of the communications system. The Communications Center provides dispatch services to local law enforcement, fire protection and ambulance agencies, as well as monitoring certain alarm systems and the emergency 911 (E-911) phone system. Financing is provided by property tax revenue and an E-911 surcharge fee.

Proprietary fund operating revenues, such as charges for services, are a product of exchange transactions resulting from the primary activity of the fund. Exchange transactions occur when each party gives and receives products of essentially equal value. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for airlines, taxis, rental car companies, and building permits, etc. Nonoperating revenues, for example subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. There are no related expenses shown for capital grants because the asset is included with capital assets on the Statement of Net Position. Revenues not classified as operating revenues are presented as general revenues of the County. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund.

The County reports the following major proprietary funds:

Yampa Valley Regional Airport (YVRA) - to account for the operations of the regional airport. Financing is provided by user fees and federal and state grants. Yampa Valley Regional Airport is a major enterprise fund.

Regional Building Department – to account for the operations of the Regional Building Department. Financing is provided by user fees from building permits. The Regional Building Department is a major enterprise fund.

Internal Service funds account for the financing of goods or services provided to other departments of the County on a cost-reimbursement basis.

Equipment Pool – to account for the financing of buildings, vehicles, heavy equipment, computer equipment, communications equipment, and office equipment purchases. Fees are charged for usage of the capital assets to each department/fund. The fund accounts for the operation and maintenance of the vehicles and heavy equipment.

Insurance Pool – to account for the partially self funded health insurance coverage of County employees. Fees are charged to each department/fund to provide funding for administration, claims and commercial health insurance.

Fiduciary Funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

The County reports the following fiduciary funds:

Agency – to primarily account for the collection and distribution of property taxes. Disbursements from this fund are made in accordance with legislative requirements.

Employee Retirement Plans – to account for the IRS section 401(a) and 457 defined contribution plans.

Measurement Focus and Basis of Accounting

The government-wide financial statements, proprietary fund statements, and the employee retirement plans (one of the two fiduciary funds) statements report government activities using the economic resources measurement focus and

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

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. Non-exchange transactions, transactions that do not involve the receipt of revenue for financial or capital resources of approximately equal value, include property taxes, grants, and donations. Grant and donation revenue is recognized in the fiscal year in which all eligibility requirements have been met. Further, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenue. The Agency Fund does not have a measurement focus because it does not present an operating statement.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period.

For this purpose, Routt County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are levied in December and attached as a lien on the property in January. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills and collects its own property taxes as well as those for other taxing districts in the County. Collections for other districts are accounted for in the Agency Fund. Property taxes are reported as a receivable and a deferred inflow of resources when levied, and as a revenue when due for collection in the following year. During November, the County holds a tax sale for delinquent property taxes. The property tax base is primarily dependent on businesses in the tourism industry.

Routt County levied a 1% sales tax effective July 1, 1988, with approval from the electorate. The Colorado Department of Revenue collects the tax during the month following sales. Sales tax is recorded as revenue and a receivable at the time of sale, although it is not remitted to the County until later. Sales taxes are primarily dependent on the tourism industry. As approved by the electorate, 20% of sales tax revenues has been restricted for capital improvements.

Since government activities in the government-wide financial statements and government fund statements use a different measurement focus and accrual basis, there can be significant differences in the total columns between these two reports. A reconciliation is presented when such differences occur. Transactions between funds that would be treated as revenues, expenditures or expenses, if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "due to/from other funds".

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The operating cash of all governmental funds is pooled, except as required by trust agreements or statute. Investment earnings from the pool are allocated to the general and proprietary funds. Cash in excess of operating requirements is typically invested in time certificates of deposit, governmental pooled funds, repurchase agreements, or guaranteed funding agreements. Investments are reported at fair value.

Restricted cash and investments associated with legally mandated debt service are used only after the depletion of unrestricted resources. In the case of grants, restricted cash and investments are used first followed by unrestricted resources. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Accounts Receivable

The County's allowance for uncollectible accounts is \$287,555 in the Human Services Fund.

Prepaid Items

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

Capital Assets and Depreciation

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 to \$30,000 depending on the type of capital asset. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. However, interest incurred during the construction phase in the Internal Service Funds that are closed to governmental activities is not capitalized as part of the cost of the asset constructed. The cost of normal maintenance and repairs that does not add value to the asset or materially extend asset lives is not capitalized.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation on these assets is computed using the straight-line method based on estimated useful lives as follows:

Assets	Years
Land Improvements	5 - 30
Buildings	5 - 30
Sewer and Water Transmission and Distribution Lines	10 - 30
Equipment	4 - 30
Roads	10 - 20
Bridges	50

Compensated Absences

County employees earn annual vacation leave at a rate of ten days per year for the first five years and up to a maximum of twenty days per year after ten years of service. Accumulation of any unused vacation after year-end is subject to the approval of the elected officials.

Annual sick leave is earned at a rate of twelve days per year to a maximum of forty-five days payable upon termination to the employee after a minimum of five years of service.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Premiums and discounts are deferred and amortized in a systematic and rationale basis over the life of the debt based on the debt outstanding at the beginning of each calendar year. Liabilities are reported net of the applicable premium or discount.

Fund Balance

Non-spendable fund balance – amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Restricted fund balance – amounts that are restricted for specific purposes pursuant to constraints either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted:

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by an adopted resolution of the Board of County Commissioners; therefore, to modify or rescind a fund balance commitment, the Board of County Commissioners must adopt a resolution for the change.

Assigned fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by an official who has been delegated the responsibility by the Board of County Commissioners. The County does not have an assigned fund balance.

Unassigned fund balance – is the residual fund balance classification that has not been restricted, committed or assigned for specific purposes. The County does not have an unassigned fund balance.

The County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. In addition for unrestricted amounts, the County considers committed amounts to have been spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance is available.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is the deferred charges on refunding for its certificates of participation and reported in the government-wide statement of net position and the proprietary funds statement of net position. The deferred charges on refunding item is comprised of (1) an amount equal to the difference in the carrying value of old or refunded certificates of participation and the reacquisition price of the new or refunding certificates of participation and (2) prepaid insurance for the refunding certificates of participation. The total amount of the deferred charges on refunding is being amortized over the remaining life of the refunding certificates of participation in a systematic and rationale basis based on the debt outstanding at the beginning of each calendar year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. It is property taxes reported in the government-wide statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that it becomes available.

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, reduced by accumulated depreciation and any outstanding related debt, plus deferred outflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The County considers restricted – net position to have been depleted before unrestricted – net position is applied.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. The County believes that the techniques and assumptions used in establishing these estimates are appropriate.

Basis of Budgeting

The County uses the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are required by state law for all governmental funds. During October, the Budget Officer submits to the Board of County Commissioners a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the Commissioners to obtain taxpayer comments. On or prior to December 15, the budget is adopted by formal resolution.

Expenditures may not legally exceed appropriations for personnel, operations, capital, debt service or transfers at the department level. Changes in the total budget of any department must be approved by the Board of County Commissioners and accompanied by a public hearing for taxpayer comments. Final budgeted amounts included in the financial statements are based on the final, legally amended budget. During 2016, no department exceeded its budget. All budget amounts presented in the Required Supplementary Information and Supplementary Information reflect the original budget and the final amended budget.

Budget appropriations lapse at the end of the year.

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The County does not record encumbrances as a restriction of fund balance, and encumbrance accounting is not used in any of the funds.

NOTE 2. DEPOSITS AND INVESTMENTS

Investment Type	Investment Maturities			
	Fair Market Value	Up to 120 days	120 Days up to 1 year	More than 1 year and less than 3 years
U.S. Treasuries	\$ 3,991,170	\$ -	\$ 1,996,585	\$ 1,994,585
U.S. Instrumentalities	7,757,359	-	999,589	6,757,770
Total	\$ 11,748,529	\$ -	\$ 2,996,174	\$ 8,752,355

(continued on next page)

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Deposits and Other Investments:

Cash on Hand	\$ 64,823
Demand Deposits	13,608,957
Certificates of Deposit	3,629,511
Government Investment Pools	11,162,632
Retirement Plan	<u>31,107,850</u>
Total Deposits and Investments	<u>\$ 71,322,302</u>

Investments

The County's investment policy, which is described in the next sections, requires that County funds shall only be invested in instruments as allowed by Colorado state statutes. Investments are valued using fair value measurements and interest income is accrued as realized. The County categorizes its fair value measurements based on the valuation inputs used to measure the fair value of the asset using the following hierarchy: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of December 31, 2016 the County has U.S. Treasury securities and U.S. Instrumentalities of \$3,991,170 and \$7,757,359 respectively with recurring fair value measurements valued using quoted market prices (Level 1 inputs). The County had \$11,162,632 invested in CSAFE and COLOTRUST government investment pools at December 31, 2016, for which fair value is measured at net asset value.

Retirement Plan investments are determined according to a contract with a third party administrator. The Retirement Plan currently contains a wide range of money market and mutual funds.

Interest Rate Risk

Colorado Revised Statutes and the County's investment policy limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to changes in fair market values arising from changes in interest rates.

Credit Risk

The County's investment policy defines rating and risk criteria in which the County may invest and includes the following types of investments: obligations of the United States, certain U.S. government agency securities, general obligation and revenue bonds of the U.S. and/or local government entities, bankers' acceptances of certain banks, prime commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools. The County's U.S. Instrumentalities and U.S. Treasury investments are rated AA+ and Aaa by Standard & Poor's and Moody's, respectively.

Government investment pools are reported at net asset value using amortized cost with each share valued at \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U.S. Treasury Notes and other similar investments. Financial statements for the County's government investment pools are available at www.colotrust.com and www.csafe.org.

As of December 31, 2016, the local government investment pools in which the County participates, CSAFE and COLOTRUST, were both rated AAAM by Standard and Poor's.

Custodial Credit Risk - Investments

The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. All securities owned by each pooled investment are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by each pool investor.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Custodial Credit Risk – Deposits

The carrying amount of the County’s deposits as of December 31, 2016 was \$17,238,468. The bank balances were \$16,183,224 of which \$1,242,737 was covered by federal deposit insurance and the remainder is collateralized according to Colorado state statutes. The Colorado Public Deposit Protection Act for banks and savings and loans requires the state regulators to certify eligible depositories for public deposits. The Act requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments, and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair market value of the assets in the pool must be in excess of one hundred and two percent of the financial institutions total uninsured public deposits.

NOTE 3. INTERFUND TRANSACTIONS

Due to/Due from Other Funds

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

Interfund receivables and payables at December 31, 2016 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Human Services	\$ 34,980
Road and Bridge	General Fund	990,266
	Yampa Valley Regional Airport	90,284
	Milner	5,048
Communications	Road & Bridge	3,221
Internal Service Funds	General Fund	1,567,283
	Road and Bridge	741,899
Yampa Valley Regional Airport	Human Services	34
Total		\$ 3,433,015

Interfund Loans

Milner Sanitation System (Milner) anticipated receiving a loan from the Colorado Department of Local Affairs (DOLA) to finance sewer line modifications to meet state and federal discharge guidelines. Due to state budget constraints the DOLA loan program had been discontinued at the time when Milner needed the funding. In addition, the County evaluated a state/federal loan program, which resulted in prohibitive administrative costs. As a result of the aforementioned attempts to finance the sewer project, the County decided to loan funds from the Road and Bridge Fund in 2011. The \$120,000 interfund loan terms are 20 years, annual payments of \$9,629, 5% interest and a maturity in 2031. The loan payment will be paid from sanitation fees. The current portion of the loan is classified as a due to/due from other funds.

Yampa Valley Regional Airport was issued a loan from the Road and Bridge Fund which has been used to fund a portion of the 2015 Runway Rehabilitation Project. The \$1,500,000 interfund loan terms are 20 years, annual payments

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

of \$125,650, 3% interest and a maturity in 2029. The loan was issued in two parts: \$705,000 on December 31, 2014 and \$795,000 on October 31, 2015. The loan payment will be paid from customer facility charges. The current portion of the loan is classified as a due to/due from other funds.

Receivable Fund	Payable Fund	Amount
Road & Bridge	Milner Sanitation System	\$ 95,315
	Yampa Valley Regional Airport	1,250,719
Total		\$ 1,346,034

Transfers

Transfers are primarily made for additions and replacements of capital assets in the Internal Service funds.

	Transfers In			
	Human Services	Communications	Internal Service Funds	Total
Transfers Out				
General Fund	\$ 220,284	\$ -	\$ 1,558,126	\$ 1,778,410
Road & Bridge	-	3,221	741,899	745,120
Total	\$ 220,284	\$ 3,221	\$ 2,300,025	\$ 2,523,530

NOTE 4. CAPITAL ASSETS

The following is a summary of the changes in governmental activities capital assets:

	Balances January 1, 2016	2016 Additions	2016 Deletions	2016 Reclasses	Balances December 31, 2016
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 3,102,766	\$ -	\$ -	\$ -	\$ 3,102,766
Infrastructure	49,755,646	-	-	-	49,755,646
Construction in progress	999,558	6,353,584	(5,992,685)	-	1,360,457
Total capital assets, not being depreciated	53,857,970	6,353,584	(5,992,685)	-	54,218,869
Capital assets, being depreciated:					
Land improvements	840,918	140,996	-	-	981,914
Buildings	35,037,611	1,160,537	(47,739)	-	36,150,409
Equipment	26,119,550	1,328,148	(1,778,624)	-	25,669,074
Infrastructure	42,528,770	3,622,841	(444,218)	-	45,707,393
Total capital assets being depreciated	\$ 104,526,849	\$ 6,252,522	\$ (2,270,581)	\$ -	\$ 108,508,790

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ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

	Balances				Balances
	January 1, 2016	2016 Additions	2016 Deletions	2016 Reclasses	December 31, 2016
Less accumulated depreciation for:					
Land improvements	\$ (303,468)	\$ (46,542)	\$ -	\$ -	\$ (350,010)
Buildings	(14,234,899)	(868,294)	37,607	-	(15,065,586)
Equipment	(16,106,668)	(1,725,644)	1,467,647	-	(16,364,665)
Infrastructure	(17,124,406)	(1,406,585)	441,035	-	(18,089,956)
Total accumulated depreciation	(47,769,441)	(4,047,065)	1,946,289	-	(49,870,217)
Total capital assets being depreciated, net	56,757,408	2,205,457	(324,292)	-	58,638,573
Governmental activities capital assets, net	\$ 110,615,378	\$ 8,559,041	\$ (6,316,977)	\$ -	\$ 112,857,442

The following is a summary of the changes in business-type capital assets:

	Balances				Balances
	January 1, 2016	2016 Additions	2016 Deletions	2016 Reclasses	December 31, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 15,160,798	\$ 5,689,887	\$ -	\$ -	\$ 20,850,685
Construction in progress	17,349,216	567,490	(17,522,931)	-	\$ 393,775
Total capital assets, not being depreciated	32,510,014	6,257,377	(17,522,931)	-	21,244,460
Capital assets, being depreciated:					
Land improvements	16,020,444	11,659,461	(4,826,446)	713,410	23,566,869
Buildings	19,452,454	1,606	-	-	19,454,060
Equipment	10,673,360	171,976	(181,864)	(713,410)	9,950,062
Water system	2,022,131	1	-	-	2,022,132
Sewer system	1,753,813	2,994	-	-	1,756,807
Total capital assets being depreciated	49,922,202	11,836,038	(5,008,310)	-	56,749,930
Less accumulated depreciation for:					
Land improvements	(12,243,084)	(2,044,157)	4,795,994	(532,388)	(10,023,635)
Buildings	(6,377,760)	(824,826)	-	(281,422)	(7,484,008)
Equipment	(5,573,561)	(559,180)	54,017	813,810	(5,264,914)
Water system	(966,639)	(31,200)	-	-	(997,839)
Sewer system	(1,165,906)	(73,582)	-	-	(1,239,488)
Total accumulated depreciation	(26,326,950)	(3,532,945)	4,850,011	-	(25,009,884)
Total capital assets being depreciated, net	23,595,252	8,303,093	(158,299)	-	31,740,046
Business activities capital assets, net	\$ 56,105,266	\$ 14,560,470	\$ (17,681,230)	\$ -	\$ 52,984,506

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

Governmental activities:	
Administration	\$ 1,438,008
Community Resources	13,581
Public Safety	445,616
Road and Bridge	2,145,659
Human Services	4,201
Total depreciation expense - governmental activities	\$ 4,047,065

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ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Business-type activities:	
Yampa Valley Regional Airport	\$ 3,432,897
Phippsburg Water and Sanitation System	80,463
Milner Sanitation System	19,585
Total depreciation expense - business-type activities	\$ 3,532,945

NOTE 5. LONG-TERM OBLIGATIONS

Certificates of Participation

In April 2012, the Routt County Public Building Authority (the Corporation), a nonprofit corporation, issued Refunding Certificates of Participation, Series 2012 to advance refund the Certificates of Participation, Series 2006 issued to finance the cost of construction of the Justice Center. The Refunding Certificates of Participation, Series 2012 were issued in the amount of \$13,290,000, with a discount at issue of \$50,148, representing assignments of proportionate interest in rights to receive certain payments under the Lease Purchase Agreement (the Lease) dated April 1, 2012 between the Corporation and Routt County due semi-annually in various amounts through December 1, 2025. Under the lease, the Corporation is leasing the Justice Center facility to the County over a lease term and a payment schedule consistent with the term and payment schedule of the Refunding Certificates of Participation. The Lease allows the County to purchase the Justice Center prior to the end of the lease term by paying the amounts necessary to discharge the Refunding Certificates of Participation, all rental payments, and all fees and expenses as agreed upon to the Trustee. The Trustee holds a mortgage and Indenture Trust with the Corporation on behalf of the Certificates of Participation owners, which represents a mortgage on the Justice Center and the administration of lease rental payments to such owners. The Series 2012 refunding certificates are subject to redemption on any date at the option of the County at the principal amount plus accrued interest without any premium. Interest at 2.0% to 3.25% is payable semi-annually. Neither the Refunding Certificates nor the Lease nor the Indenture constitute a general obligation or other indebtedness of the County and the lease will terminate if the County does not appropriate funds to make the payments in any fiscal year. Repayment of the Refunding Certificates is secured only by moneys, if any, held by the Trustee. The Refunding Certificates are insured for payment of principal and interest by a non-cancelable insurance policy and a surety bond in lieu of a reserve fund. Under the surety bond, the County is required to reimburse the issuer of the surety bond for any draws with any such reimbursement by the County being subordinate to its obligations with respect to the certificates. The insurance policy and surety bond are held with Assured Guaranty Municipal Corporation. A summary of the annual requirements to repay this obligation is as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 965,000	\$ 268,494	\$ 1,233,494
2018	985,000	249,194	1,234,194
2019	1,005,000	229,494	1,234,494
2020	1,030,000	204,369	1,234,369
2021	1,055,000	176,044	1,231,044
2022-2025	4,570,000	371,461	4,941,461
	\$ 9,610,000	\$ 1,499,056	\$ 11,109,056

Advance Refunding

The County issued \$13,290,000 in Refunding Certificates of Participation, Series 2012 with interest rates ranging from 2.0% to 3.25%. The proceeds were used to advance refund \$13,435,000 of outstanding Certificates of Participation, Series 2006, which had interest rates ranging from 3.75% to 4.50%, to purchase a surety bond and an insurance policy and to pay the costs of issuance of the certificates. The net proceeds of the issue of \$12,916,620 and \$1,078,002 in funds from the County for a total of \$13,994,622 were deposited in an irrevocable trust with an escrow agent and used to redeem the Series 2006 certificates of participation on December 1, 2012 at a price equal to 100%

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

of par and accrued interest. As a result the Certificates of Participation, Series 2006, originally issued to fund the cost of construction of the Justice Center, are defeased and the liability for these certificates has been removed from the statement of net position.

The acquisition price of the new refunding certificates exceeded the net carrying amount of the old certificates by \$823,554. This amount is shown as a deferred charge on refunding and amortized over the remaining life of the refunding debt or 13 years. In 2016, a total of \$89,132 was amortized and the unamortized refunding cost as of December 31, 2016 is \$420,496. The County advance refunded the Certificates of Participation, Series 2006 to reduce its total debt service payments over 13 years by \$852,164 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new certificates) of \$674,430.

The prepaid insurance policy premium and cost of the surety bond for the refunding certificates of participation totaled \$155,347. This amount is shown as a deferred charge on refunding and amortized over the remaining life of the refunding debt or 13 years. In 2016, a total of \$16,813 was amortized and the unamortized refunding cost as of December 31, 2016 is \$79,318. Total deferred charges are reported as a deferred outflow of resources and the total unamortized balance as of December 31, 2016 is \$499,814.

On June 27, 2014 Standard Poor’s assigned an AA- rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA. Standard and Poor’s outlook is stable and the rationale for these ratings include the County’s strong reserve levels, the per capita effective buying income of County residents being 103% of the national average, a per capita market value of approximately \$334,200, the County’s low debt level and very strong liquidity. On March 3, 2017 Standard Poor’s assigned an AA rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA+ with Standard and Poor’s outlook stable and the rationale for these ratings again being the County’s strong reserve levels, above national average per capita market value and buying income, low debt level and very strong liquidity.

Loans - Phippsburg Water and Sanitation System

On November 15, 2006, the State of Colorado under the Energy and Mineral Impact Assistance program, issued a twenty-year loan to the County for \$116,000 at an interest rate of 5% to fund a portion of the upgrades to the wastewater treatment lagoons. Annual principal and interest payments amounting to \$9,231 began in 2007 and will continue through 2026. This loan represents debt to Phippsburg Water and Sewer System (an enterprise fund) and is not a general obligation to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 5,667	\$ 3,564	\$ 9,231
2018	5,950	3,281	9,231
2019	6,248	2,983	9,231
2020	6,560	2,671	9,231
2021	6,888	2,343	9,231
2022 - 2026	39,964	6,189	46,153
	\$ 71,277	\$ 21,031	\$ 92,308

On September 2, 2002, the State of Colorado, under the Energy and Mineral Impact Assistance program, issued a loan to the County for \$38,500 at an interest rate of 5% to fund a portion of a water filtration facility in Phippsburg Water and Sewer System through 2022. On September 1, 2003, the State increased the loan by \$92,500 to \$131,000, providing for interest only payments on the total loan through 2008, and principal and interest payments from 2009 through 2022. The increase in the loan was necessary after construction bids exceeded the original bid projections. This loan represents debt to Phippsburg Water and Sewer System (an enterprise fund) and is not a general obligation

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 9,788	\$ 3,329	\$ 13,117
2018	10,277	2,840	13,117
2019	10,791	2,326	13,117
2020	11,331	1,786	13,117
2021	11,897	1,220	13,117
2022	12,492	625	13,117
	\$ 66,576	\$ 12,126	\$ 78,702

On September 1, 2009, the State of Colorado, under the Energy and Mineral Impact Assistance program, issued a twenty-year loan to the County for \$25,000 at an interest rate of 5% to fund a portion of a water filtration upgrade in the Phippsburg Water and Sewer System through 2029. The water filter upgrade was required to comply with State of Colorado Drinking Water regulations. This loan represents debt to Phippsburg Water and Sewer System (an enterprise fund) and is not a general obligation to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,072	\$ 950	\$ 2,022
2018	1,126	897	2,023
2019	1,183	840	2,023
2020	1,242	781	2,023
2021	1,304	719	2,023
2022-2026	7,564	2,549	10,113
2027-2029	5,508	560	6,068
	\$ 18,999	\$ 7,296	\$ 26,295

Long-Term Obligations

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Governmental activities:					
Certificates of participation	\$ 10,555,000	\$ -	\$ (945,000)	\$ 9,610,000	\$ 965,000
Unamortized discount, certificates of participation	(31,032)	-	5,427	(25,605)	(4,942)
Total certificates of participation	10,523,968	-	(939,573)	9,584,395	960,058
Compensated absences	1,161,066	2,375,442	(2,203,615)	1,332,893	662,804
Total governmental	\$ 11,685,034	\$ 2,375,442	\$ (3,143,188)	\$ 10,917,288	\$ 1,622,862

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ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

Business-type activities:

Loans payable:						
Revenue loans	\$ 172,593	\$ -	\$ (15,741)	\$ 156,852	\$ 16,527	
Compensated absences	257,592	407,059	(371,263)	293,388	135,322	
Total business-type	430,185	407,059	(387,004)	450,240	151,849	
Total long-term obligations	\$ 12,115,219	\$ 2,782,501	\$ (3,530,192)	\$ 11,367,528	\$ 1,774,711	

Compensated absences for governmental activities are liquidated by the respective governmental funds or internal service funds and for business-type activities by the respective proprietary funds.

NOTE 6. FUND BALANCE AND NET POSITION

	Fund Balance				Net Position	
	General Fund	Road & Bridge	Human Services	Communi- cations	Governmental Activities	Business Activities
Nonspendable						
Prepays/Interfund loans/						
Inventory/Deposit	\$ 244,834	\$ 1,374,286	\$ 3,145	\$ 33,276	\$ -	\$ -
Restricted						
Lottery	169,198	-	-	-	169,198	-
Museums	85,494	-	-	-	85,494	-
Purchase of Development Rights	1,551,125	-	-	-	1,551,125	-
Public Trustee	102,569	-	-	-	102,569	-
Recycling	30,877	-	-	-	30,877	-
Sheriff Investigations	6,669	-	-	-	6,669	-
Contraband Forfeiture Act	1,527	-	-	-	1,527	-
Detention - commissary	81,318	-	-	-	81,318	-
Affordable Housing	75,000	-	-	-	75,000	-
County Manager severance	88,060	-	-	-	88,060	-
TABOR reserve for emergencies:						
General Fund	946,699	-	-	-	946,699	-
Yampa Valley Regional Airport	-	-	-	-	-	158,151
	3,138,536	-	-	-	3,138,536	158,151
Committed						
General Fund	1,803,913	-	-	-	-	-
Road & Bridge	-	13,502,893	-	-	-	-
Human Services	-	-	486,549	-	-	-
Communications	-	-	-	1,476,967	-	-
	1,803,913	13,502,893	486,549	1,476,967	-	-
	\$ 5,187,283	\$ 14,877,179	\$ 489,694	\$ 1,510,243	\$ 3,138,536	\$ 158,151

At December 31, 2016, the committed fund balance of the General Fund is in compliance with the Board of County Commissioner's resolution to establish the year end committed fund balance of the General Fund to be no less than 10% of General Fund expenditures of the prior year and shall exclude expenditures from voter approved mill levies such as the purchase of development rights, developmental disabilities, the museum and heritage fund and future voter approved mill levies restricted for a specific purpose and transfers.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

NOTE 7. DEFINED CONTRIBUTION PLANS

The County provides pension benefits through two defined contribution plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plans are administered through a retirement board as per Colorado Revised Statute 24-54-101 and the day-to-day administration of the plan is provided by ICMA Retirement Corporation. Plan provisions are established and may be amended by the Board of County Commissioners.

The County provides pension benefits for all of its employees working 30 hours or more per week for the entire year through an Internal Revenue Service Section 401(a) defined contribution plan. Employees are eligible to participate after one year of service, and at that time the County starts contributing to the plan. The County's contribution for each employee and earnings allocated to the employee's account is fully vested after five years of continuous service. County contributions for, and earnings forfeited by, employees who leave employment before five years of service are used to reduce the County's contribution requirement. Plan members and the County are required to contribute 6% of annual covered salary. The required contributions by the County matching those actually made by the employees totaled \$726,309.

In addition, the County provides pension benefits for all of its employees working 20 hours or more per week for the entire year through an Internal Revenue Service Section 457 plan. Participation in the plan is optional and employees are eligible to participate from their date of employment. The County is not required to contribute to the plan and plan members may contribute anywhere from 1% to 25% of annual covered salary or the plan year maximum.

NOTE 8. RISK MANAGEMENT

County Workers' Compensation Pool

The County is exposed to various risks of loss related to injuries of employees while on the job. In 1986, the County joined together with other counties in the State of Colorado to form the County 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 for formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary. The pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage.

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to property and casualty losses. During 1986, the County was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. Therefore, the County joined together with other counties in the State of Colorado to form 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 intergovernmental agreement for the formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary. The pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage.

Insurance Pool

In 2011, the County established a partially self-funded health insurance pool in response to significant increases in health insurance costs. All County departments with eligible employees are charged for payments to the insurance pool based on estimated amounts needed to pay prior and current year claims. County departments' costs per covered employee are based on the employee's choice of family or single coverage.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

A third party administers claim processing services. A commercial aggregate and individual stop loss insurance policy has been purchased to limit the risk of loss to the County. The individual stop loss policy covers individual claims in excess of \$75,000 annually with no annual or lifetime maximum. The aggregate stop loss policy covers total annual claims in excess of the 2016 aggregate deductible of \$3,812,016 up to \$1,000,000 per coverage period. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage. For the years 2014, 2015 and 2016, total claims net of individual stop loss insurance reimbursements exceed the aggregate deductible for one year in 2015. In 2016, individual stop loss insurance reimbursements exceed the individual stop loss premium by \$116,893.

Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The results of the process to estimate the claims liability is not exact as it depends on many complex factors, such as inflation, changes in laws, recent claim settlement trends and other economic and social factors. The changes in the balance of claims liabilities for the current year are as follows:

	Year Ended 12/31/2016
Unpaid claims, beginning of fiscal year	\$ 310,527
Incurred claims (including IBNRs)	4,023,264
Claim payments	(3,853,769)
Unpaid claims, end of fiscal year	\$ 480,022

NOTE 9. CONSTRUCTION COMMITMENTS

The Yampa Valley Regional Airport's (YVRA) has a contract for \$243,945 for a parking lot control and collection systems funded by YVRA's unrestricted net position.

The Road and Bridge Department has engineering contracts for bridges totaling \$375,040. Funding for the various bridge projects is being provided by Federal Department of Transportation grants and Road and Bridge fund balance.

The Equipment Pool has Building and Plant contracts totaling \$225,485 for design services for the new combined law enforcement facility and construction projects to replace the heating and cooling system in the Exhibit Hall at the Fairgrounds and a training facility for the Sheriff at the Justice Center. Information Systems contracts total \$2,014,860 for enterprise resource software and fiber optic construction. Funding is provided by the Equipment Pool's unrestricted net position, the General Fund committed fund balance and state and local grants. In addition, a portion of the funding for the fiber optic construction is provided by local governments and businesses who have partnered with the County and will fund their portion of the costs incurred.

Project	Spent to Date	Remaining Commitment
Airport parking lot control and collections system	\$ 182,959	\$ 60,986
Bridge projects	342,881	32,159
Building and Plant design and construction	29,023	196,462
Informations Systems software and fiber optic construction	571,046	1,443,814
Total	\$ 1,125,909	\$ 1,733,421

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

NOTE 10. CONTINGENCIES

Taxpayer's Bill of Rights

In November 1992, Colorado voters amended Article X of the Colorado Constitution with the addition of Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending excluding certain expenditures as detailed in the amendment. The County has restricted a portion of its 2016 year-end fund balance/net position in the General Fund and Yampa Valley Regional Airport for emergencies as required under TABOR. As of December 31, 2016, the County had restricted fund balance/net position of \$946,699 and \$158,151 in the General Fund and Yampa Valley Regional Airport, respectively, for this purpose.

On December 31, 2013 by resolution, the Routt County Board of County Commissioners approved the Regional Building Department as an Enterprise under Article X, Section 20 of the Colorado Constitution. The resolution states "The Building Department's fees and charges shall be set so as to maintain the Building Department as a self-funding enterprise and, in that regard the Building Department's operations and capital expenditures shall be financed so that it shall not, in any year, receive ten percent or more of its funding from state or local governments".

The initial base for local government spending and revenue limits is 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 1998, the County obtained voter approval to retain revenue above the annual revenue/spending limitation, except for property taxes, in perpetuity. The property tax revenue limitation was not affected by the election.

In 2003, the County electorate approved levying a .3 mill property tax levy to fund the museums in Routt County in perpetuity. This revenue goes into the Museum and Heritage Fund for the support of historic preservation activities in the five museum districts located throughout the County.

In 2005, the County electorate approved a .5 mill levy increase to the existing 1.0 mill levy for a total 1.5 mill levy for the purchase of development rights. This ballot issue allows the revenue and spending limitation to be increased to the amount of 1.5 mills. This tax sunsets in assessment year 2024 with final taxes for 2024 collected in 2025.

Also in 2005, the County electorate approved a 1.0 mill levy for services for Routt County residents with developmental disabilities. This ballot increase allows the revenue and spending limitation to be increased to the 1.0 mill levy in perpetuity.

County's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year revenue limits, may require judicial interpretation.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Leases

The Yampa Valley Regional Airport leases space within and outside the air terminal facility to airlines, car rental agencies, general aviation, federal government entities, other parties and other concessionaires. The future minimum rentals on the non cancellable leases for the next five years subsequent to December 31, 2016 are as follows:

2017	\$ 1,726,152
2018	127,674
2019	104,906
2020	94,713
2021	<u>87,963</u>
 Total	 <u>\$ 2,141,408</u>

Town of Yampa

On July 12, 2016, the Routt County Board approved a Financial Guarantee (Guarantee) to benefit the Town of Yampa, Colorado (Town) to help ensure the completion of the Yampa Town Hall/Museum Rehabilitation Phase 3 Project (Project). The purpose of the Guarantee is to secure grant funding for the Project and to secure the fulfillment of the Contractor's obligations in an already executed contract between the Contractor and the Town for the Project up to \$600,000, which is the total Project cost. The Guarantee shall be subject to reduction by first applying any and all bond proceeds secured by the Contractor and any available Town reserve funds and any other amounts the Town may secure by bond, appropriation, grant agreement or otherwise. The Guarantee shall be valid until completion of the Project. The Guarantee will terminate if the County does not appropriate funds in any fiscal year.

NOTE 11. JOINTLY GOVERNED ORGANIZATIONS

In March 2003, the Affordable Housing Fund (Fund) was established when Routt County entered into an Intergovernmental Agreement (IGA) with the City of Steamboat Springs (City). In 2004, the County and the City passed resolutions to establish the Yampa Valley Housing Authority (YVHA) as a multi-jurisdictional entity charged with developing local options for affordable housing. The County and City approve the appointment of all board members to YVHA.

The Fund was established with \$125,000 from the County and \$125,000 from the City and created a revolving loan of \$250,000 to assist qualified participants with affordable housing in the City/County area. The City acts as fund holder for the loan funds and administers the loans, which have a maximum term of twenty-four months. No ongoing financial responsibility is stated or implied in the IGA. Either the County or the City, with or without cause, may terminate the IGA. Upon termination, any funds, promissory notes or securities held by the City as the fund holder will be distributed equally between the two parties.

In 2016, the City and County entered into an agreement to reduce the Fund by \$100,000 (\$50,000 from the County and \$50,000 from the City) for the purpose of constructing a residential housing project which consists of forty eight apartment units to be used as housing for low-income persons.

NOTE 12. SPECIAL ITEM

The County entered into an intergovernmental agreement with the Town of Hayden to contribute to the construction of a water tank storage system serving Yampa Valley Regional Airport (YVRA) and the Town of Hayden. The water tank storage system is needed to provide improved water capacity and pressure to YVRA and to provide the Town of Hayden needed redundancy against failure of their entire system. In 2012, YVRA contracted with an engineering firm to provide an evaluation for determining possible solutions for these issues. In 2013, decisions were reached between

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

the County and Town of Hayden to jointly participate in the design and construction of the water tank storage system along with a land purchase for the water tank site.

In 2016, the project was completed. The cumulative contribution from YVRA to the Town of Hayden for the water tank storage system was \$1,389,938.

NOTE 13. SUBSEQUENT EVENT

Peabody Energy Corporation

On April 13, 2016, Peabody Energy Corporation (PEC) voluntarily filed petitions under Chapter 11 in the United States Bankruptcy Court for the Eastern District of Missouri. For the tax year ended December 31, 2015, PEC was the County's second largest property taxpayer. The assessed valuation for PEC represented 3.6% of the County's total assessed value and resulted in a total tax liability of \$2,526,131 for all County tax districts. The County's share of the tax liability was \$652,703. During 2016, the County and impacted County tax districts received full payment and interest from PEC for the amount of 2015 taxes due.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property tax	\$ 15,775,300	\$ 15,775,300	\$ 15,770,838	\$ (4,462)
Sales tax	<u>4,074,405</u>	<u>4,359,375</u>	<u>3,656,376</u>	<u>(702,999)</u>
	<u>19,849,705</u>	<u>20,134,675</u>	<u>19,427,214</u>	<u>(707,461)</u>
Intergovernmental				
Building and plant	81,200	81,200	-	(81,200)
Cigarette tax	9,300	9,300	9,597	297
Community services	1,245,920	1,245,920	415,433	(830,487)
Detention center	71,060	71,060	22,501	(48,559)
District attorney	78,200	94,900	98,146	3,246
Division of wildlife and parks	1,100	1,100	3,390	2,290
Emergency medical	15,000	15,000	15,000	-
Emergency services	76,000	76,000	61,980	(14,020)
Environmental health	127,230	129,730	129,664	(66)
Fair	350,000	350,000	6,590	(343,410)
Lottery	78,000	78,000	87,774	9,774
Recycling	2,500	2,500	2,593	93
Sheriff	8,300	8,300	21,814	13,514
Taylor grazing	61,165	61,165	15,200	(45,965)
Veterans	<u>1,740</u>	<u>1,740</u>	<u>8,316</u>	<u>6,576</u>
	<u>2,206,715</u>	<u>2,225,915</u>	<u>897,998</u>	<u>(1,327,917)</u>
Total revenues, forward	<u>\$ 22,056,420</u>	<u>\$ 22,360,590</u>	<u>\$ 20,325,212</u>	<u>\$ (2,035,378)</u>

See the accompanying independent auditors' report.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Total revenues, forward	\$ 22,056,420	\$ 22,360,590	\$ 20,325,212	\$ (2,035,378)
Charges for services				
Accounting	1,398,890	1,398,890	1,471,242	72,352
Assessor	20,000	20,000	13,062	(6,938)
Building and plant	71,800	71,800	68,207	(3,593)
Cablevision	9,200	9,200	8,930	(270)
Clerk	365,430	365,430	402,939	37,509
Detention center	62,500	62,500	57,350	(5,150)
District attorney	10,500	12,100	18,217	6,117
Elections	19,190	21,190	26,463	5,273
Emergency medical services	160	160	-	(160)
Environmental health	120,795	120,795	119,236	(1,559)
Extension	15,000	15,000	9,774	(5,226)
Fair	48,950	48,950	76,759	27,809
Geographical information systems	3,500	3,500	2,620	(880)
Information systems	23,350	23,350	22,699	(651)
Motor vehicle	332,130	334,130	356,157	22,027
Human resources	12,000	12,000	3,854	(8,146)
Planning	98,100	98,100	76,417	(21,683)
Public trustee	150,000	150,000	71,961	(78,039)
Recycling	48,110	49,610	60,582	10,972
Sheriff	143,815	143,815	103,720	(40,095)
Sheriff - special services	-	-	6,793	6,793
Treasurer	652,310	717,510	770,396	52,886
Noxious weed	10,115	10,115	5,889	(4,226)
	<u>3,615,845</u>	<u>3,688,145</u>	<u>3,753,267</u>	<u>65,122</u>
Investment earnings	<u>155,270</u>	<u>155,270</u>	<u>188,396</u>	<u>33,126</u>
Total revenues	<u>\$ 25,827,535</u>	<u>\$ 26,204,005</u>	<u>\$ 24,266,875</u>	<u>\$ (1,937,130)</u>

See the accompanying independent auditors' report.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Administration				
Accounting	\$ 959,590	\$ 959,590	\$ 951,992	\$ 7,598
Attorney	364,650	377,650	367,289	10,361
Building and plant	2,449,745	2,449,745	2,390,954	58,791
Commissioners	667,480	787,480	776,564	10,916
Geographical information systems	354,490	354,490	295,232	59,258
Information systems	2,093,320	2,093,320	1,897,301	196,019
Human resources	403,670	403,670	372,738	30,932
Purchasing	204,820	221,320	220,603	717
	<u>7,497,765</u>	<u>7,647,265</u>	<u>7,272,673</u>	<u>374,592</u>
Property tax administration				
Assessor	948,620	948,620	936,292	12,328
Clerk	236,565	236,565	231,176	5,389
Motor vehicle	417,965	419,965	400,873	19,092
Public trustee	179,320	179,320	88,499	90,821
Treasurer	442,595	507,795	503,364	4,431
	<u>2,225,065</u>	<u>2,292,265</u>	<u>2,160,204</u>	<u>132,061</u>
Public safety				
Coroner	138,260	138,260	132,654	5,606
Detention center	2,396,415	2,396,415	2,272,222	124,193
District attorney	747,960	766,260	741,816	24,444
Emergency management	262,805	262,805	230,044	32,761
Emergency medical	15,230	15,230	14,957	273
Miscellaneous	29,320	29,320	22,328	6,992
Search and rescue	43,200	43,200	41,488	1,712
Sheriff	2,975,320	3,033,320	2,992,820	40,500
Sheriff - special services	-	-	6,078	(6,078)
Wildfire control	56,450	56,450	44,448	12,002
	<u>6,664,960</u>	<u>6,741,260</u>	<u>6,498,855</u>	<u>242,405</u>
Total expenditures, forward	<u>\$ 16,387,790</u>	<u>\$ 16,680,790</u>	<u>\$ 15,931,732</u>	<u>\$ 749,058</u>

See the accompanying independent auditors' report.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total expenditures, forward	\$ 16,387,790	\$ 16,680,790	\$ 15,931,732	\$ 749,058
Community resources				
Affordable housing	77,000	127,000	125,000	2,000
Community services	390,350	390,350	387,308	3,042
Developmental disabilities	1,100,580	1,100,580	1,099,087	1,493
Elections	319,750	321,750	302,857	18,893
Environmental health	690,035	718,035	711,604	6,431
Extension	273,670	273,670	262,093	11,577
Fair	362,415	394,115	380,384	13,731
Multi modal transportation	35,000	35,000	35,000	-
Museums	359,915	359,915	310,719	49,196
Purchase of development rights	1,656,460	2,392,160	2,391,649	511
Planning	918,285	918,285	909,893	8,392
Recycling	49,550	51,050	50,906	144
Surveyor	3,610	3,610	3,602	8
Taylor grazing	61,165	61,165	15,200	45,965
Veterans	25,460	28,060	28,007	53
Noxious weed	211,865	211,865	200,964	10,901
	<u>6,535,110</u>	<u>7,386,610</u>	<u>7,214,273</u>	<u>172,337</u>
Total expenditures	<u>22,922,900</u>	<u>24,067,400</u>	<u>23,146,005</u>	<u>921,395</u>
Excess of revenues over expenditures	<u>2,904,635</u>	<u>2,136,605</u>	<u>1,120,870</u>	<u>(1,015,735)</u>
Other financing uses				
Transfers out				
Equipment Pool Fund	(2,677,250)	(2,856,975)	(1,558,126)	1,298,849
Human Services Fund	(170,615)	(170,615)	(220,284)	(49,669)
Total transfers out	<u>(2,847,865)</u>	<u>(3,027,590)</u>	<u>(1,778,410)</u>	<u>1,249,180</u>
Total other financing uses	<u>(2,847,865)</u>	<u>(3,027,590)</u>	<u>(1,778,410)</u>	<u>1,249,180</u>
Net change in fund balance	56,770	(890,985)	(657,540)	233,445
Fund balance - beginning	<u>5,844,823</u>	<u>5,844,823</u>	<u>5,844,823</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,901,593</u>	<u>\$ 4,953,838</u>	<u>\$ 5,187,283</u>	<u>\$ 233,445</u>

See the accompanying independent auditors' report.

ROUTT COUNTY, COLORADO
ROAD AND BRIDGE FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property tax	\$ 876,435	\$ 876,435	\$ 869,335	\$ (7,100)
Sales tax	<u>1,929,715</u>	<u>1,929,715</u>	<u>3,176,921</u>	<u>1,247,206</u>
	<u>2,806,150</u>	<u>2,806,150</u>	<u>4,046,256</u>	<u>1,240,106</u>
Intergovernmental				
<u>Federal</u>				
Mineral leasing act	133,000	316,170	399,126	82,956
Payments in lieu of taxes	1,339,020	1,339,020	1,294,976	(44,044)
Road and bridge grants	1,227,950	1,393,530	1,006,688	(386,842)
<u>State</u>				
Highway users tax	2,868,550	2,868,550	3,022,576	154,026
Additional \$1.50 MV fee	57,000	57,000	58,285	1,285
Severance tax	<u>45,000</u>	<u>195,000</u>	<u>275,655</u>	<u>80,655</u>
	<u>5,670,520</u>	<u>6,169,270</u>	<u>6,057,306</u>	<u>(111,964)</u>
Charges for services	<u>297,200</u>	<u>297,200</u>	<u>84,315</u>	<u>(212,885)</u>
Interfund loan principal and interest	<u>135,300</u>	<u>135,300</u>	<u>134,967</u>	<u>(333)</u>
Total revenues	<u>\$ 8,909,170</u>	<u>\$ 9,407,920</u>	<u>\$ 10,322,844</u>	<u>\$ 914,924</u>

See the accompanying independent auditors' report.

ROUTT COUNTY, COLORADO
ROAD AND BRIDGE FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE, Continued
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues, forward	<u>\$ 8,909,170</u>	<u>\$ 9,407,920</u>	<u>\$ 10,322,844</u>	<u>\$ 914,924</u>
Expenditures				
Roads and bridges				
Salaries and benefits	3,171,730	3,171,730	3,125,899	45,831
Repairs and maintenance	4,634,400	4,562,325	3,885,009	677,316
Infrastructure	3,472,585	3,738,410	3,315,613	422,797
Intergovernmental	<u>283,285</u>	<u>283,285</u>	<u>283,684</u>	<u>(399)</u>
Total expenditures	<u>11,562,000</u>	<u>11,755,750</u>	<u>10,610,205</u>	<u>1,145,545</u>
Deficiency of revenues under expenditures	<u>(2,652,830)</u>	<u>(2,347,830)</u>	<u>(287,361)</u>	<u>2,060,469</u>
Other financing uses				
Transfers out				
Communications Fund	(3,500)	(3,500)	(3,221)	279
Equipment Pool Fund	<u>(487,800)</u>	<u>(792,800)</u>	<u>(745,120)</u>	<u>47,680</u>
Total transfers out	<u>(487,800)</u>	<u>(792,800)</u>	<u>(745,120)</u>	<u>47,680</u>
Total other financing uses	<u>(487,800)</u>	<u>(792,800)</u>	<u>(745,120)</u>	<u>47,680</u>
Net change in fund balance	(3,140,630)	(3,140,630)	(1,032,481)	2,108,149
Fund balance - beginning	<u>15,997,141</u>	<u>15,997,141</u>	<u>15,997,141</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,856,511</u>	<u>\$ 12,856,511</u>	14,964,660	<u>\$ 2,108,149</u>
Reconciliation to Generally Accepted Accounting Principles (GAAP) basis				
Interfund loan principal received			<u>(87,481)</u>	
Fund Balance - ending GAAP basis			<u>\$ 14,877,179</u>	

See the accompanying independent auditors' report.

ROUTT COUNTY, COLORADO
HUMAN SERVICES FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property tax	\$ 568,960	\$ 568,960	\$ 583,194	\$ 14,234
Intergovernmental				
Administration	270,455	270,455	222,098	(48,357)
Medicaid, enhanced and regular	195,490	195,490	239,506	44,016
Adult protection	49,650	49,780	33,297	(16,483)
Cost allocation	82,640	82,640	104,281	21,641
Core services	210,365	210,365	179,205	(31,160)
Temporary assistance to needy families	236,740	236,740	159,662	(77,078)
Child care	426,555	427,635	517,488	89,853
Child welfare	661,710	682,900	685,619	2,719
Collaborative management	112,980	112,980	89,986	(22,994)
Child support	246,290	247,635	249,267	1,632
Employment First	28,420	28,420	30,598	2,178
Fatherhood	41,500	42,415	33,791	(8,624)
Food assistance	1,532,450	1,532,450	1,387,444	(145,006)
Other programs	1,000	1,000	4,336	3,336
Low income energy assistance	75,080	75,080	70,161	(4,919)
Old age pension	91,015	91,015	63,232	(27,783)
Aid to needy disabled	20,040	20,040	14,165	(5,875)
First Impressions	242,420	242,420	226,540	(15,880)
Routt to Work	54,445	56,045	56,413	368
Community services block grant	15,835	15,835	18,270	2,435
	<u>4,595,080</u>	<u>4,621,340</u>	<u>4,385,359</u>	<u>(235,981)</u>
Total revenues	<u>\$ 5,164,040</u>	<u>\$ 5,190,300</u>	<u>\$ 4,968,553</u>	<u>\$ (221,747)</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
HUMAN SERVICES FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE, Continued
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues, forward	\$ 5,164,040	\$ 5,190,300	\$ 4,968,553	\$ (221,747)
Expenditures				
Social Services				
Administration	382,700	382,700	326,785	55,915
Medicaid, enhanced and regular	202,280	202,280	256,027	(53,747)
Adult protection	62,065	62,230	41,623	20,607
Cost allocation	250,420	250,420	321,619	(71,199)
Core services	225,465	225,465	194,644	30,821
Temporary assistance to needy families	271,575	271,575	188,628	82,947
Child care	552,740	554,115	579,072	(24,957)
Child welfare	810,235	836,720	854,255	(17,535)
Collaborative management	112,980	112,980	89,986	22,994
Child support	332,150	334,190	338,953	(4,763)
Employment First	39,865	39,865	30,598	9,267
Fatherhood	41,500	42,415	33,791	8,624
Food assistance	1,532,610	1,532,610	1,388,065	144,545
Other programs	4,000	4,000	5,349	(1,349)
Low income energy assistance	75,080	75,080	70,162	4,918
Old age pension	91,015	91,015	63,231	27,784
Aid to needy disabled	25,000	25,000	17,665	7,335
First Impressions	251,830	251,830	235,950	15,880
Routt to Work	54,445	56,045	56,413	(368)
Community services block grant	15,835	15,835	18,270	(2,435)
Total expenditures	5,333,790	5,366,370	5,111,086	255,284
Deficiency of revenues under expenditures	(169,750)	(176,070)	(142,533)	33,537
Other financing sources				
Transfers in				
General Fund	170,615	170,615	220,284	49,669
Total other financing sources	\$ 170,615	\$ 170,615	\$ 220,284	\$ 49,669

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
HUMAN SERVICES FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE, Continued
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Net change in fund balance	\$ 865	\$ (5,455)	\$ 77,751	\$ 83,206
Fund balance - beginning	<u>411,943</u>	<u>411,943</u>	<u>411,943</u>	<u>-</u>
Fund balance - ending	<u>\$ 412,808</u>	<u>\$ 406,488</u>	<u>\$ 489,694</u>	<u>\$ 83,206</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMMUNICATIONS FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 1,622,175	\$ 1,622,175	\$ 1,627,338	\$ 5,163
Charges for services				
E-911 surcharge	420,120	420,120	456,031	35,911
Fees	30,405	30,405	37,451	7,046
	<u>450,525</u>	<u>450,525</u>	<u>493,482</u>	<u>42,957</u>
Total revenues	<u>2,072,700</u>	<u>2,072,700</u>	<u>2,120,820</u>	<u>48,120</u>
Expenditures				
Public safety				
Communications	1,930,175	1,930,175	1,750,525	179,650
E-911	151,650	151,650	106,671	44,979
	<u>2,081,825</u>	<u>2,081,825</u>	<u>1,857,196</u>	<u>224,629</u>
Total expenditures	<u>2,081,825</u>	<u>2,081,825</u>	<u>1,857,196</u>	<u>224,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,125)</u>	<u>(9,125)</u>	<u>263,624</u>	<u>272,749</u>
Other financing sources				
Transfers in				
Road and Bridge Fund	3,500	3,500	3,221	(279)
Total transfers in	<u>3,500</u>	<u>3,500</u>	<u>3,221</u>	<u>(279)</u>
Total other financing sources	<u>3,500</u>	<u>3,500</u>	<u>3,221</u>	<u>(279)</u>
Net change in fund balance	(5,625)	(5,625)	266,845	272,470
Fund balance - beginning	<u>1,243,398</u>	<u>1,243,398</u>	<u>1,243,398</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,237,773</u>	<u>\$ 1,237,773</u>	<u>\$ 1,510,243</u>	<u>\$ 272,470</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
EXPLANATION OF FUNDS
December 31, 2016

EXPLANATION OF PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Non-major Enterprise Funds

The **Phippsburg Water and Sanitation System Fund** accounts for the operations of the water and sanitation facility and is primarily funded by utility fees. Capital improvements are funded by grants and loan proceeds.

The **Milner Sanitation System Fund** accounts for the operation of the sanitation facility. Operations are funded by utility charges. Capital improvements are funded by loan proceeds.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
December 31, 2016

	Phippsburg Water and Sanitation <u>System</u>	Milner Sanitation <u>System</u>	Other Enterprise <u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 87,769	\$ 64,686	\$ 152,455
Accounts receivable (net of allowance for uncollectibles)	<u>19,460</u>	<u>1,973</u>	<u>21,433</u>
Total current assets	<u>107,229</u>	<u>66,659</u>	<u>173,888</u>
Noncurrent assets			
Capital assets			
Land and improvements (non-depreciable)	21,284	18,610	39,894
Water system	977,962	-	977,962
Sewer system	753,670	559,770	1,313,440
Construction in progress	<u>20,568</u>	<u>-</u>	<u>20,568</u>
Total capital assets	1,773,484	578,380	2,351,864
Accumulated depreciation	<u>(1,245,214)</u>	<u>(353,786)</u>	<u>(1,599,000)</u>
Capital assets (net of accumulated depreciation)	<u>528,270</u>	<u>224,594</u>	<u>752,864</u>
Total assets	<u>\$ 635,499</u>	<u>\$ 291,253</u>	<u>\$ 926,752</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 3,000	\$ 1,502	\$ 4,502
Accrued interest	2,613	-	2,613
Due to other funds	-	5,048	5,048
Current portion of long-term debt	<u>16,527</u>	<u>-</u>	<u>16,527</u>
Total current liabilities	22,140	6,550	28,690
Noncurrent liabilities			
Loans payable	140,325	-	140,325
Interfund loan payable	<u>-</u>	<u>95,315</u>	<u>95,315</u>
Total liabilities	<u>162,465</u>	<u>101,865</u>	<u>264,330</u>
NET POSITION			
Net investment in capital assets	371,418	124,647	496,065
Unrestricted	<u>101,616</u>	<u>64,741</u>	<u>166,357</u>
Total net position	<u>473,034</u>	<u>189,388</u>	<u>662,422</u>
Total liabilities and net position	<u>\$ 635,499</u>	<u>\$ 291,253</u>	<u>\$ 926,752</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	Phippsburg Water and Sanitation <u>System</u>	Milner Sanitation System <u> </u>	Other Enterprise <u>Total</u>
Operating revenues			
Charges for sales and services			
Water and sewer sales	\$ 117,775	\$ 39,927	\$ 157,702
Total operating revenues	<u>117,775</u>	<u>39,927</u>	<u>157,702</u>
Operating expenses			
Salary and benefits	18,689	7,781	26,470
Depreciation	80,463	19,585	100,048
Purchased services and supplies	42,739	23,041	65,780
Repairs and maintenance	<u>7,328</u>	<u>373</u>	<u>7,701</u>
Total operating expenses	<u>149,219</u>	<u>50,780</u>	<u>199,999</u>
Operating loss	<u>(31,444)</u>	<u>(10,853)</u>	<u>(42,297)</u>
Nonoperating revenue (expense)			
Investment earnings	251	383	634
Interest expense	(8,367)	-	(8,367)
Interest expense - interfund	<u>-</u>	<u>(5,200)</u>	<u>(5,200)</u>
Total nonoperating expenses	<u>(8,116)</u>	<u>(4,817)</u>	<u>(12,933)</u>
Loss before contributions	(39,560)	(15,670)	(55,230)
Capital contributions:			
Grants	<u>9,688</u>	<u>-</u>	<u>9,688</u>
Change in net position	(29,872)	(15,670)	(45,542)
Total net position - beginning	<u>502,906</u>	<u>205,058</u>	<u>707,964</u>
Total net position - ending	<u>\$ 473,034</u>	<u>\$ 189,388</u>	<u>\$ 662,422</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	Phippsburg Water & Sanitation System	Milner Sanitation System	Other Enterprise Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities			
Receipts from customers and users	\$ 115,602	\$ 40,516	\$ 156,118
Payments to suppliers	(55,712)	(23,207)	(78,919)
Payments to employees	<u>(18,517)</u>	<u>(7,775)</u>	<u>(26,292)</u>
Net cash provided by operating activities	<u>41,373</u>	<u>9,534</u>	<u>50,907</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(20,568)	(2,994)	(23,562)
Principal paid on capital debt	(15,741)	(4,411)	(20,152)
Capital grants	9,688	-	9,688
Interest paid on capital debt	<u>(8,631)</u>	<u>(5,219)</u>	<u>(13,850)</u>
Net cash used by capital and related financing activities	<u>(35,252)</u>	<u>(12,624)</u>	<u>(47,876)</u>
Cash flows from investing activities			
Earnings on investments	251	383	634
Net purchases and sales of investments	<u>7,485</u>	<u>9,250</u>	<u>16,735</u>
Net cash provided by investing activities	<u>7,736</u>	<u>9,633</u>	<u>17,369</u>
Net increase in cash and cash equivalents	13,857	6,543	20,400
Cash and cash equivalents, beginning	<u>40,349</u>	<u>33,407</u>	<u>73,756</u>
Cash and cash equivalents, ending	54,206	39,950	94,156
Investments	<u>33,563</u>	<u>24,736</u>	<u>58,299</u>
Cash and investments, ending	<u>\$ 87,769</u>	<u>\$ 64,686</u>	<u>\$ 152,455</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	<u>Phippsburg Water & Sanitation System</u>	<u>Milner Sanitation System</u>	<u>Other Enterprise Total</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (31,444)	\$ (10,853)	\$ (42,297)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	80,463	19,585	100,048
Capital financing activities			
Capital assets			
Due to other funds	-	(202)	(202)
Interest expense			
Accrued interest	264	-	264
Change in assets and liabilities:			
(Increase) decrease			
Accounts receivable	(2,206)	302	(1,904)
Increase (decrease)			
Accounts payable	(5,440)	500	(4,940)
Due to other funds	-	202	202
Accrued interest	(264)	-	(264)
Total adjustments	<u>72,817</u>	<u>20,387</u>	<u>93,204</u>
Net cash provided by operating activities	<u>\$ 41,373</u>	<u>\$ 9,534</u>	<u>\$ 50,907</u>
Noncash investing, capital, and financing activities:			
Increase in fair value of investments	\$ 85	\$ 63	\$ 148

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
YAMPA VALLEY REGIONAL AIRPORT - ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services				
Fees	\$ 4,778,735	\$ 4,778,735	\$ 5,000,321	\$ 221,586
Intergovernmental				
Federal	1,472,835	1,472,835	492,018	(980,817)
State	176,305	176,305	122,224	(54,081)
Local	5,000	5,000	20,000	15,000
Total	<u>1,654,140</u>	<u>1,654,140</u>	<u>634,242</u>	<u>(1,019,898)</u>
Other				
Customer facility charges	125,670	125,670	125,650	(20)
Interest	7,330	7,330	9,222	1,892
Total	<u>133,000</u>	<u>133,000</u>	<u>134,872</u>	<u>1,872</u>
Total revenues	<u>6,565,875</u>	<u>6,565,875</u>	<u>5,769,435</u>	<u>(796,440)</u>
Expenditures				
Salary and benefits	2,697,555	2,697,555	2,681,383	16,172
Purchased services and supplies	1,319,905	1,319,905	1,250,259	69,646
Repairs and maintenance	451,295	451,295	327,963	123,332
Depreciation	425,605	425,605	425,602	3
Capital outlay	1,748,500	1,748,500	546,922	1,201,578
Principal - interfund	81,800	81,800	83,069	(1,269)
Interest - interfund	43,870	43,870	42,287	1,583
Total expenditures	<u>6,768,530</u>	<u>6,768,530</u>	<u>5,357,485</u>	<u>1,411,045</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(202,655)</u>	<u>(202,655)</u>	<u>411,950</u>	<u>614,605</u>
Special Item- contribution from Hayden	<u>-</u>	<u>-</u>	<u>26,172</u>	<u>26,172</u>
Excess (Deficiency) of revenues over (under) special items and expenditures	<u>\$ (202,655)</u>	<u>\$ (202,655)</u>	<u>\$ 438,122</u>	<u>\$ 640,777</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
REGIONAL BUILDING DEPARTMENT - ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees	\$ 1,090,000	\$1,097,000	\$ 1,268,474	\$ 171,474
Expenditures				
Salary and benefits	685,600	685,600	636,272	49,328
Purchased services and supplies	<u>280,715</u>	<u>287,715</u>	<u>287,590</u>	<u>125</u>
Total expenditures	<u>966,315</u>	<u>973,315</u>	<u>923,862</u>	<u>49,453</u>
Excess of revenues over expenditures	<u>\$ 123,685</u>	<u>\$ 123,685</u>	<u>\$ 344,612</u>	<u>\$ 220,927</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
PHIPPSBURG WATER AND SANITATION SYSTEM - ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Water and sewer sales	\$ 118,400	\$ 118,400	\$ 117,775	\$ (625)
Interest	400	400	251	(149)
Total revenues	118,800	118,800	118,026	(774)
Expenditures				
Salary and benefits	22,340	22,340	18,689	3,651
Purchased services and supplies	46,055	46,055	42,739	3,316
Repairs and maintenance	12,500	12,500	7,328	5,172
Capital outlay	30,000	30,000	20,568	9,432
Principal	15,750	15,750	15,741	9
Interest	8,620	8,620	8,367	253
Total expenditures	135,265	135,265	113,432	21,833
Excess (deficiency) of revenues over (under) expenditures	(16,465)	(16,465)	4,594	21,059
Other financing sources				
Grants	15,000	15,000	9,688	(5,312)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,465)	\$ (1,465)	\$ 14,282	\$ 15,747

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
MILNER SANITATION SYSTEM - ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Sewer sales	\$ 40,050	\$ 40,050	\$ 39,927	\$ (123)
Interest	<u>440</u>	<u>440</u>	<u>383</u>	<u>(57)</u>
Total revenues	<u>40,490</u>	<u>40,490</u>	<u>40,310</u>	<u>(180)</u>
Expenditures				
Salary and benefits	8,880	8,880	7,781	1,099
Purchased services and supplies	24,070	24,070	23,041	1,029
Repairs and maintenance	7,500	7,500	373	7,127
Capital outlay	2,750	3,000	2,994	6
Principal - interfund	4,410	4,410	4,411	(1)
Interest - interfund	<u>5,230</u>	<u>5,230</u>	<u>5,200</u>	<u>30</u>
Total expenditures	<u>52,840</u>	<u>53,090</u>	<u>43,800</u>	<u>9,290</u>
Deficiency of revenues under expenditures	<u>\$ (12,350)</u>	<u>\$ (12,600)</u>	<u>\$ (3,490)</u>	<u>\$ 9,110</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2016

	<u>Equipment Pool</u>	<u>Insurance Pool</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 10,781,622	\$ 824,049	\$ 11,605,671
Accounts receivable (net of allowance for uncollectibles)	20,116	143,934	164,050
Due from other governments	3,641	-	3,641
Due from other funds	<u>2,309,182</u>	<u>-</u>	<u>2,309,182</u>
Total current assets	<u>13,114,561</u>	<u>967,983</u>	<u>14,082,544</u>
Noncurrent assets			
Capital assets			
Land and improvements (non-depreciable)	3,102,766	-	3,102,766
Land improvements (depreciable)	981,914	-	981,914
Buildings	36,150,409	-	36,150,409
Equipment	25,669,074	-	25,669,074
Construction in progress	<u>1,035,993</u>	<u>-</u>	<u>1,035,993</u>
Total capital assets	66,940,156	-	66,940,156
Accumulated depreciation	<u>(31,780,261)</u>	<u>-</u>	<u>(31,780,261)</u>
Capital assets (net of accumulated depreciation)	<u>35,159,895</u>	<u>-</u>	<u>35,159,895</u>
Total assets	<u>48,274,456</u>	<u>967,983</u>	<u>49,242,439</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	<u>499,814</u>	<u>-</u>	<u>499,814</u>
Total assets and deferred outflows of resources	<u>48,774,270</u>	<u>967,983</u>	<u>49,742,253</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	426,926	11,855	438,781
Compensated absences	13,626	-	13,626
Claims liability	-	480,022	480,022
Accrued interest	22,375	-	22,375
Retainage payable	24,105	-	24,105
Unearned revenue	-	29,475	29,475
Current portion of long-term debt (net of unamortized discount)	<u>960,058</u>	<u>-</u>	<u>960,058</u>
Total current liabilities	1,447,090	521,352	1,968,442
Noncurrent liabilities			
Certificates of participation (net of unamortized discount)	<u>8,624,337</u>	<u>-</u>	<u>8,624,337</u>
Total liabilities	<u>10,071,427</u>	<u>521,352</u>	<u>10,592,779</u>
NET POSITION			
Net investment in capital assets	26,075,314	-	26,075,314
Unrestricted	<u>12,627,529</u>	<u>446,631</u>	<u>13,074,160</u>
Total net position	<u>38,702,843</u>	<u>446,631</u>	<u>39,149,474</u>
Total liabilities and net position	<u>\$ 48,774,270</u>	<u>\$ 967,983</u>	<u>\$ 49,742,253</u>

See the accompanying independent auditors' report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the year ended December 31, 2016

	<u>Equipment Pool</u>	<u>Insurance Pool</u>	<u>Total</u>
Operating revenues			
Internal service fees	\$ 4,168,182	\$ 3,499,305	\$ 7,667,487
Insurance proceeds	<u>84,133</u>	<u>605,304</u>	<u>689,437</u>
Total operating revenues	<u>4,252,315</u>	<u>4,104,609</u>	<u>8,356,924</u>
Operating expenses			
Salary and benefits	378,471	-	378,471
Depreciation	2,640,480	-	2,640,480
Claims	-	4,023,264	4,023,264
Purchased services and supplies	73,174	703,819	776,993
Repairs and maintenance	<u>1,038,628</u>	<u>-</u>	<u>1,038,628</u>
Total operating expenses	<u>4,130,753</u>	<u>4,727,083</u>	<u>8,857,836</u>
Operating income (loss)	<u>121,562</u>	<u>(622,474)</u>	<u>(500,912)</u>
Nonoperating revenues (expenses)			
Investment earnings	61,870	-	61,870
Interest expense	(381,878)	-	(381,878)
Amortization of refunding debt insurance	(16,813)	-	(16,813)
Loss on disposal of capital assets	<u>(258,609)</u>	<u>-</u>	<u>(258,609)</u>
Total nonoperating expenses	<u>(595,430)</u>	<u>-</u>	<u>(595,430)</u>
Loss before transfers	(473,868)	(622,474)	(1,096,342)
Capital contributions			
Donations	23,509	-	23,509
Transfers			
In	<u>2,300,025</u>	<u>-</u>	<u>2,300,025</u>
Change in net position	1,849,666	(622,474)	1,227,192
Total net position - beginning	<u>36,853,177</u>	<u>1,069,105</u>	<u>37,922,282</u>
Total net position - ending	<u>\$ 38,702,843</u>	<u>\$ 446,631</u>	<u>\$ 39,149,474</u>

See the accompanying independent auditors' report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2016

	<u>Equipment Pool</u>	<u>Insurance Pool</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from interfund services provided	\$ 4,232,966	\$ 3,523,967	\$ 7,756,933
Receipts from insurance	-	967,523	967,523
Payments to suppliers	(1,069,804)	(777,963)	(1,847,767)
Payments to employees	(385,926)	-	(385,926)
Payments to claims	<u>-</u>	<u>(3,853,769)</u>	<u>(3,853,769)</u>
Net cash provided (used) by operating activities	<u>2,777,236</u>	<u>(140,242)</u>	<u>2,636,994</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	62,541	-	62,541
Contributed capital	23,509	-	23,509
Acquisition and construction of capital assets	(2,996,861)	-	(2,996,861)
Principal payments on certificates of participation	(945,000)	-	(945,000)
Interest payments on certificates of participation	(288,894)	-	(288,894)
Transfers in	476,931	-	476,931
Transfers out	<u>(109,756)</u>	<u>-</u>	<u>(109,756)</u>
Net cash used by capital and related financing activities	<u>(3,777,530)</u>	<u>-</u>	<u>(3,777,530)</u>
Cash flows from investing activities			
Earnings on investments	61,870	-	61,870
Net purchases and sales of investments	<u>1,787,484</u>	<u>171,172</u>	<u>1,958,656</u>
Net cash provided by investing activities	<u>1,849,354</u>	<u>171,172</u>	<u>2,020,526</u>
Net increase (decrease) in cash and cash equivalents	849,060	30,930	879,990
Cash and cash equivalents, beginning	<u>5,809,660</u>	<u>478,002</u>	<u>6,287,662</u>
Cash and cash equivalents, ending	6,658,720	508,932	7,167,652
Investments	<u>4,122,902</u>	<u>315,117</u>	<u>4,438,019</u>
Cash and investments	<u>\$ 10,781,622</u>	<u>\$ 824,049</u>	<u>\$ 11,605,671</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2016

	<u>Equipment Pool</u>	<u>Insurance Pool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ <u>121,562</u>	\$ <u>(622,474)</u>	\$ <u>(500,912)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,640,480	-	2,640,480
Capital financing activities			
Capital grants and transfers			
Due from other funds	1,823,094	-	1,823,094
Due to other funds	109,756	-	109,756
Capital assets			
Accounts payable	(261,583)	-	(261,583)
Retainage payable	(2,255)	-	(2,255)
Due from other funds	(18,750)	-	(18,750)
Interest expense			
Accrued interest	1,575	-	1,575
Change in assets and liabilities:			
(Increase) decrease			
Accounts receivable	(19,349)	362,219	342,870
Due from other funds	(1,812,178)	-	(1,812,178)
Due from other governments	(767)	-	(767)
Prepaid expenses	-	54,156	54,156
Increase (decrease)			
Accounts payable	318,556	(128,300)	190,256
Accrued interest	(1,575)	-	(1,575)
Compensated absences	(11,502)	-	(11,502)
Claims liability	-	169,495	169,495
Unearned revenue	-	24,662	24,662
Retainage payable	2,255	-	2,255
Due to other funds	(112,083)	-	(112,083)
 Total adjustments	 <u>2,655,674</u>	 <u>482,232</u>	 <u>3,137,906</u>
Net cash provided (used) by operating activities	\$ <u>2,777,236</u>	\$ <u>(140,242)</u>	\$ <u>2,636,994</u>
Noncash investing, capital, and financing activities:			
Decrease in fair value of investments	\$ 10,470	\$ 800	\$ 11,270
Amortization related to refunding debt issue	(111,372)	-	(111,372)

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
EQUIPMENT POOL - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Internal service fees	\$ 4,148,370	\$ 4,148,370	\$ 4,168,182	\$ 19,812
Other				
Interest	77,700	77,700	61,870	(15,830)
Contributed capital and donations	-	-	23,509	23,509
Insurance proceeds	10,000	69,375	84,133	14,758
Total	<u>87,700</u>	<u>147,075</u>	<u>169,512</u>	<u>22,437</u>
Total revenues	<u>4,236,070</u>	<u>4,295,445</u>	<u>4,337,694</u>	<u>42,249</u>
Expenditures				
Salary and benefits	418,730	408,130	378,471	29,659
Purchased services and supplies	74,910	68,365	73,174	(4,809)
Repairs and maintenance	1,096,110	1,085,070	1,038,628	46,442
Capital outlay	4,413,550	5,038,575	3,279,450	1,759,125
Principal	945,000	945,000	945,000	-
Interest	287,570	287,570	287,319	251
Total expenditures	<u>7,235,870</u>	<u>7,832,710</u>	<u>6,002,042</u>	<u>1,830,668</u>
Deficiency of revenues under expenditures	<u>(2,999,800)</u>	<u>(3,537,265)</u>	<u>(1,664,348)</u>	<u>1,872,917</u>
Other financing sources (uses)				
Transfers in:				
General Fund	2,677,250	2,856,975	1,558,126	(1,298,849)
Road and Bridge	484,300	789,300	741,899	(47,401)
Total transfers in	<u>3,161,550</u>	<u>3,646,275</u>	<u>2,300,025</u>	<u>(1,346,250)</u>
Gain (loss) on sale of capital assets	<u>103,300</u>	<u>104,475</u>	<u>(258,609)</u>	<u>(363,084)</u>
Total other financing sources	<u>3,264,850</u>	<u>3,750,750</u>	<u>2,041,416</u>	<u>(1,709,334)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 265,050</u>	<u>\$ 213,485</u>	<u>\$ 377,068</u>	<u>\$ 163,583</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
INSURANCE POOL - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Internal service fees	\$ 3,369,690	\$ 3,467,690	\$ 3,499,305	\$ 31,615
Other				
Insurance proceeds	266,990	623,990	605,304	(18,686)
Total	<u>266,990</u>	<u>623,990</u>	<u>605,304</u>	<u>(18,686)</u>
Total revenues	<u>3,636,680</u>	<u>4,091,680</u>	<u>4,104,609</u>	<u>12,929</u>
Expenses				
Claims	2,540,090	4,030,090	4,023,264	6,826
Purchased services and supplies	<u>701,730</u>	<u>701,730</u>	<u>703,819</u>	<u>(2,089)</u>
Total expenses	<u>3,241,820</u>	<u>4,731,820</u>	<u>4,727,083</u>	<u>4,737</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 394,860</u>	<u>\$ (640,140)</u>	<u>\$ (622,474)</u>	<u>\$ 17,666</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT PLANS
December 31, 2016

	<u>Sec. 401 Employee Retirement Plan</u>	<u>Sec. 457 Employee Retirement Plan</u>	<u>Total</u>
ASSETS			
Investments held for pension benefits	\$ 23,311,575	\$ 7,796,275	\$ 31,107,850
Total assets	<u>23,311,575</u>	<u>7,796,275</u>	<u>31,107,850</u>
NET POSITION			
Net position held in trust for pension benefits	<u>23,311,575</u>	<u>7,796,275</u>	<u>31,107,850</u>
Total net position	<u>\$ 23,311,575</u>	<u>\$ 7,796,275</u>	<u>\$ 31,107,850</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT PLANS
For the Year Ended December 31, 2016

	Sec. 401 Employee Retirement Plan	Sec. 457 Employee Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Additions			
Employee contributions	\$ 726,309	\$ 439,653	\$ 1,165,962
Employer contributions	<u>726,309</u>	<u>-</u>	<u>726,309</u>
Total contributions	1,452,618	439,653	1,892,271
Net investment earnings	1,244,767	388,574	1,633,341
Transfers from other plans	<u>260,699</u>	<u>383,977</u>	<u>644,676</u>
Total additions	<u>2,958,084</u>	<u>1,212,204</u>	<u>4,170,288</u>
Deductions			
Benefits	<u>1,517,399</u>	<u>975,033</u>	<u>2,492,432</u>
Total deductions	<u>1,517,399</u>	<u>975,033</u>	<u>2,492,432</u>
Change in net position	1,440,685	237,171	1,677,856
Plan net position, beginning	<u>21,870,890</u>	<u>7,559,104</u>	<u>29,429,994</u>
Plan net position, ending	<u>\$ 23,311,575</u>	<u>\$ 7,796,275</u>	<u>\$ 31,107,850</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended December 31, 2016

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>
ASSETS				
Cash and investments	\$ 1,170,776	\$ 51,024,508	\$ (51,108,185)	\$ 1,087,099
Total assets	<u>1,170,776</u>	<u>51,024,508</u>	<u>(51,108,185)</u>	<u>1,087,099</u>
LIABILITIES				
Due to other governments				
Schools	180,394	26,607,371	(26,628,167)	159,598
State	253,184	3,290,587	(3,290,600)	253,171
Cities and towns	96,768	1,865,213	(1,846,229)	115,752
Special districts	<u>233,040</u>	<u>13,092,362</u>	<u>(13,124,493)</u>	<u>200,909</u>
Total	763,386	44,855,533	(44,889,489)	729,430
Advanced tax collections	329,842	347,374	(350,732)	326,484
Funds held in trust	<u>77,548</u>	<u>5,821,601</u>	<u>(5,867,964)</u>	<u>31,185</u>
Total liabilities	<u>\$ 1,170,776</u>	<u>\$ 51,024,508</u>	<u>\$ (51,108,185)</u>	<u>\$ 1,087,099</u>

See the accompanying independent auditor's report.

ROUTT COUNTY, COLORADO
NOTES TO THE SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1. RECONCILIATION OF BUDGET TO GAAP

Adjustments necessary to convert the change in net position of the proprietary funds at the end of the year on the generally accepted accounting principles (GAAP) basis to the budgetary basis are as follows:

	Yampa Valley Regional Airport	Regional Building Department	Phippsburg Water & Sanitation System	Milner Sanitation System	Equipment Pool
GAAP basis	\$ (1,969,634)	\$ 299,059	\$ (29,872)	\$ (15,670)	\$ 1,849,666
Revenues					
Unearned revenue	-	45,553	-	-	-
Expenditures					
Depreciation	3,007,295	-	80,463	19,585	2,640,480
Capital outlay	(546,922)	-	(20,568)	(2,994)	(3,279,450)
Loss on capital asset disposals	30,452	-	-	-	-
Amortization of refunding debt insurance	-	-	-	-	16,813
Interest expense, amortization of the deferred charge for refunding debt	-	-	-	-	89,132
Interest expense, amortization of the issue discount on refunding debt	-	-	-	-	5,427
Debt principal	(83,069)	-	(15,741)	(4,411)	(945,000)
Budget basis	\$ 438,122	\$ 344,612	\$ 14,282	\$ (3,490)	\$ 377,068

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

LOCAL HIGHWAY FINANCE REPORT		City or County: County of Routt
		YEAR ENDING : 2016
This Information From The Records Of the County of Routt	Prepared By: Phone:	Chris Pohlman 970-870-5302

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

ITEM	A. Local 0 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)	3,334,012
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	5,104,021
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations	594,214	b. Snow and ice removal	1,623,618
3. Other local imposts (from page 2)	4,066,259	c. Other	283,684
4. Miscellaneous local receipts (from page 2)	111,799	d. Total (a. through c.)	1,907,302
5. Transfers from toll facilities	0	4. General administration & miscellaneous	1,009,991
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	594,214
a. Bonds - Original Issues	0	6. Total (1 through 5)	11,949,540
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	4,772,272	b. Redemption	0
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	3,356,516	2. Notes:	
D. Receipts from Federal Government (from page 2)	2,700,790	a. Interest	0
E. Total receipts (A.7 + B + C + D)	10,829,578	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	11,949,540

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

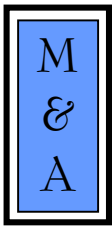
	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	\$ 15,997,141	10,829,578	11,949,540	14,877,179	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): 12/16	
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	809,438	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	3,176,921	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	61,142
5. Other	79,900	g. Other Misc. Receipts	49,568
6. Total (1. through 5.)	3,256,821	h. Capital Credits	1,089
c. Total (a. + b.)	4,066,259	i. Total (a. through h.)	111,799
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	3,022,576	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle	58,285	d. Federal Transit Administration	0
d. Severance Tax	275,655	e. U.S. Corps of Engineers	0
e. State P.U.C. and EIAF funds	0	f. Other Federal	2,700,790
f. Total (a. through e.)	333,940	g. Total (a. through f.)	2,700,790
4. Total (1. + 2. + 3.f)	3,356,516	3. Total (1. + 2.g)	2,700,790
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		63,478	63,478
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		916,115	916,115
(3). System Preservation		2,354,419	2,354,419
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)		0	3,270,534
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	3,334,012
			(Carry forward to page 1)
Notes and Comments:			



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S 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

**To the Board of County Commissioners
Routt County, Colorado**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Routt County, Colorado (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 11, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Member: American Institute of Certified Public Accountants

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MICHAEL N. JENKINS, CA, CPA, CGMA
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**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Compliance and Other Matters

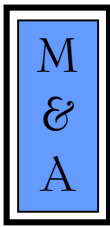
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
July 11, 2017**



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON COMPLIANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM; AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

**To the Board of County Commissioners
Routt County, Colorado**

Report on Compliance for Each Major Program

We have audited the compliance of Routt County, Colorado (the "County") 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 and its compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its Passenger Facility Charge program for the year ended December 31, 2016. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and to its Passenger Facility Charge program.

Auditor's Responsibility

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

Member: American Institute of Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Opinion on Each Major Federal Program and Passenger Facility Charge Program

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program and on the Passenger Facility Charge program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the Passenger Facility Charge 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 or the Passenger Facility Charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 or the Passenger Facility Charge 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the Passenger Facility Charge 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 the 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 in 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 and the Guide. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
July 11, 2017**

Routt County, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Part I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted

Major programs:

Highway Planning and Construction	CFDA #20.205
Dollar threshold used to identify Type A from Type B programs:	\$750,000
Identified as low-risk auditee	Yes

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by <i>Government Auditing Standards</i>	None noted
Auditor-assigned reference number	Not applicable

Part III – Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Routt County, Colorado
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016
(Continued)

There were no audit findings for the year ended December 31, 2015.

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

<u>Federal Agency/Direct or Pass-Through Entity/Program</u>	<u>Identifying Number Assigned by Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditure Amount</u>	<u>Clusters of Programs</u>
<u>Department of Health and Human Services</u>				
Passed through Colorado Department of Education:				
Child Care and Development Block Grant	Expanding Quality Initiative	93.575	\$ 3,840	\$ 3,840
Passed through Colorado Department of Human Services:				
Child Care and Development Block Grant	n/a	93.575	254,713	254,713
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	n/a	93.596	193,766	<u>193,766</u>
Total Child Care and Development Fund Cluster				<u>452,319</u>
Guardianship Assistance	n/a	93.090	1,539	
Temporary Assistance for Needy Families (TANF)	n/a	93.558	192,759	<u>192,759</u>
Total Temporary Assistance for Needy Families Cluster				<u>192,759</u>
Child Support Enforcement	n/a	93.563	268,447	
Low-Income Home Energy Assistance	n/a	93.568	46,586	
Stephanie Tubbs Jones Child Welfare Services Program	n/a	93.645	8,075	
Foster Care -Title IV-E	n/a	93.658	161,284	
Adoption Assistance	n/a	93.659	16,554	
Social Services Block Grant	n/a	93.667	113,226	
Medical Assistance Program	n/a	93.778	199,491	<u>199,491</u>
Total Medicaid Cluster				<u>\$ 199,491</u>
Passed through Colorado Department of Local Affairs:				
Community Services Block Grant	L15CSBG39	93.569	18,270	
Passed through Colorado Department of Public Health and Environment				
Maternal and Child Health Services Block Grant to States	17-87079	93.994	<u>17,117</u>	
Total U.S. Department of Health and Human Services			<u>1,495,667</u>	
<u>Department of Education</u>				
Passed through Colorado Department of Human Services:				
Race to the Top Early Learning Challenge	CMS#17 IHIA 90674	84.412	<u>34,114</u>	
Total U.S. Department of Education			<u>\$ 34,114</u>	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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

<u>Federal Agency/Direct or Pass-Through Entity/Program</u>	<u>Identifying Number Assigned by Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditure Amount</u>	<u>Clusters of Programs</u>
<u>Department of Agriculture</u>				
Direct:				
U.S. Forest Service Cooperative Law Enforcement Agreement Number 15-LE-11020600-007	n/a	10.unknown	\$ 8,344	
Passed through Colorado Department of Human Services:				
Supplemental Nutrition Assistance Program	n/a	10.551	1,153	\$ 1,153
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	n/a	10.561	<u>189,312</u>	<u>189,312</u>
Total Supplemental Nutrition Assistance Program Cluster				<u>\$ 190,465</u>
Total U.S. Department of Agriculture			<u>198,809</u>	
<u>Department of Justice</u>				
Direct:				
State Criminal Alien Assistance Program	n/a	16.606	<u>21,101</u>	
Total U. S. Department of Justice			<u>21,101</u>	
<u>Department of Interior</u>				
Direct:				
U.S. Geological Survey Cooperative Funding Authority Agreement Number 16CMCO161190000	n/a	15.unknown	<u>14,358</u>	
Total U.S. Department of Interior			<u>\$ 14,358</u>	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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

<u>Federal Agency/Direct or Pass-Through Entity/Program</u>	<u>Identifying Number Assigned by Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditure Amount</u>	<u>Clusters of Programs</u>
<u>Department of Transportation</u>				
Direct:				
Airport Improvement Program	n/a	20.106	\$ 93,429	
Federal Highway Administration				
Passed through Colorado Department of Transportation:				
Division of Transportation Development				
Highway Planning and Construction	Project BRO C280-010 (18311)	20.205	725,193	725,193
Highway Planning and Construction	WBS 18846.20.10	20.205	281,495	\$ 281,495
Total Highway Planning and Construction Program Cluster				<u>\$ 1,006,688</u>
Passed through Colorado Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	5310 2015 ADA BOC	20.513	<u>64,000</u>	
Total U.S. Department of Transportation			<u>1,164,117</u>	
<u>Department of Homeland Security</u>				
Direct:				
Transportation Security Administration - Other Transactional Agreement (HDN) HSTS0213HSLR157	n/a	97.unknown	13,195	
Passed through Colorado Department of Public Safety, Division of Homeland Security and Emergency Management				
Emergency Management Performance Grants	Encumbrance #16EM-17-55	97.042	<u>61,150</u>	
Total U.S. Department of Homeland Security			<u>74,345</u>	
Total Federal Expenditures			<u>\$ 3,002,511</u>	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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

Note 1. Program Costs

The amounts shown as current year expenditures represent only the federal portion of program costs. Actual program costs, including the County's portion, may be more than shown.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Routt County, Colorado, and is presented on the modified accrual basis of accounting for governmental funds, and the accrual basis for proprietary funds. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

Note 3. Indirect Facilities and Administration costs

The County does not use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F & A) costs. Instead, the County prepares an annual cost allocation plan to allocate indirect costs.

ROUTT COUNTY, COLORADO
SCHEDULE OF PASSENGER FACILITY CHARGES ("PFC")
COLLECTED AND EXPENDED
For the Year Ended December 31, 2016

Unliquidated PFC revenues - beginning		\$	-
Revenues:			
Revenues from air carriers	\$	385,394	
	Total PFC revenues	<u>385,394</u>	385,394
Expenditures:			
Application 13-09-C-00-HDN		385,394	
	Total PFC expenditures	<u>\$ 385,394</u>	385,394
Unliquidated PFC revenues - ending		<u>\$</u>	<u>-</u>