

# **COSTILLA COUNTY, COLORADO**

## **FINANCIAL STATEMENTS**

**December 31, 2017**

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Office of the State Auditor

September 19, 2018



**Wall,  
Smith,  
Bateman** Inc.

Certified Public Accountants

**COSTILLA COUNTY, COLORADO**  
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**December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

To the Board of County Commissioners  
Costilla County, Colorado  
San Luis, 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 Costilla County, Colorado (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

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

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

**Certified Public Accountants**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

September 12, 2018

**COSTILLA COUNTY, COLORADO**

**BASIC FINANCIAL STATEMENTS**

**COSTILLA COUNTY, COLORADO**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 6,445,493	\$ 81,990	\$ 6,527,483
Property Taxes Receivable	2,211,594	-	2,211,594
Accounts Receivable	118,428	4,518	122,946
Due from Other Governments	671,707	-	671,707
Inventory	154,392	-	154,392
<b>Total Current Assets</b>	<b>9,601,614</b>	<b>86,508</b>	<b>9,688,122</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	1,062,957	-	1,062,957
Construction in Progress	462,890	-	462,890
Buildings	10,066,654	-	10,066,654
Equipment	7,306,665	-	7,306,665
Infrastructure	3,354,389	-	3,354,389
Water and Sewer Plant	-	4,600,879	4,600,879
Less: Accumulated Depreciation/Depletion	(9,935,205)	(2,792,933)	(12,728,138)
<b>Total Noncurrent Assets</b>	<b>12,318,350</b>	<b>1,807,946</b>	<b>14,126,296</b>
<b>TOTAL ASSETS</b>	<b>21,919,964</b>	<b>1,894,454</b>	<b>23,814,418</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	192,271	11,478	203,749
Due to Other Governments	1,668	-	1,668
Unearned Revenue - Other	21,638	-	21,638
Accrued Interest Payable	-	1,330	1,330
Bonds Payable	-	13,000	13,000
Lease Purchase Agreement	45,000	-	45,000
Capital Leases Payable	231,309	-	231,309
Notes Payable	38,571	-	38,571
Compensated Absences	3,151	-	3,151
<b>Total Current Liabilities</b>	<b>533,608</b>	<b>25,808</b>	<b>559,416</b>
<b>Noncurrent Liabilities</b>			
Bonds Payable	-	29,000	29,000
Lease Purchase Agreement	490,000	-	490,000
Capital Leases Payable	1,137,376	-	1,137,376
Notes Payable	59,205	-	59,205
Compensated Absences	70,607	-	70,607
<b>Total Noncurrent Liabilities</b>	<b>1,757,188</b>	<b>29,000</b>	<b>1,786,188</b>
<b>TOTAL LIABILITIES</b>	<b>2,290,796</b>	<b>54,808</b>	<b>2,345,604</b>
<b>DEFERRED INFLOWS OF RESOURCES - CURRENT</b>			
Unavailable Revenue - Property Tax	2,211,594	-	2,211,594
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,316,889	1,765,946	12,082,835
Restricted for TABOR	292,000	-	292,000
Unrestricted	6,808,685	73,700	6,882,385
<b>TOTAL NET POSITION</b>	<b>\$ 17,417,574</b>	<b>\$ 1,839,646</b>	<b>\$ 19,257,220</b>

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

**COSTILLA COUNTY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 2,372,200	\$ 625,943	\$ 13,820	\$ -	\$ (1,732,437)	\$ -	\$ (1,732,437)
Public Safety	834,258	211,389	68,713	-	(554,156)	-	(554,156)
Health and Welfare	6,477,193	884,625	5,205,974	5,032	(381,562)	-	(381,562)
Highways and Streets	3,657,576	18,350	3,993,773	12,045	366,592	-	366,592
Auxiliary Services	477,570	-	314,496	-	(163,074)	-	(163,074)
Culture and Recreation	81,943	-	175,421	-	93,478	-	93,478
Interest Expense	60,886	-	-	-	(60,886)	-	(60,886)
<b>Total Governmental Activities</b>	<b>13,961,626</b>	<b>1,740,307</b>	<b>9,772,197</b>	<b>17,077</b>	<b>(2,432,045)</b>	<b>-</b>	<b>(2,432,045)</b>
<b>Business-Type Activities</b>							
Water	132,557	114,084	-	4,700	-	(13,773)	(13,773)
Sanitation	114,206	52,620	-	-	-	(61,586)	(61,586)
<b>Total Business-Type Activities</b>	<b>246,763</b>	<b>166,704</b>	<b>-</b>	<b>4,700</b>	<b>-</b>	<b>(75,359)</b>	<b>(75,359)</b>
<b>Total Primary Government</b>	<b>\$ 14,208,389</b>	<b>\$ 1,907,011</b>	<b>\$ 9,772,197</b>	<b>\$ 21,777</b>	<b>(2,432,045)</b>	<b>(75,359)</b>	<b>(2,507,404)</b>
<b>General Revenues and Transfers:</b>							
Taxes							
					2,036,872	-	2,036,872
					204,349	-	204,349
					165,122	-	165,122
					876	-	876
					468	137	605
					109,686	2,272	111,958
					(15,750)	15,750	-
<b>Total General Revenues and Transfers</b>					<b>2,501,623</b>	<b>18,159</b>	<b>2,519,782</b>
					69,578	(57,200)	12,378
<b>Net Position - Beginning of Year</b>					<b>17,347,996</b>	<b>1,896,846</b>	<b>19,244,842</b>
<b>Net Position - End of Year</b>					<b>\$ 17,417,574</b>	<b>\$ 1,839,646</b>	<b>\$ 19,257,220</b>

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

**COSTILLA COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2017**

	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUND</b>	<b>SOCIAL SERVICES FUND</b>	<b>PUBLIC HEALTH FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,416,036	\$ 3,528,794	\$ 203,471	\$ 131,712	\$ 165,480	\$ 6,445,493
Receivables						
Property Taxes Receivable	1,837,092	-	314,945	-	59,557	2,211,594
Accounts Receivable	-	-	-	118,428	-	118,428
Due From Other Funds	1,550	-	-	-	-	1,550
Due From Other Governments	178,099	341,185	67,147	85,276	-	671,707
Inventory	-	150,195	-	4,197	-	154,392
<b>TOTAL ASSETS</b>	<b>\$ 4,432,777</b>	<b>\$ 4,020,174</b>	<b>\$ 585,563</b>	<b>\$ 339,613</b>	<b>\$ 225,037</b>	<b>\$ 9,603,164</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 161,954	\$ 26,756	\$ -	\$ 2,970	\$ 591	\$ 192,271
Due to Other Funds	-	1,550	-	-	-	1,550
Due to Other Governments	-	-	1,668	-	-	1,668
Unearned Revenue - Other	4,718	-	16,920	-	-	21,638
<b>TOTAL LIABILITIES</b>	<b>166,672</b>	<b>28,306</b>	<b>18,588</b>	<b>2,970</b>	<b>591</b>	<b>217,127</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Tax	1,837,092	-	314,945	-	59,557	2,211,594
<b>FUND BALANCE</b>						
Nonspendable						
Inventory	-	150,195	-	4,197	-	154,392
Restricted						
TABOR Amendment Reserve	89,000	121,000	47,000	35,000	-	292,000
Committed						
Capital Projects	-	-	-	-	28,995	28,995
Health and Welfare	-	-	205,030	297,446	-	502,476
Highway and Streets	-	3,720,673	-	-	-	3,720,673
Culture and Recreation	-	-	-	-	135,894	135,894
Assigned						
Designated for Future Use	360,000	-	-	-	-	360,000
Unassigned	1,980,013	-	-	-	-	1,980,013
<b>TOTAL FUND BALANCE</b>	<b>2,429,013</b>	<b>3,991,868</b>	<b>252,030</b>	<b>336,643</b>	<b>164,889</b>	<b>7,174,443</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,432,777</b>	<b>\$ 4,020,174</b>	<b>\$ 585,563</b>	<b>\$ 339,613</b>	<b>\$ 225,037</b>	<b>\$ 9,603,164</b>

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

**COSTILLA COUNTY, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2017**

<b>Total governmental fund balances</b>	\$	7,174,443
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,318,350
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease Purchase Agreement	\$	(535,000)
Capital Leases Payable		(1,368,685)
Note Payable		(97,776)
Compensated Absences		(73,758)
		(2,075,219)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>17,417,574</b>

**COSTILLA COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2017**

	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUND</b>	<b>SOCIAL SERVICES FUND</b>	<b>PUBLIC HEALTH FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>						
Taxes	2,020,146	-	327,436	-	58,761	\$ 2,406,343
Intergovernmental Revenue	575,823	4,024,168	4,591,328	1,500,974	19,389	10,711,682
Licenses and Permits	65,612	-	-	-	-	65,612
County Ordinances	99,865	-	-	-	-	99,865
Charges for Services	645,571	-	-	-	-	645,571
Miscellaneous	95,039	19,350	-	373	3,119	117,881
<b>TOTAL REVENUES</b>	<b>3,502,056</b>	<b>4,043,518</b>	<b>4,918,764</b>	<b>1,501,347</b>	<b>81,269</b>	<b>14,046,954</b>
<b>EXPENDITURES</b>						
Current Expenditures						
General Government	2,278,713	-	-	-	3,073	2,281,786
Public Safety	772,849	-	-	-	-	772,849
Health and Welfare	1,000	-	4,847,512	1,475,411	-	6,323,923
Highways and Streets	-	2,838,058	-	-	-	2,838,058
Auxiliary Services	477,570	-	-	-	-	477,570
Culture and Recreation	-	-	-	-	78,012	78,012
Capital Outlay	71,535	1,482,695	-	-	-	1,554,230
Debt Service	50,989	248,645	72,538	-	-	372,172
<b>TOTAL EXPENDITURES</b>	<b>3,652,656</b>	<b>4,569,398</b>	<b>4,920,050</b>	<b>1,475,411</b>	<b>81,085</b>	<b>14,698,600</b>
Excess (deficiency) of revenues over expenditures	(150,600)	(525,880)	(1,286)	25,936	184	(651,646)
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital Lease Proceeds	-	969,252	-	-	-	969,252
Note Proceeds	65,000	-	-	-	-	65,000
Transfers In	2,532	-	-	-	-	2,532
Transfers Out	(15,750)	-	-	-	(2,532)	(18,282)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>51,782</b>	<b>969,252</b>	<b>-</b>	<b>-</b>	<b>(2,532)</b>	<b>1,018,502</b>
Net change in fund balance	(98,818)	443,372	(1,286)	25,936	(2,348)	366,856
<b>Fund Balance at Beginning of Year</b>	<b>2,527,831</b>	<b>3,548,496</b>	<b>253,316</b>	<b>310,707</b>	<b>167,237</b>	<b>6,807,587</b>
<b>Fund Balance at End of Year</b>	<b>\$ 2,429,013</b>	<b>\$ 3,991,868</b>	<b>\$ 252,030</b>	<b>\$ 336,643</b>	<b>\$ 164,889</b>	<b>\$ 7,174,443</b>

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

**COSTILLA COUNTY, COLORADO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

**Net change in fund balances - total governmental funds** \$ 366,856

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

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

Capital Asset Additions	\$	1,368,097	
Capital Asset Deletions Net of Accumulated Depreciation		(83,380)	
Depreciation Expense		(989,063)	
			295,654

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

Lease Purchase Agreement Payment		43,000	
Capital Lease Proceeds		(969,252)	
Note Proceeds		(65,000)	
Note Payments		72,294	
Capital Lease Payments/ Decrease in Debt Obligation		328,403	
			(590,555)

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

Compensated Absences			(2,377)

**Change in net position of governmental activities** \$ 69,578

**COSTILLA COUNTY, COLORADO**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>WATER AND SANITATION FUND</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 81,990
Accounts Receivable	4,518
<b>Total Current Assets</b>	86,508
<b>Noncurrent Assets</b>	
Capital Assets	
Water and Sewer Plant	4,600,879
Less: Accumulated Depreciation/Depletion	(2,792,933)
<b>Total Noncurrent Assets</b>	1,807,946
<b>TOTAL ASSETS</b>	1,894,454
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	11,478
Accrued Interest Payable	1,330
Bonds Payable (current portion)	13,000
<b>Total Current Liabilities</b>	25,808
<b>Noncurrent Liabilities</b>	
Bonds Payable	29,000
<b>Total Noncurrent Liabilities</b>	29,000
<b>TOTAL LIABILITIES</b>	54,808
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,765,946
Unrestricted	73,700
<b>TOTAL NET POSITION</b>	\$ 1,839,646

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

**COSTILLA COUNTY, COLORADO**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**For the Year Ended December 31, 2017**

	<b>WATER AND SANITATION FUND</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 166,704
Miscellaneous	2,272
	168,976
<b>Total Charges for Services</b>	<b>168,976</b>
<b>Total operating revenues</b>	<b>168,976</b>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	73,086
Supplies	14,948
Utilities	22,442
Professional Services	14,480
Repairs and Maintenance	8,151
Permits and Fees	6,308
Depreciation Expense	103,078
Miscellaneous	2,008
	244,501
<b>Total operating expenses</b>	<b>244,501</b>
Operating Income (Loss)	(75,525)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest on Deposits	137
Interest Expense	(2,262)
	(2,125)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,125)</b>
Income (Loss) Before Other Revenue	(77,650)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	
Tap Fees	4,700
Transfer In	15,750
	20,450
<b>Total Capital Contributions and Transfers</b>	<b>20,450</b>
Change in Net Position	(57,200)
<b>Net Position, Beginning of Year</b>	<b>1,896,846</b>
<b>Net Position, End of Year</b>	<b>\$ 1,839,646</b>

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

**COSTILLA COUNTY, COLORADO**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**

	<b>WATER AND SANITATION FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 168,785
Cash Payments to Suppliers for Goods and Services	(63,709)
Cash Payments to Employees for Services	(73,086)
	<u>31,990</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>31,990</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Asset Additions	(29,671)
Cash Received from Tap Fees	4,700
	<u>(24,971)</u>
<b>NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(24,971)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Deposits	137
	<u>137</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>137</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,156
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>74,834</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 81,990</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (75,525)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	103,078
(Increase) Decrease in Accounts Receivable	(191)
Increase (Decrease) in Accounts Payable	4,628
	<u>107,515</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 31,990</u>
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
General Fund paid current year debt payment of \$15,750.	

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

**COSTILLA COUNTY, COLORADO**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**December 31, 2017**

	<b>AGENCY FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	243,556
<b>TOTAL ASSETS</b>	<u>\$ 243,556</u>
<b>LIABILITIES</b>	
Funds Held for Others	243,556
<b>TOTAL LIABILITIES</b>	<u>\$ 243,556</u>

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

Costilla County was created as a quasi-municipal corporation by the legislature in 1913 for the purpose of exercising a part of the political power of the State of Colorado. The County is governed by a three-member Board of County Commissioners (the Board). Each commissioner is elected at-large by the voters of the County to represent one of the three separate districts and must reside in the district for which he or she is elected. There are also five other elected officials - assessor, clerk and recorder, coroner, sheriff, and treasurer. The treasurer is also the County Public Trustee. The County provides the following services: public safety (sheriff), highways and streets, health and welfare, water and sanitation system, property tax collection and distribution, land use planning and regulations, culture and recreation, library, and general administrative services.

***Component Units***

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

The County reports the following major governmental funds:

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

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

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

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

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

***Cash and Cash Equivalents***

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

***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable. The 2017 property tax levy due January 1, 2018, has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources.

***Inventories***

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

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

***Capital Assets***

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Equipment	5-15
Infrastructure	20-50

***Long-Term Obligations***

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

***Compensated Absences***

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

***Unearned Revenue***

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

***Deferred Inflows of Resources***

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

***Net Position***

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

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

***Fund Balance***

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

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

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

***Use of Estimates***

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

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

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

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2017.

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

**NOTE 3 CASH, DEPOSITS AND INVESTMENTS**

A summary of cash, deposits, and investments for the County are as follow:

Cash on hand	\$ 1,210
Cash deposited with banks	6,676,710
Investments	93,119
Total cash, deposits, and investmets: (Book Balance)	6,771,039
Less: amounts related to Trust & Agency Funds	(243,556)
Total cash, deposits, and investments on Statement of Net Position	\$ 6,527,483

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2017, \$6,431,135 was exposed to credit risk. Deposits exposed to credit risk, if any, are collateralized with securities held by the pledging financial institutions through PDPA.

***Investments***

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

- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptances of certain banks
- Commercial paper

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investments contracts
- Corporate or bank debt issued by eligible corporations or banks

***Custodial Credit Risk – Investments***

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

***Interest Rate Risk***

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

The Colorado Government Liquid Asset Trust (ColoTrust), is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the pool. Investments of the pools consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. As of December 31, 2017, the local government investment pools (Colotruster) in which the County had invested were rated AAAM by Standard & Poor’s.

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At December 31, 2017, the County had an estimated property tax receivable split between the funds as follows:

General Fund	\$ 1,837,092
Social Services Fund	314,945
Library Fund	<u>59,557</u>
	<u><u>\$ 2,211,594</u></u>

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 ACCOUNTS RECEIVABLE**

At December 31, 2017, the County had accounts receivable as follows:

Public Health Fund (net of allowance for uncollectible accounts of \$0)	\$ 118,428
Water and Sanitation Fund (net of allowance for uncollectible accounts of \$1,513)	4,518
Total Accounts Receivable, Net	\$ 122,946

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

***Interfund Receivables/Payables***

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

Interfund receivable and payable balances at December 31, 2017, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Fund	\$ 1,550

***Interfund Transfers***

Interfund transfers for the year ended December 31, 2017, were as follows:

Transfers In	Transfers Out	Amount
General Fund	Conservation Trust Fund	\$ 2,532
Water and Sanitation Fund	General Fund	15,750
		\$ 18,282

The Conservation Trust Fund transferred \$2,532 to the General Fund to reimburse the General Fund for the Trail Grant activity. The General Fund transferred \$15,750 to the Water and Sanitation Fund to pay the 2017 debt payment.

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 1,057,781	\$ 5,176	\$ -	\$ 1,062,957
Construction in Progress	819,252	29,449	385,811	462,890
Total capital assets not being depreciated	<u>1,877,033</u>	<u>34,625</u>	<u>385,811</u>	<u>1,525,847</u>
Capital assets being depreciated				
Buildings	10,066,654	-	-	10,066,654
Equipment	6,274,245	1,333,472	301,052	7,306,665
Infrastructure	2,968,578	385,811	-	3,354,389
Total capital assets being depreciated	<u>19,309,477</u>	<u>1,719,283</u>	<u>301,052</u>	<u>20,727,708</u>
Less accumulated depreciation for:				
Buildings	3,926,111	288,194	-	4,214,305
Equipment	4,656,672	589,486	217,672	5,028,486
Infrastructure	581,031	111,383	-	692,414
Total accumulated depreciation	<u>9,163,814</u>	<u>989,063</u>	<u>217,672</u>	<u>9,935,205</u>
Total capital assets being depreciated, net	<u>10,145,663</u>	<u>730,220</u>	<u>83,380</u>	<u>10,792,503</u>
<b><i>Governmental Activities Capital Assets, net</i></b>	<u><u>\$ 12,022,696</u></u>	<u><u>\$ 764,845</u></u>	<u><u>\$ 469,191</u></u>	<u><u>\$ 12,318,350</u></u>
	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b><i>Business-type Activities</i></b>				
Capital assets being depreciated				
Water and Sewer Line equipment	\$ 4,571,208	\$ 29,671	\$ -	\$ 4,600,879
Less: accumulated depreciation	(2,689,855)	(103,078)	-	(2,792,933)
Total capital assets not being depreciated	<u>1,881,353</u>	<u>(73,407)</u>	<u>-</u>	<u>1,807,946</u>
<b><i>Business-type Activities Capital Assets, net</i></b>	<u><u>\$ 1,881,353</u></u>	<u><u>\$ (73,407)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,807,946</u></u>

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

<b><i>Governmental activities:</i></b>	
General Government	\$ 117,371
Public Safety	53,874
Health and Welfare	153,270
Highways and Streets	660,617
Culture and Recreation	3,931
Total depreciation expense - governmental activities	\$ 989,063
 <b><i>Business-type activities:</i></b>	
Water	\$ 51,055
Sanitation	52,023
Total depreciation expense - business-type activities	\$ 103,078

**NOTE 8 LONG-TERM LIABILITIES**

***Changes in Long-term Liabilities***

Long-term liability balances for the year ended December 31, 2017, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><i>Governmental Activities:</i></b>					
Lease Purchase Agreements	\$ 578,000	\$ -	\$ 43,000	\$ 535,000	\$ 45,000
Capital Leases Payable	727,836	969,252	328,403	1,368,685	231,309
Notes Payable	105,070	65,000	72,294	97,776	38,571
Compensated Absences	71,381	2,377	-	73,758	3,151
Total Governmental Activities	\$ 1,482,287	\$ 1,036,629	\$ 443,697	\$ 2,075,219	\$ 318,031
 <b><i>Business-type Activities:</i></b>					
Revenue Bonds Payable	\$ 55,000	\$ -	\$ 13,000	\$ 42,000	\$ 13,000
Total Business-type Activities	\$ 55,000	\$ -	\$ 13,000	\$ 42,000	\$ 13,000

**GOVERNMENTAL ACTIVITIES**

***Lease Purchase Agreement***

An annually renewable Lease Purchase Agreement, dated June 15, 2007, was entered into between Alpine Bank (the "Bank"), as lessor, and Costilla County, Colorado (the "County"), as lessee. The bank issued \$869,000 at 5.2% interest, to the County for the purchase of the Health and Human Services Complex under construction. The County is leasing the building back via the Lease Purchase Agreement. The County used the proceeds from the sale to construct and equip the Social Services wing of the Costilla County Health and Human Services Complex. The complex is included in fixed assets at a cost of \$2,547,072 with accumulated depreciation of \$849,021.

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Payments are due to the Bank in semi-annual installments through June 15, 2027. The County can purchase the building back at any time for the purchase option price included in the lease. Principal and interest were paid during 2017 in the amount of \$43,000 and \$29,538 respectively, from the Social Services Fund.

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

	Principal	Interest	Total
2018	\$ 45,000	\$ 27,248	\$ 72,248
2019	47,000	24,882	71,882
2020	50,000	22,386	72,386
2021	53,000	19,760	72,760
2022	55,000	16,978	71,978
2023-2027	285,000	38,246	323,246
	<u>\$ 535,000</u>	<u>\$ 149,500</u>	<u>\$ 684,500</u>

**Capital Leases Payable**

The County is obligated under certain leases accounted for as capital leases. These agreements are backed by the full faith and credit of the County and debt service is provided by the fund purchasing the equipment. The leased assets and related obligations are accounted for in the statement of net position and the statement of activities. The cost of the equipment equaled \$2,258,251 and the related accumulated depreciation equaled \$679,669 as of December 31, 2017.

Description	Original Amount	Payment Terms	Payment Amount	Balloon Payment	Interest Rate	Responsible Fund	12/31/2017 Balance
Caterpillar 140 M2	\$ 129,300	60 Months	\$ 2,000	\$ -	3.20%	R&B	\$ 31,060
Caterpillar Motor Grader	169,300	60 Months	881	133,120	2.20%	R&B	142,206
Caterpillar Motor Grader	224,833	5 Annual	48,017	50,000	2.50%	R&B	139,783
Caterpillar Motor Grader	147,047	5 Annual	27,340	50,000	2.50%	R&B	99,699
2016 GMC Canyon Pickup	28,613	3 Annual	10,277	-	5.20%	GF	19,759
John Deere Motor Grader	232,050	6 Annual	42,484	50,000	3.50%	R&B	198,975
Caterpillar Motor Grader	187,800	7 Annual	23,218	73,218	2.70%	R&B	187,800
Caterpillar Motor Grader	161,400	7 Annual	21,915	50,000	2.70%	R&B	161,400
Caterpillar Motor Grader	240,102	7 Annual	36,299	50,000	2.70%	R&B	240,102
Caterpillar Motor Grader	147,900	7 Annual	16,886	50,000	2.70%	R&B	147,901
							<u>\$ 1,368,685</u>

The annual debt service for the Capital Leases Payable is as follows:

	Principal	Interest	Total
2018	\$ 231,309	\$ 37,217	\$ 268,526
2019	333,765	29,310	363,075
2020	219,879	22,299	242,178
2021	124,535	16,267	140,802
2022	135,799	12,522	148,321
2023-2024	323,398	15,044	338,442
	<u>\$ 1,368,685</u>	<u>\$ 132,659</u>	<u>\$ 1,501,344</u>

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**Notes Payable**

On April 15, 2015 the County entered into a \$117,265 government obligation contract with Kansas State Bank, payable in annual installments of \$25,000 beginning on April 15, 2016, at 2.5% interest for the purchase of three police vehicles. Final payment is due April 15, 2019. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2017 was \$48,256. These capital assets are recorded in the fixed assets of the government-wide financial statements at \$117,265 less accumulated depreciation of \$70,362.

On November 17, 2016 the County entered into a \$65,000 government obligation contract with Kansas State Bank, payable in annual installments of \$17,477 beginning on February 5, 2017, at 4.75% interest for the purchase of report management system software. Final payment is due February 15, 2020. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2017 was \$65,000. This capital asset is recorded in the fixed assets of the government-wide financial statements at \$65,000 less accumulated depreciation of \$13,000.

	Principal	Interest	Total
2018	\$ 38,571	\$ 3,906	\$ 42,477
2019	40,755	2,348	43,103
2020	18,450	793	19,243
	\$ 97,776	\$ 7,047	\$ 104,823

**BUSINESS-TYPE ACTIVITIES**

**Revenue Bonds Payable**

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

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

	Principal	Interest	Total
2018	\$ 13,000	\$ 2,100	\$ 15,100
2019	14,000	1,450	15,450
2020	15,000	750	15,750
	\$ 42,000	\$ 4,300	\$ 46,300

**NOTE 9 OPERATING LEASES**

The County is committed under various leases for heavy equipment and office equipment. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$233,014.

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 RETIREMENT**

***Pension Plans***

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

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

The County must contribute 4% of the compensation of each participant. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2017, employee contributions totaled \$123,989 and the County recognized pension expense of \$123,989. The County recognized \$1,382 of forfeitures in retirement expense during 2017.

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

***Deferred Compensation Plan***

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

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

**NOTE 11 TABOR AMENDMENT RESERVE**

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

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. In November 1997, the voters of Costilla County passed a ballot issue which stated that the County shall "be permitted to collect, retain, and expend the full proceeds of the County taxes, grants, fees and other revenues, and other funds collected, notwithstanding Article X, Section 20 of the Colorado Constitution from the date of January 1, 1996, provided that no local tax rate or mill levy shall be increased without further voter approval."

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. The Emergency Reserve has been presented as a restricted net position/fund balance in the

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

financial statements. The County is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**NOTE 12 RISK MANAGEMENT**

***Colorado Counties Casualty and Property Pool (CAPP)***

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

At December 31, 2017, CAPP had assets of \$24,284,660, liabilities of \$9,537,262 (including \$7,397,260 reserved for losses and claims), and members' equity of \$14,747,398. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2017, amounted to \$6,753,835 and total expenses were \$5,989,546, resulting in net income before return of surplus of \$764,289.

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 SEGMENT INFORMATION FOR ENTERPRISE FUND**

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

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Charges for Services	\$ 114,084	\$ 52,620	\$ 166,704
Miscellaneous Revenue	1,136	1,136	2,272
Total Operating Revenue	<u>115,220</u>	<u>53,756</u>	<u>168,976</u>
Operating Expenses	82,465	58,958	141,423
Depreciation Expenses	51,055	52,023	103,078
Total Operating Expenses	<u>133,520</u>	<u>110,981</u>	<u>244,501</u>
OPERATING INCOME (LOSS)	(18,300)	(57,225)	(75,525)
Nonoperating Revenues (Expenses)			
Transfer In-General Fund	7,875	7,875	15,750
Interest Income	69	68	137
Interest Expense	(1,131)	(1,131)	(2,262)
Total Nonoperating Revenues (Expenses)	<u>6,813</u>	<u>6,812</u>	<u>13,625</u>
Capital Contributions (Water and Sewer Taps)	<u>4,000</u>	<u>700</u>	<u>4,700</u>
Change in Net Position	(7,487)	(49,713)	(57,200)
BEGINNING NET POSITON			<u>1,896,846</u>
ENDING NET POSITION			<u><u>1,839,646</u></u>
Current Assets			86,508
Capital Assets (net of accumulated depreciation of \$2,792,933)	820,333	987,613	1,807,946
TOTAL ASSETS			<u>1,894,454</u>
Current Liabilities	12,904	12,904	25,808
Long-Term Liabilities	14,500	14,500	29,000
TOTAL LIABILITIES			<u>54,808</u>
Net Investment in Capital Assets			1,765,946
Net Working Capital			73,700
TOTAL EQUITY			<u><u>\$ 1,839,646</u></u>

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

***Grants***

The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be

**COSTILLA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

disallowed by the granting agencies, cannot be determined at this time although the County expects any such amounts to be immaterial.

***Insurance Pools***

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

***Litigation***

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

***Construction Projects***

The County is in the process of completing the Sangre de Cristo Heritage Center Community Kitchen Project. The estimated completion date for this Project is March 31, 2019. Total project costs to date are approximately \$20,200 with total estimated project costs of \$475,400.

The County is in the process of completing the Saw Mill County Roads Improvement Project. The estimated completion date for this Project is December 31, 2018. Total project costs to date are approximately \$447,840 with total estimated project costs of \$500,000.

## **COSTILLA COUNTY, COLORADO**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 1,937,241	\$ 1,937,241	\$ 2,020,146	\$ 82,905
Intergovernmental Revenue	1,083,443	1,239,468	575,823	(663,645)
Licenses and Permits	56,500	56,500	65,612	9,112
County Ordinance	20,300	20,300	99,865	79,565
Charges for Services	504,945	539,945	645,571	105,626
Miscellaneous	29,315	29,315	95,039	65,724
<b>TOTAL REVENUES</b>	<b>3,631,744</b>	<b>3,822,769</b>	<b>3,502,056</b>	<b>(320,713)</b>
<b>EXPENDITURES</b>				
General Government	2,648,237	2,788,623	2,278,713	509,910
Public Safety	768,450	814,057	772,849	41,208
Health and Welfare	1,000	1,000	1,000	-
Auxiliary Services	593,676	598,708	477,570	121,138
Capital Outlay	-	-	71,535	(71,535)
Debt Service	-	-	50,989	(50,989)
<b>TOTAL EXPENDITURES</b>	<b>4,011,363</b>	<b>4,202,388</b>	<b>3,652,656</b>	<b>549,732</b>
Excess (deficiency) of revenues over expenditures	(379,619)	(379,619)	(150,600)	229,019
<b>OTHER FINANCING SOURCES (USES)</b>				
Note Proceeds	-	-	65,000	65,000
Transfers In	-	-	2,532	2,532
Transfers Out	-	-	(15,750)	(15,750)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>51,782</b>	<b>51,782</b>
Net change in fund balance	(379,619)	(379,619)	(98,818)	280,801
<b>Fund Balance at beginning of year</b>	<b>1,726,278</b>	<b>1,726,278</b>	<b>2,527,831</b>	<b>801,553</b>
<b>Fund Balance at end of year</b>	<b>\$ 1,346,659</b>	<b>\$ 1,346,659</b>	<b>\$ 2,429,013</b>	<b>\$ 1,082,354</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2017**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,592,363	\$ 4,592,363	\$ 4,024,168	\$ (568,195)
Miscellaneous	15,220	15,220	19,350	4,130
<b>TOTAL REVENUES</b>	<b>4,607,583</b>	<b>4,607,583</b>	<b>4,043,518</b>	<b>(564,065)</b>
<b>EXPENDITURES</b>				
Highways and Streets	3,122,083	3,122,083	2,838,058	284,025
Capital Outlay	1,360,000	1,360,000	1,482,695	(122,695)
Debt Service	497,300	497,300	248,645	248,655
<b>TOTAL EXPENDITURES</b>	<b>4,979,383</b>	<b>4,979,383</b>	<b>4,569,398</b>	<b>409,985</b>
Excess (deficiency) of revenues over expenditures	(371,800)	(371,800)	(525,880)	(154,080)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	371,800	371,800	969,252	597,452
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>371,800</b>	<b>371,800</b>	<b>969,252</b>	<b>597,452</b>
Net change in fund balance	-	-	443,372	443,372
<b>Fund Balance at beginning of year</b>	<b>3,179,025</b>	<b>3,179,025</b>	<b>3,548,496</b>	<b>369,471</b>
<b>Fund Balance at end of year</b>	<b>\$ 3,179,025</b>	<b>\$ 3,179,025</b>	<b>\$ 3,991,868</b>	<b>\$ 812,843</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SOCIAL SERVICES FUND**  
**For the Year Ended December 31, 2017**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 349,842	\$ 349,842	\$ 327,436	\$ (22,406)
Intergovernmental Revenue	5,989,260	5,989,260	4,591,328	(1,397,932)
<b>TOTAL REVENUES</b>	<b>6,339,102</b>	<b>6,339,102</b>	<b>4,918,764</b>	<b>(1,420,338)</b>
<b>EXPENDITURES</b>				
Health and Welfare	6,229,218	6,229,218	4,847,512	1,381,706
Debt Service	75,000	75,000	72,538	2,462
<b>TOTAL EXPENDITURES</b>	<b>6,304,218</b>	<b>6,304,218</b>	<b>4,920,050</b>	<b>1,384,168</b>
Excess (deficiency) of revenues over expenditures	34,884	34,884	(1,286)	(36,170)
<b>Fund Balance at beginning of year</b>	<b>491,178</b>	<b>491,178</b>	<b>253,316</b>	<b>(237,862)</b>
<b>Fund Balance at end of year</b>	<b>\$ 526,062</b>	<b>\$ 526,062</b>	<b>\$ 252,030</b>	<b>\$ (274,032)</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC HEALTH FUND**  
**For the Year Ended December 31, 2017**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,563,781	\$ 1,578,302	\$ 1,500,974	\$ (77,328)
Interest on Deposits	10	10	373	363
<b>TOTAL REVENUES</b>	<b>1,563,791</b>	<b>1,578,312</b>	<b>1,501,347</b>	<b>(76,965)</b>
<b>EXPENDITURES</b>				
Health and Welfare	1,742,014	1,756,535	1,475,411	281,124
<b>TOTAL EXPENDITURES</b>	<b>1,742,014</b>	<b>1,756,535</b>	<b>1,475,411</b>	<b>281,124</b>
Excess (deficiency) of revenues over expenditures	(178,223)	(178,223)	25,936	204,159
<b>Fund Balance at beginning of year</b>	<b>213,771</b>	<b>213,771</b>	<b>310,707</b>	<b>96,936</b>
<b>Fund Balance at end of year</b>	<b>\$ 35,548</b>	<b>\$ 35,548</b>	<b>\$ 336,643</b>	<b>\$ 301,095</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

# **COSTILLA COUNTY, COLORADO**

## **SUPPLEMENTARY INFORMATION**

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

**COSTILLA COUNTY, COLORADO  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

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

**CAPITAL PROJECTS FUNDS**

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

**COSTILLA COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2017**

	<b>NONMAJOR SPECIAL REVENUE FUNDS</b>			<b>TOTAL NONMAJOR GOVERNMENTAL</b>
	<b>LIBRARY FUND</b>	<b>CONSERVATION TRUST FUND</b>	<b>CAPITAL PROJECTS FUND</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 64,813	\$ 71,672	\$ 28,995	\$ 165,480
Property Taxes Receivable	59,557	-	-	59,557
<b>TOTAL ASSETS</b>	<b>\$ 124,370</b>	<b>\$ 71,672</b>	<b>\$ 28,995</b>	<b>\$ 225,037</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 591	\$ -	\$ -	\$ 591
<b>TOTAL LIABILITIES</b>	<b>591</b>	<b>-</b>	<b>-</b>	<b>591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Tax	59,557	-	-	59,557
<b>FUND BALANCE</b>				
Committed				
Capital Projects	-	-	28,995	28,995
Culture and Recreation	64,222	71,672	-	135,894
<b>TOTAL FUND BALANCE</b>	<b>64,222</b>	<b>71,672</b>	<b>28,995</b>	<b>164,889</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 124,370</b>	<b>\$ 71,672</b>	<b>\$ 28,995</b>	<b>\$ 225,037</b>

**COSTILLA COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2017**

	NONMAJOR SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL
	LIBRARY FUND	CONSERVATION TRUST FUND	CAPITAL PROJECTS FUND	
<b>REVENUES</b>				
Taxes	\$ 58,761	\$ -	\$ -	\$ 58,761
Intergovernmental Revenue	-	19,389	-	19,389
Miscellaneous	1,852	1,267	-	3,119
<b>TOTAL REVENUES</b>	<b>60,613</b>	<b>20,656</b>	<b>-</b>	<b>81,269</b>
<b>EXPENDITURES</b>				
Current Expenditures				
General Government	-	-	3,073	3,073
Culture and Recreation	69,953	8,059	-	78,012
<b>TOTAL EXPENDITURES</b>	<b>69,953</b>	<b>8,059</b>	<b>3,073</b>	<b>81,085</b>
Excess (deficiency) of revenues over expenditures	(9,340)	12,597	(3,073)	184
<b>TRANSFERS</b>				
Transfers Out	-	(2,532)	-	(2,532)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(2,532)</b>	<b>-</b>	<b>(2,532)</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(9,340)	10,065	(3,073)	(2,348)
<b>Fund Balance at beginning of year</b>	<b>73,562</b>	<b>61,607</b>	<b>32,068</b>	<b>167,237</b>
<b>Fund Balance at end of year</b>	<b>\$ 64,222</b>	<b>\$ 71,672</b>	<b>\$ 28,995</b>	<b>\$ 164,889</b>

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES/EXPENSES AND TRANSFERS OUT**  
**BUDGET AND ACTUAL**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS,**  
**AND MAJOR PROPRIETARY FUND**  
**For the Year Ended December 31, 2017**

	BUDGETED AMOUNTS		EXPENDITURES	ADJUSTMENTS	EXPENDITURES	VARIANCE WITH
	ORIGINAL	FINAL	REPORTED ON	TO BUDGETARY	ON THE	FINAL BUDGET
			THE GAAP	BASIS	BUDGETARY	POSITIVE
			BASIS	BASIS	BASIS	(NEGATIVE)
<b>Governmental Funds</b>						
Non-major Governmental Funds						
Special Revenue Funds						
Library Fund	\$ 83,491	\$ 83,491	\$ 69,953	\$ -	\$ 69,953	\$ 13,538
Conservation Trust Fund	40,378	40,378	8,059	-	8,059	32,319
Total Special Revenue Funds	123,869	123,869	78,012	-	78,012	45,857
Capital Projects Funds						
Capital Projects Fund	25,000	25,000	3,073	-	3,073	21,927
Total Capital Projects Funds	25,000	25,000	3,073	-	3,073	21,927
Total Non-major Governmental Funds	\$ 148,869	\$ 148,869	\$ 81,085	\$ -	\$ 81,085	\$ 67,784
<b>Proprietary Fund</b>						
Major Proprietary Fund						
Water and Sanitation Fund	\$ 204,996	\$ 204,996	\$ 246,763	\$ (90,078)	\$ 156,685	\$ 48,311
Total Major Proprietary Fund	\$ 204,996	\$ 204,996	\$ 246,763	\$ (90,078)	\$ 156,685	\$ 48,311

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

**COSTILLA COUNTY, COLORADO**

**OTHER SCHEDULES AND REPORTS**

**COSTILLA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b>CCDF Cluster</b>			
Department of Health and Human Services			
Child Care and Development Block Grant	93.575	Colorado Department of Human Services,N/A	\$ 52,702
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Colorado Department of Human Services,N/A	4,613
<i>Total Department of Health and Human Services</i>			<u>57,315</u>
<b>Total CCDF Cluster</b>			<u>57,315</u>
<b>Food Distribution Cluster</b>			
Department of Agriculture			
Commodity Supplemental Food Program	10.565	Colorado Department of Human Services,N/A	168,396
Emergency Food Assistance Program (Food Commodities)	10.569	Colorado Department of Human Services and Care and Share Food Bank,N/A	53,726
<i>Total Department of Agriculture</i>			<u>222,122</u>
<b>Total Food Distribution Cluster</b>			<u>222,122</u>
<b>TANF Cluster</b>			
Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Colorado Department of Human Services,N/A	297,108
<i>Total Department of Health and Human Services</i>			<u>297,108</u>
<b>Total TANF Cluster</b>			<u>297,108</u>
<b>Medicaid Cluster</b>			
Department of Health and Human Services			
Medical Assistance Program	93.778	Colorado Department of Human Services,N/A	168,744
Medical Assistance Program	93.778	Colorado Department of Health Care Policy & Financing and Conejos County,N/A	98,260
<i>Total Department of Health and Human Services</i>			<u>267,004</u>
<b>Total Medicaid Cluster</b>			<u>267,004</u>
<b>SNAP Cluster</b>			
Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Colorado Department of Human Services,N/A	61,316
<i>Total Department of Agriculture</i>			<u>61,316</u>
<b>Total SNAP Cluster</b>			<u>61,316</u>
<b>Forest Service Schools and Roads Cluster</b>			
Department of Agriculture			
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury	23
<i>Total Department of Agriculture</i>			<u>23</u>
<b>Total Forest Service Schools and Roads Cluster</b>			<u>23</u>

**COSTILLA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b>Highway Safety Cluster</b>			
Department of Transportation			
National Priority Safety Programs	20.616	Colorado Department of Transportation,N/A	<u>2,727</u>
<i>Total Department of Transportation</i>			<u>2,727</u>
<b>Total Highway Safety Cluster</b>			<u>2,727</u>
<b>Drinking Water State Revolving Fund Cluster</b>			
United States Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Colorado Water Resources and Power Development Authority,D14F338	<u>3,818</u>
<i>Total United States Environmental Protection Agency</i>			<u>3,818</u>
<b>Total Drinking Water State Revolving Fund Cluster</b>			<u>3,818</u>
<b>Total All Clusters</b>			<u>911,433</u>
<b>Other Programs</b>			
Department of Homeland Security			
Emergency Management Performance Grants	97.042	Colorado Department of Local Affairs,N/A	<u>10,000</u>
<i>Total Department of Homeland Security</i>			<u>10,000</u>
Department of the Interior			
Partners for Fish and Wildlife	15.631		<u>12,622</u>
<i>Total Department of the Interior</i>			<u>12,622</u>
United States Department of Justice			
Bulletproof Vest Partnership Program	16.607		<u>820</u>
<i>Total United States Department of Justice</i>			<u>820</u>
Department of Health and Human Services			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Colorado Department of Public Health and Environment,HF15J/HI17J/HW17J/ HW18J	<u>20,930</u>
<i>Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements</i>			<u>20,930</u>
Guardianship Assistance	93.090	Colorado Department of Human Services,N/A	<u>649</u>
<i>Total Guardianship Assistance</i>			<u>649</u>
Immunization Cooperative Agreements	93.268	Colorado Department of Public Health and Environment,KA16H/KA17H	<u>1,620</u>
<i>Total Immunization Cooperative Agreements</i>			<u>1,620</u>

**COSTILLA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Support Enforcement	93.563	Colorado Department of Human Services,N/A	77,153
Total Child Support Enforcement			<u>77,153</u>
Low-Income Home Energy Assistance	93.568	Colorado Department of Human Services,N/A	440,249
Total Low-Income Home Energy Assistance			<u>440,249</u>
Community Services Block Grant	93.569	Colorado Department of Local Affairs and SLV Community Action Agency,N/A	21,994
Total Community Services Block Grant			<u>21,994</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Colorado Department of Human Services,N/A	24,349
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>24,349</u>
Foster Care_Title IV-E	93.658	Colorado Department of Human Services,N/A	234,887
Total Foster Care_Title IV-E			<u>234,887</u>
Adoption Assistance	93.659	Colorado Department of Human Services,N/A	18,569
Total Adoption Assistance			<u>18,569</u>
Social Services Block Grant	93.667	Colorado Department of Human Services,N/A	58,943
Total Social Services Block Grant			<u>58,943</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Colorado Department of Human Services,N/A	107,924
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>107,924</u>
Maternal and Child Health Services Block Grant to the States	93.994	Colorado Department of Public Health and Environment,ND17L	4,098
Total Maternal and Child Health Services Block Grant to the States			<u>4,098</u>
<i>Total Department of Health and Human Services</i>			<u>1,011,365</u>
Department of Housing and Urban Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Colorado Department of Local Affairs,N/A	322,383
<i>Total Department of Housing and Urban Development</i>			<u>322,383</u>
Department of Agriculture Community Forest and Open Space Conservation Program (CFP)	10.689		150,350
<i>Total United States Department of Agriculture</i>			<u>150,350</u>
<b>Total Other Programs</b>			<u>1,507,540</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,418,973</u></u>

**COSTILLA COUNTY, COLORADO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Costilla County, Colorado under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Costilla County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Costilla County, Colorado.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The County did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2017. In addition, the County did not pass-through federal funds to subrecipients.

**NOTE 3 FOOD DISTRIBUTION**

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

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



Wall,  
Smith,  
Bateman Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Costilla County, Colorado (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 12, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

### **Certified Public Accountants**

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

September 12, 2018

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



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

**Report on Compliance for Each Major Federal Program**

We have audited Costilla County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

**Certified Public Accountants**

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

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.558 TANF Cluster as described in finding 2017-001 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

***Qualified Opinion on the TANF Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF cluster for the year ended December 31, 2017.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

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

**Report on Internal Control Over Compliance**

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as Finding 2017-001 to be a material weakness.

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

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

September 12, 2018

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?   X  yes    \_\_\_\_\_no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? \_\_\_\_\_yes      X  none reported

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

- Qualified for the Temporary Assistance for Needy Families (TANF) Cluster
- Unmodified for the Food Distribution Cluster

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

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee?   X  yes    \_\_\_\_\_no

**Section II – Financial Statement Findings**

None

**COSTILLA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2017-001: TANF Cluster, CFDA No. 93.558**  
**U.S. Department of Health and Human Services**  
**(Repeat of Finding 2016-002, 2015-001)**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility and Special Tests and Provisions*

*Grant No.: Not applicable*

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

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

- One instance of lack of documentation monitoring work related activity
- Three instances of missing Initial Assessments
- Two instances of missing Individual Responsibility Contracts (IRCs)
- Two instances of Individual Responsibility Contracts (IRCs) being completed outside of the 30 day compliance requirement

*Context:* We examined 15 of an average of 57 total case files for basic cash assistance with \$212,030 in total expenditures.

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

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

*Questioned Costs:* Undetermined

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

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

*Grantee's Response:* See corrective action plan.

**COSTILLA COUNTY, COLORADO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended December 31, 2017**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

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

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility*

*Grant No.: Not applicable*

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

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

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

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

*Status:* Implemented

**COSTILLA COUNTY, COLORADO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended December 31, 2017**

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

*Passed through Colorado Department of Human Services*

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

*Grant No.: Not applicable*

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

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

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

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

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

*Status:* Not Implemented (Finding 2017-001)



## Costilla County Board of Commissioners

*"Where Colorado Began"*

352 Main Street  
PO Box 100  
San Luis, CO 81152

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

[www.costillacounty-co.gov](http://www.costillacounty-co.gov)

### CORRECTIVE ACTION PLAN

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

Costilla County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2017.

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

Audit period: Year ended December 31, 2017

The findings from the December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

#### Section III – Federal Award Findings and Questioned Costs

**Finding 2017-001: TANF Cluster, CFDA No. 93.558**  
**U.S. Department of Health and Human Services**  
**(Repeat of Finding 2016-002, 2015-001)**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility and Special Tests and Provisions*

*Grant No.: Not applicable*

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

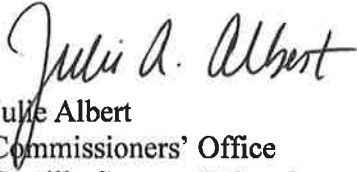
*Recommendation: Technicians and Supervisors should consistently adhere to the policies and procedures of the Social Services Department and CDHS Staff Manual, Volume III, to ensure compliance with TANF requirements.*

*Action Taken: CCDSS has in the last few years had a new Colorado Works Tech every year; it appears we will be moving forward with the same, consistent, fully trained Colorado Works Technician for next year. CCDSS will have the technician and supervisor consistently follow the policies and procedures of the Social Services Department and CDHS staff manual, Volume 3, to ensure compliance with all TANF requirements.*

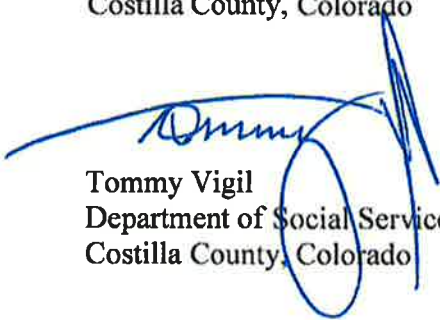
**DOLORES BURNS Chair \* LAWRENCE PACHECO Vice-Chair \* Augustine "Roy" Esquibel**  
**Commissioner to Convey**

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

Sincerely yours,



Julie Albert  
Commissioners' Office  
Costilla County, Colorado



Tommy Vigil  
Department of Social Services Director  
Costilla County, Colorado

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: Costilla County
		YEAR ENDING : December 2017
This Information From The Records Of (example - City of _ or County of _ Costilla County	Prepared By: Phone:	Julie Albert (719) 672-3372

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

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	417,888
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	3,690,183
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	10,677
2. General fund appropriations		b. Snow and ice removal	81,020
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	19,548	d. Total (a. through c.)	91,697
5. Transfers from toll facilities		4. General administration & miscellaneous	120,985
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	4,320,753
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes	969,252	1. Bonds:	
d. Total (a. + b. + c.)	969,252	a. Interest	
7. Total (1 through 6)	988,800	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	4,023,947	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	23	a. Interest	26,747
<b>E. Total receipts (A.7 + B + C + D)</b>	5,012,770	b. Redemption	221,898
		c. Total (a. + b.)	248,645
		3. Total (1.c + 2.c)	248,645
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	4,569,398

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>	733,982	969,252	354,308	1,348,926

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,548,496	5,012,770	4,569,398	3,991,868	0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2017

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	19,332
6. Total (1. through 5.)	0	h. Other	216
c. Total (a. + b.)	0	i. Total (a. through h.)	19,548
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	3,962,598	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	18,350	d. Federal Transit Admin	
d. Other (Specify) -CDOT Grant	10,774	e. U.S. Corps of Engineers	
e. Other (Specify)-DOLA Grant	32,225	f. Other Federal	23
f. Total (a. through e.)	61,349	g. Total (a. through f.)	23
4. Total (1. + 2. + 3.f)	4,023,947	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		24,593	24,593
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		0	0
(3). System Preservation		342,877	342,877
(4). System Enhancement & Operation		50,418	50,418
(5). Total Construction (1) + (2) + (3) + (4)	0	393,295	393,295
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	417,888	417,888
			(Carry forward to page 1)

Notes and Comments: