

Huerfano County, Colorado

Financial Statements

December 31, 2017

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June 27, 2018

Huerfano County, Colorado
Financial Statements
For The Year Ended December 31, 2017

Table of Contents

Financial Section

Report of Independent Certified Public Accountant	1
Management’s Discussion and Analysis	iii
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Net Positions - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	12
Notes to the Financial Statements	13
Required Supplementary Information Other Than MD&A:	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Major Funds:	
General Fund	30
Human Services	31
Road & Bridge	32
Special Projects	33
Other Supplementary Information:	
Combining Statements of Non-major Funds:	
Combining Balance Sheet	34
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	35

Huerfano County, Colorado
Financial Statements
For The Year Ended December 31, 2017

Table of Contents
(Continued)

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Proprietary Funds:	
Correctional Facility	36
Ambulance	37
Gardner Water and Sewer Improvement District	38
Special Revenue Funds:	
Conservation Trust	39
P.I.L.T.	40
Retirement	41
Federal Forest Project	42
Emergency Services	43
Lodging Tax Tourism	44
Waste Transfer Station	45
Local Highway Finance Report	46
Schedule of Due To/From State of Colorado-Public Welfare Fund	48
Single Audit:	
Schedule of Findings and Questioned Costs	49
Schedule of Expenditures of Federal Awards	50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	53

Board of County Commissioners
Huerfano County, Colorado

Report on the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information 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 other supplementary information as listed in the table of contents, the Local Highway Finance Report, the Schedule of Due To/From State of Colorado, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents, the Local Highway Finance Report, the Schedule of Due To/From State of Colorado, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 other supplementary information, the Local Highway Finance Report, the Schedule of Due T/From State of Colorado, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

rfarmer, llc

June 12, 2018

June 13, 2018

Management Discussion and Analysis

To the Board of County Commissioners and to the citizens of Huerfano County, Colorado

The annual budget serves as the foundation for the County's financial planning and control. Public hearings are conducted and a final budget is legally enacted no later than December 31, the close of the County's fiscal year. Any revisions that alter total expenditures of any fund require supplemental appropriation, which is subject to public hearing and taxpayer response similar to the original budget. Budget-and-actual comparisons are provided in this report for each individual governmental fund; this comparison is presented on page 30, Road and Bridge Fund page 32 and Social Services (Public Welfare) Fund on page 31 as part of the basic financial statements for the governmental funds. For all other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund section of this report, which starts on page 33.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Huerfano County continues to move forward in many ways towards a responsive and responsible government. The Waste Transfer Station continues to operate in the red and is supplemented through PILT funds. The County is working to see if they can reduce expenses at the Waste Transfer Station by negotiating a contract with a different landfill operator and incorporating recycling into the operation to reduce the waste stream. Road and Bridge had an increase in HUTF funding which helps continue the equipment replacement program. The Social Services Department continued to provide much needed services for those without the means to provide adequately for themselves even with an increase in case load. Capital projects included improvements at the airport, continued work on the courthouse, fire mitigation in and around Cuchara and continued work toward a new judicial building. Significant challenging impacts for 2018 continue to be Federal and State rules and regulations, infrastructure maintenance – both in Roads and Bridges and communications, state budget cuts, health and human services, fuel costs, health insurance and other various factors. The overall mill levy for 2018 is 17.160 mills, remaining at the 2005 level. The total county assessed valuation dropped significantly from \$124,869,339 in 2017 to \$118,274,513 for 2018, a total decrease of \$6,594,826. In addition, the Gallagher Amendment reduced the residential tax rate by 9.5%

from the previous year, resulting in a similar drop in revenue generated by the County's mill levy.

The budget for general county operations was nearly identical between 2016 and 2017 from \$12,831,844 in 2016 to \$12,206,029 for 2017. The 2018 budget will maintain reserves by balancing expenditures and revenues. The fund balance will increase slightly from \$2,835,884 to \$2,882,104, an anticipated increase of \$46,220. The County's ability to maintain revenues is due to the overwhelming passage of a ballot initiative to remove TABOR limits on the county budget in 2007.

The increase in expenditures is due to several factors. Insurance rates continue to be a major driver in county expenses. Other factors include deferred maintenance, which is being addressed as funding permits. Without an increase in revenue, cuts will have to take place, including reduction in workforce. Many of the County's buildings have not received proper maintenance and the age of the buildings means that some major improvements must be made.

Huerfano County's decrease in assessed value is primarily the result of a re-assessment of the values by the County Assessor as required by Colorado Statutes. Future development in the county is primarily projected to be residential. Additional CO2, natural gas and oil exploration is not expected; however, two new wind farms are in discussion with the County and could help raise the value of the county.

Accounting Policies

The accounts of the County are organized on the basis of funds and account groups. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The funds are as follows:

- General Fund
- Road and Bridge
- Capital Outlay
- Lodging Tax Tourism
- Retirement
- Conservation Trust Fund
- PILT Fund
- Mineral Leasing
- Public Welfare
- Federal Forest Projects

The preceding funds are general County service funds. The County currently has three enterprise funds. The Gardner P.I.D. fund is funded strictly through fees generated for water and sewer service.

Major Sources of General Fund Revenues

The governmental fund utilized for the administration and operation of the County is the General Fund. Ordinary operations of the fund include county administration, public health, law enforcement, assessment, recording and collection of taxes, and other activities financed through taxes and general revenues. The following are the major sources of revenue to such fund. The expenditure of certain revenues, or portions thereof, may be subject to restricted uses.

Ad Valorem Property Taxes. The largest source of revenue to the County's General Fund is taxes comprised primarily of ad valorem property taxes levied pursuant to State law against all property within the County. The County budgeted in 2007 to receive approximately 60% of total revenues from ad valorem property taxes.

Other Revenue Sources. The County also receives revenue from several additional sources including specific ownership taxes, highway user taxes (for Road and Bridge only), licenses and permits, intergovernmental revenues (federal, state and local governments), fee accounts and charges for services.

Budgeted General Fund Financial Information

Set forth hereafter is a two-year comparative statement of revenues, expenditures, and changes in fund balances for the County's General Fund. The following information should be read together with the County's financial statements and accompanying notes appended hereto.

2016 and 2017 General Fund Budget Comparison. Set forth hereafter is a comparison of the County's 2016 and 2017 General Fund Budgets.

	2016 Budget	2016 Actual	2017 Budget	2017 Actual
Beginning Fund Balance	\$1,303,873	\$1,428,127	\$1,569,778	\$1,431,762
Revenues				
Taxes	\$2,195,532	\$2,084,007	\$2,156,259	\$2,125,770
Fees	\$600	\$584	\$600	\$281
Licenses & Permits	\$92,510	\$245,726	\$87,360	\$101,865
Intergovernmental	\$63,590	\$758	\$35,646	\$76,795
Charges for Services	\$557,591	\$587,357	\$1,141,450	\$1,398,911
Interest	\$2,800	\$5,534	\$4,400	\$8,937
Misc.	\$120,283	\$224,511	\$197,764	\$226,912
Total Revenue	\$4,091,056	\$3,790,472	\$4,433,300	\$4,730,835
Total Revenue + Fund Balance	\$6,286,588	\$5,874,479	\$6,003,078	\$6,162,597
Expenditures				
General Government	\$2,466,583	\$2,365,025	\$2,552,119	\$2,491,097
Public Safety	\$1,324,447	\$1,274,848	\$2,056,120	\$1,737,946
Health and Sanitation	\$196,667	\$129,389	\$199,739	\$122,900
Capital Outlay	\$60,200	\$46,142	\$700	\$0
Total Expenditures	\$4,057,897	\$3,826,837	\$4,923,363	\$4,644,043
Excess of revenues over expenditures	\$73,159	\$3,635	(\$490,063)	\$86,792

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the County's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The County's financial position is the product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions regarding this report or need additional information, contact the County Administrator at (719) 738-3000 ext. 110, by e-mail at john@huerfano.us or by mail at 401 Main Street, Suite 201, Walsenburg, CO 81089

Huerfano County, Colorado
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 4,335,569	\$ 224,361	\$ 4,559,930
Receivables	2,710,042	2,038	2,712,080
Due from Other Governmental Agencies	128,060	-	128,060
Inventories	34,588	-	34,588
Capital Assets			
Land and infrastructure	1,588,049	-	1,588,049
Construction in progress	2,660,627	-	2,660,627
Building	13,338,645	330,898	13,669,543
Equipment	8,761,747	613,871	9,375,618
Other capital assets	82,999	1,538,137	1,621,136
Less accumulated depreciation	<u>(16,555,352)</u>	<u>(538,836)</u>	<u>(17,094,188)</u>
Total capital assets	<u>9,876,715</u>	<u>1,944,070</u>	<u>11,820,785</u>
Total assets	<u>17,084,974</u>	<u>2,170,469</u>	<u>19,255,443</u>
LIABILITIES			
Accounts payable and accrued expenses	105,150	7,339	112,489
Long-term liabilities			
Due within one year			
Capital leases	79,891	-	79,891
Unearned revenues	300,626	-	300,626
Due in more than one year			
Capital leases	<u>231,443</u>	<u>-</u>	<u>231,443</u>
Total liabilities	<u>717,110</u>	<u>7,339</u>	<u>724,449</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>2,541,196</u>	<u>-</u>	<u>2,541,196</u>
Total	<u>3,258,306</u>	<u>7,339</u>	<u>3,265,645</u>
NET POSITION			
Net investment in Capital Assets	9,565,381	1,944,070	11,509,451
Unrestricted	<u>4,261,287</u>	<u>219,060</u>	<u>4,480,347</u>
Total net position	<u>\$ 13,826,668</u>	<u>\$ 2,163,130</u>	<u>\$ 15,989,798</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs Primary government	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 3,138,786	\$ 710,837	\$ 286,692	\$ 1,097,877	\$ (1,043,380)	\$ -	\$ (1,043,380)
Public Safety	2,529,257	724,029	126,455	-	(1,678,773)	-	(1,678,773)
Public Works	2,339,749	91,021	1,743,147	-	(505,581)	-	(505,581)
Human Services	2,314,585	-	1,932,534	-	(382,051)	-	(382,051)
Health and Sanitation	217,739	60,559	-	-	(157,180)	-	(157,180)
Culture and Recreation	78,904	58,853	520,103	-	500,052	-	500,052
Interest on Long-term debt	324	-	-	-	(324)	-	(324)
Total governmental activities	10,619,344	1,645,299	4,608,931	1,097,877	(3,267,237)	-	(3,267,237)
Business-type activities:							
Correctional Facility	29,823	-	-	-	-	(29,823)	(29,823)
Ambulance	197,129	45,343	7,500	5,000	-	(139,286)	(139,286)
Gardner Water and Sewer Improv District	125,500	76,635	-	-	-	(48,865)	(48,865)
Total business-type activities	352,452	121,978	7,500	5,000	-	(217,974)	(217,974)
Total primary government	\$ 10,971,796	\$ 1,767,277	\$ 4,616,431	\$ 1,102,877	(3,267,237)	-	(3,485,211)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,559,902	-	2,559,902
Franchise & miscellaneous taxes					41,852	-	41,852
SO and sales tax					1,411,089	-	1,411,089
Unrestricted investment earnings					8,972	40	9,012
Miscellaneous					371,811	503	372,314
Special item - gain on sale of asset					-	(179,563)	(179,563)
Total general revenues, special items, and transfers					4,393,626	(179,020)	4,214,606
Change in net assets					1,126,389	(396,994)	729,395
Net position - beginning					12,700,279	2,560,124	15,260,403
Net position - ending					\$ 13,826,668	\$ 2,163,130	\$ 15,989,798

The accompanying notes to financial statements are an integral part of these statements.

Huerfano County, Colorado
Balance Sheet
Governmental Funds
December 31, 2017

	General	Road & Bridge	Department of Human Services	Special Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,549,854	\$ 892,843	\$ 606,989	\$ 179,489	\$ 1,106,394	\$ 4,335,569
Taxes receivable, net	2,126,026	11,862	296,550	-	106,758	2,541,196
Due from other funds	-	-	-	-	25,000	25,000
Due from State	-	-	114,425	-	13,635	128,060
Other receivables	46,029	-	30,760	-	92,058	168,847
Inventories	-	34,588	-	-	-	34,588
Total assets	<u>3,721,909</u>	<u>939,293</u>	<u>1,048,724</u>	<u>179,489</u>	<u>1,343,845</u>	<u>7,233,260</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	46,074	43,301	2,751	3,280	9,743	105,149
Unearned revenues	-	-	300,626	-	-	300,626
Due to other funds	-	-	-	-	25,000	25,000
Total liabilities	<u>46,074</u>	<u>43,301</u>	<u>303,377</u>	<u>3,280</u>	<u>34,743</u>	<u>430,775</u>
Deferred Inflow of Resources						
Deferred property taxes	2,126,026	11,862	296,550	-	106,758	2,541,196
Fund balances:						
Unassigned	1,549,809	-	-	-	-	1,549,809
Nonspendable-inventories	-	34,588	-	-	-	34,588
Committed	-	849,542	448,797	176,209	1,202,344	2,676,892
Total fund balances	<u>1,549,809</u>	<u>884,130</u>	<u>448,797</u>	<u>176,209</u>	<u>1,202,344</u>	<u>4,261,289</u>
Total liabilities and fund balances	<u>\$ 3,721,909</u>	<u>\$ 939,293</u>	<u>\$ 1,048,724</u>	<u>\$ 179,489</u>	<u>\$ 1,343,845</u>	<u>\$ 7,233,260</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2017

Total fund balance, governmental funds	\$	4,261,289
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		9,876,716
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		(311,334)
Rounding		(3)
Net Assets of Governmental Activities in the Statement of Net Position	\$	13,826,668

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Road & Bridge	Department of Human Services	Special Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 2,125,770	\$ 12,388	\$ 310,259	\$ -	\$ 111,486	\$ 2,559,903
SO Tax	240,202	1,398	-	-	12,579	254,179
Sales and miscellaneous taxes	551,162	-	34,942	-	612,659	1,198,763
Fees and fines	281	-	-	-	-	281
Licenses and permits	101,865	29,650	-	-	-	131,515
Intergovernmental	76,795	1,743,147	1,932,534	1,092,483	542,001	5,386,960
Charges for services	1,398,911	45,008	-	-	119,388	1,563,307
Investment earnings	8,937	-	-	-	35	8,972
Miscellaneous	226,912	92,951	-	-	5,403	325,266
Donations	-	-	-	125,000	-	125,000
Total revenues	<u>4,730,835</u>	<u>1,924,542</u>	<u>2,277,735</u>	<u>1,217,483</u>	<u>1,403,551</u>	<u>11,554,146</u>
EXPENDITURES						
Current:						
General government	2,491,097	33,575	-	313,188	173,814	3,011,674
Public safety	1,737,946	-	-	-	508,041	2,245,987
Public works	25,287	1,993,424	-	-	4,769	2,023,480
Health services	122,900	-	-	-	91,439	214,339
Culture and recreation	-	-	-	-	35,718	35,718
Human Services	-	-	2,314,585	-	-	2,314,585
Debt Service:						
Principal	39,116	44,938	-	34,754	-	118,808
Interest	-	6,197	-	324	-	6,521
Capital outlay	227,697	23,192	-	1,202,800	-	1,453,689
Total Expenditures	<u>4,644,043</u>	<u>2,101,326</u>	<u>2,314,585</u>	<u>1,551,066</u>	<u>813,781</u>	<u>11,424,801</u>
Excess (deficiency) of revenues over expenditures	<u>86,792</u>	<u>(176,784)</u>	<u>(36,850)</u>	<u>(333,583)</u>	<u>589,770</u>	<u>129,345</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases	181,255	-	-	-	-	181,255
Transfers in	50,000	-	-	263,356	55,000	368,356
Transfers out	(200,000)	-	(50,000)	-	(118,356)	(368,356)
Total other financing sources and uses	<u>31,255</u>	<u>-</u>	<u>(50,000)</u>	<u>263,356</u>	<u>(63,356)</u>	<u>181,255</u>
Net change in fund balances	118,047	(176,784)	(86,850)	(70,227)	526,414	310,600
Fund balances - beginning	1,431,762	1,060,914	535,647	246,436	675,930	3,950,689
Fund balances - ending	<u>\$ 1,549,809</u>	<u>\$ 884,130</u>	<u>\$ 448,797</u>	<u>\$ 176,209</u>	<u>\$ 1,202,344</u>	<u>\$ 4,261,289</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano 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: \$ 310,600

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$1,453,689 is more than depreciation of \$575,455 in the current period. 878,234

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. (62,447)

Rounding 2

Change in net position of governmental activities: \$ 1,126,389

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2017

Enterprise Funds

	Correctional Facility	Ambulance	Gardner Water and Sewer Improvement District	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 22,474	\$ 122,255	\$ 79,631	\$ 224,360
Accounts Receivable, net	-	-	2,038	2,038
Total current assets	<u>22,474</u>	<u>122,255</u>	<u>81,669</u>	<u>226,398</u>
Non-current assets:				
Capital Assets:				
Utility System-distribution assets	-	-	1,538,137	1,538,137
Buildings	-	330,898	-	330,898
Equipment and vehicles	274,052	-	339,819	613,871
Less Accumulated depreciation	(217,974)	(11,030)	(309,832)	(538,836)
Total non-current assets	<u>56,078</u>	<u>319,868</u>	<u>1,568,124</u>	<u>1,944,070</u>
Total assets	<u>78,552</u>	<u>442,123</u>	<u>1,649,793</u>	<u>2,170,468</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	6,685	653	7,338
Total current liabilities	-	6,685	653	7,338
Total liabilities	<u>-</u>	<u>6,685</u>	<u>653</u>	<u>7,338</u>
NET POSITION				
Net Investment in Capital Assets	56,078	319,868	1,568,124	1,944,070
Unrestricted	22,474	115,570	81,016	219,060
Total net position	<u>\$ 78,552</u>	<u>\$ 435,438</u>	<u>\$ 1,649,140</u>	<u>\$ 2,163,130</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Enterprise Funds			Total
	Correctional Facility	Ambulance	Gardner Water and Sewer Improvement District	
REVENUES				
Charges for services	\$ -	\$ 45,343	\$ 76,635	\$ 121,978
Miscellaneous revenue	-	48	455	503
Operating grants and contributions	-	7,500	-	7,500
Other grants	-	5,000	-	5,000
Total operating revenues	<u>-</u>	<u>57,891</u>	<u>77,090</u>	<u>134,981</u>
OPERATING EXPENSES				
Monitoring, security services and wages	-	103,563	20,890	124,453
Contractual services	-	17,081	40,381	57,462
Utilities	-	13,598	5,728	19,326
Repairs and maintenance	-	8,444	13,753	22,197
Bad debts	-	607	-	607
Other supplies and expenses	-	16,323	121	16,444
Professional fees	-	24,034	-	24,034
Miscellaneous expenses	5,612	2,450	5,340	13,402
Depreciation	24,211	11,030	39,286	74,527
Total Operating Expenses	<u>29,823</u>	<u>197,130</u>	<u>125,499</u>	<u>352,452</u>
Operating income (loss)	<u>(29,823)</u>	<u>(139,239)</u>	<u>(48,409)</u>	<u>(217,471)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	40	-	-	40
Total non-operating revenue (expenses)	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
Income (loss) before contributions and transfers	<u>(29,783)</u>	<u>(139,239)</u>	<u>(48,409)</u>	<u>(217,431)</u>
Special item - loss on transfer of assets	-	(179,563)	-	(179,563)
Change in net position	<u>(29,783)</u>	<u>(318,802)</u>	<u>(48,409)</u>	<u>(396,994)</u>
Total net position - beginning	108,335	754,240	1,697,549	2,560,124
Total net position - ending	<u>\$ 78,552</u>	<u>\$ 435,438</u>	<u>\$ 1,649,140</u>	<u>\$ 2,163,130</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Enterprise Funds			
	Correctional Facility	Ambulance	Gardner Water and Sewer Improvement District	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Charges for Services	\$ -	\$ 251,147	\$ 81,090	\$ 332,237
Cash Received from EMS Subsidy and Grants	-	7,500	-	7,500
Cash Received from Miscellaneous	-	48	455	503
Cash Received from Other Grants	-	5,000	-	5,000
Cash Payments to Suppliers for Goods & Services	(5,612)	(82,710)	(66,569)	(154,891)
Cash Payments for Salaries & Benefits	-	(103,563)	(20,890)	(124,453)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(5,612)</u>	<u>77,422</u>	<u>(5,914)</u>	<u>65,896</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Hospital	-	(86,341)	-	(86,341)
Cash Received from Interest Earnings	41	-	-	41
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>41</u>	<u>(86,341)</u>	<u>-</u>	<u>(86,300)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(5,571)	(8,919)	(5,914)	(20,404)
Cash & Cash Equivalents:				
Beginning of Year	<u>28,045</u>	<u>131,174</u>	<u>85,545</u>	<u>244,764</u>
End of Year	<u><u>22,474</u></u>	<u><u>122,255</u></u>	<u><u>79,631</u></u>	<u><u>224,360</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income	(29,823)	(139,239)	(48,409)	(217,471)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	24,211	11,030	39,286	74,527
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	-	205,804	4,455	210,259
Increase (Decrease) in Accounts Payable	-	(173)	(1,246)	(1,419)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (5,612)</u>	<u>\$ 77,422</u>	<u>\$ (5,914)</u>	<u>\$ 65,896</u>

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	TOTAL AGENCY FUNDS
ASSETS:	
Cash and cash equivalents	\$ 316,363
Total assets	316,363
 LIABILITIES:	
Due to other governmental units	316,363
Total Liabilities	\$ 316,363

The accompanying notes to financial statements
are an integral part of these statements.

Huerfano County, Colorado
Notes to Financial Statements
December 31, 2017

Note 1 Reporting Entity

Huerfano County, Colorado (the County) is a political subdivision of the State of Colorado, governed by an elected three-member Board of County Commissioners. There are also four other elected officials of the County (Assessor, Clerk and Recorder, Sheriff, and Treasurer).

All financial transactions of the offices of elected officials of Huerfano County are included in the General Fund of the County's financial statements. The Board of County Commissioners has budgetary authority over the elected officials and is accountable for all fiscal matters. County property taxes fund a significant portion of the costs of operating the elected officials' offices. Services provided by the elected officials are of the benefit of Huerfano County residents and are conducted within the boundaries of the County.

These financial statements present the financial position of the County (the primary government) and its component units in accordance with applicable standards of the Governmental Accounting Standards Board, "The Financial Reporting Entity". The County has no component units.

Note 2 Summary of Significant Accounting Policies

The accounting and reporting policies of the County conform to accounting principles generally accepted in the United States of America (USGAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the County's financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide and Fund Financial Statements The County government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the County accompanied by the total column. Fiduciary activities of the County are not included in these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported

separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segments and (2) 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 among program revenues are reported instead of *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 funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets, if any, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. 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:

General Fund: This is the County's primary operating fund. It accounts for all activities of the general government except those required to be accounted for in another fund.

Road & Bridge Fund: This fund accounts for maintenance of all county roads and bridges which includes salaries and benefits and other expenses related to maintenance. The main revenues are highway users trust fund receipts and property taxes. The fund also sells fuel to other departments and governmental agencies within Huerfano County.

Human Services: This fund accounts for public welfare costs paid to qualifying clients. The majority of federal funds expended are incurred through this fund. In addition to federal funds received this fund also receives state funds and property taxes.

Special Projects: This fund accounts for certain projects and specific funds received that are for the overall good of the County that are not classified as being from one particular fund.

Proprietary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operating of the fund. All other expenses are reported as non-operating expenses.

The County reports the following major proprietary funds:

Ambulance Fund: This fund accounts for all activities necessary for the operation of the County's ambulance services.

Correctional Facility: This fund accounts for funds received from a contract with CCA for the housing of prisoners. Currently no revenues of a material amount are being received as the local prison was closed.

Gardner Water & Sewer Improvement District: During 2011 the voters of the County approved a ballot question authorizing the County to take over operations of the improvement district. The fund accounts for water and sewer services to the Gardner area.

The County reports the following non-major governmental funds:

Conservation Trust Fund: This fund accounts for lottery proceeds required to be expended solely on park and recreation improvements.

P.I.L.T.: This fund accounts for payments in lieu of taxes received from the federal government due to the amount of federally owned land in the County. The funds can be spent for any legal purpose.

Retirement: This fund receives the CCOERA retirement contributions from the eligible employees of each fund and pays the employee's and employer's share for the benefit of each eligible employee's retirement.

Mineral Leasing: This fund accounts for state mineral leasing money received. The fund normally spends the revenues on capital items such as equipment, but the fund can spend money for any legal purpose.

Federal Forest Project: This fund accounts for reimbursements received for search and rescue missions and for the cost of those missions.

Lodging Tax Tourism: During 2006 the voters approved a lodging tax that is levied against each hotel or motel room rented. The funds collected will be spent for economic development.

Waste Transfer Station: This fund accounts for fees and related costs of operating a waste transfer station.

Emergency Services Fund: During 2009, the voters approved an additional 1% sales tax to be used for emergency/dispatch services for all residents of the County.

The County has one fiduciary fund type which is the Treasurer's Office. The Treasurer's Office collects tax revenues and other monies. The Treasurer's Office also holds funds received by the County Clerk. The fiduciary fund is not included with any other fund.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The County applies all applicable GASB pronouncements to the business-type activities.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

The County follows the policy of capitalizing all assets that cost more than \$1,000 with an estimated useful life of more than one year. The useful lives of the assets are:

Infrastructure	75 years
Buildings & Improvements	50-75 years
Furniture & Fixtures	7-10 years
Machinery, Equipment, & Vehicles	5-10 years

The County will capitalize all infrastructure purchased after July 1, 1980.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. The statement of activities reports separately three categories of program revenues: (a) charges for services, (b) program-specific *operating* grants and contributions, and (c) program-specific *capital* grants and contributions.

Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients.

Program-specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes - to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government. Multi-purpose grants (those that provide financing for more than one program) are reported as program revenue if the amounts restricted to each program are specifically identified in either the grant award or the grant application. Multi-purpose grants that do not provide for specific identification of the programs and amounts are reported as general revenues.

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Equity positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Transactions: Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expended in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. At year-end, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Budgets and Budgetary Accounting: Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year.

The budget calendar is as follows:

- August 25 Assessors must submit abstract of assessments reflecting all assessed values of property in the County by class and subclass to the Division of Property Taxation.

Assessors must certify to all taxing entities and the Division of Local Government the new total assessed valuation and the amounts for the various factors needed to compute the statutory property tax revenue limits.
- October 15 Statutory deadline for submission of proposed budget to the local governing body. “Notice of Budget” is to be published when the budget is received.
- December 15 Statutory deadline for certification of mill levies to the Board of County Commissioners. Local government levying a property tax must adopt their budget before certifying the levy to the County.

Local Governing Body shall enact an ordinance or resolution making appropriations for the ensuing fiscal period.

December 22 Statutory deadline for Board of County Commissioners to certify levies and revenues to Assessor and the Division of Property Taxation.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons in this report are presented on the GAAP basis except those adopted by the proprietary funds.

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end. Supplemental budgets were adopted during 2017.

The Conservation Trust Fund, Gardner Water & Sewer Improvement District Fund and the Correctional Facilities Fund over spent their budgets which may be a violation of Colorado Revised Statutes.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property Taxes: Annual property taxes are levied and assessed on January 1, and are certified by the County by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits collections on a monthly basis to the County. County property tax revenues are recognized as they become current receivables from the County Treasurer. One-half of the property taxes are due by February 28 and one-half due by June 15 or all may be paid by April 30 to avoid penalties and interest.

Taxes receivable represent 2017 assessed taxes to be collected in 2018. This receivable has been offset with a charge to Deferred Revenue.

Enterprise Fund - Ambulance Fund Allowance for Bad Debt: The Ambulance Fund recognizes bad debts by using the percentage method whereby the allowance for doubtful accounts is adjusted to approximately sixty percent of ending accounts receivable. Specific accounts are written during the year when deemed necessary.

During 2017, all assets of the Ambulance Fund, other than cash with the County Treasurer and the building, were transferred to the Hospital. The County also paid \$108,000 to facilitate the transfer.

Vacation Days and Sick Leave: For all county employees vacation leave must be taken during the calendar year in which the days are accumulated. Sick leave is accumulated according to the number of days worked and can only be accumulated up to sixty working days during the entire period of employment. If not used, they are canceled with no cash payments being made for unused sick leave. Public Welfare employees may be paid sick leave if certain age and length of employment requirements are met. No liability is recognized for vacation and sick leave days.

Contraband: Per Colorado Contraband Forfeiture Act (CRS 16-13-501 to 511), proceeds received from the seizure of contraband must be used for the specific purpose of law enforcement activities. These proceeds are exempt from the appropriation process. The County did not receive any contraband proceeds during the year.

Note 3

Deposits and Investments

Deposits: Colorado State Statutes, specifically the Public Deposit Protection Act (PDPA) of 1989, require all public monies to be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge eligible collateral, as promulgated by the State banking board, having a market value in excess of 102% of the aggregate uninsured public deposits. Eligible collateral must be held in the custody of any federal reserve bank or any branch thereof or of any depository trust company which is a member of the Federal Reserve System, and which is supervised by the State banking board. The Statutes further restrict such deposits to eligible public depositories having their principal offices within the State of Colorado.

Custodial Credit Risk: Deposits are exposed to custodial credit risk if they are not covered by depository insurance or PDPA and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The County is not exposed to custodial credit risk in that all cash and investments, except the amounts with COLOTRUST and CSAFE are deposited in local financial institutions that meet PDPA requirements and have FDIC coverages. The County does receive notification from the banks that they are in compliance with the Public Depository Protection Act as defined in Colorado Revised Statutes, as amended. The amount covered by depository insurance is \$250,000 per bank.

Investments: Colorado State Statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds and local government investment pools with a maturity date no more than five years from the date of purchase. Investments are reported at fair value except for non-participating contracts which are reported at amortized cost.

The County has invested in COLOTRUST in the amount of \$309,977 as of year-end. COLOTRUST PRIME and PLUS+ pools are a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: COLOTRUST PRIME and PLUS+ Portfolios are rated AAAM by S&P. COLOTRUST PLUS+ is rated AAA by Moody's and AAA/V1+ by Fitch.
- Custodial credit risk: COLOTRUST PRIME and PLUS+ participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement.

As of year-end, the County had \$204,250 invested in the Colorado Surplus Asset Fund Trust (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). CSAFE operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. CSAFE is rated AAAM by the Standard & Poor's Corporation. U.S. Bank provides banking services and trust custody for securities held on behalf of the participating governments in CSAFE. The custodian's internal records identify the investments owned by the participating governments.

The County has also invested in government and agency bonds consisting of Federal National Mortgage Association Notes, Federal Home Loan

Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal Farm Credit Bank Bonds. All the investments are rated AAA by Moody's and S&P. The cost at year end was \$2,675,494 and market value was approximately the same. The investments have varying interest rates and maturities.

The County also had \$305,163 invested in the Colorado Statewide Investment Program (CSIP) as of year-end.

The County shall invest all funds in accordance with the Colorado Revised Statutes to accomplish the following objectives: safety, liquidity, and yield.

The County also has \$2,900 cash on hand.

The County is not exposed to any other investment risks as defined in GASB 40.

Note 4 Changes in Fixed Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental-type activities:				
Capital Assets being depreciated:				
Land and Infrastructure	\$ 1,463,049	\$ 125,000	\$ -	\$ 1,588,049
Buildings	13,338,645	-	-	13,338,645
Other Capital Assets	82,999	-	-	82,999
Equipment	8,510,857	250,889	-	8,761,747
Construction in Progress	1,582,827	1,077,800	-	2,660,627
Total capital assets being depreciated	24,978,377	1,453,689	-	26,432,066
 Total Accumulated Depreciation	 (15,979,898)	 (575,455)	 -	 (16,555,352)
Governmental-type activities capital assets, net	\$ 8,998,479	\$ 878,234	\$ -	\$ 9,876,715

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 541,737	\$ 323,873	\$ (251,739)	\$ 613,871
Building	330,898	-	-	330,898
Vehicles	1,079,942	-	(1,079,942)	-
Distribution Assets	1,828,137	-	(290,000)	1,538,137
Total capital assets being depreciated	3,780,714	323,873	(1,621,681)	2,482,906
 Total accumulated depreciation	 (1,582,554)	 (74,527)	 \$ 1,118,245	 (538,836)
Business-type activities capital assets, net	\$ 2,198,160	\$ 249,346	\$ (503,436)	\$ 1,944,070

Note 5 Depreciation Expense

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

Governmental activities:	
General Government	\$ 149,563
Public Safety	135,504
Public Works	276,010
Culture & Recreation	2,963
Health & Welfare	<u>11,415</u>
Total depreciation expense-governmental activities	<u>\$ 575,455</u>
Business-type activities:	
Correctional Facility	\$ 24,211
Ambulance	11,030
Water & Sewer	<u>39,286</u>
Total depreciation expense-business-type activities	<u>\$ 74,527</u>

Note 6 Joint Ventures

The County participates in the Colorado Counties, Inc. (CCI) Insurance Pool and the 911 Emergency Telephone Authority. These joint ventures do not meet the criteria for inclusion within the reporting entity because the CCI Insurance Pool and the 911 Emergency Telephone Authority each cash the entity:

- Is financially independent and responsible for its own financial deficits and entitled to its own surpluses.
- Has a separate governing board from that of the County, which is comprised of 1 voting member from each participating County/entity.
- The governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and
- Has absolute authority over all funds and fiscal responsibility, including budgetary responsibility and reporting to state agencies, and controls fiscal management.

Financial information is not included, but can be obtained from the respective entities.

Note 7**Pension Plan**

The County provides pension benefits for all of its full-time employees that work at least 32 hours per week for 12 months out of the year through a defined contribution plan administered by CCOERA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of service. The County rate of contribution is 4%. The employee must contribute 4% and may contribute more at their election. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. Plan provisions and contribution requirements are established and may be amended by the Commissioners.

A deferred compensation plan under Section 457 of the Internal Revenue Code is also available to all eligible employees for voluntary contributions of up to a maximum specified by the Internal Revenue Service. Employees are eligible to participate after 90 days of service. The plan is administered by CCOERA and plan provisions are established and may be amended by the Commissioners.

During 2017, the employer and employee contributed approximately \$138,732 each to CCOERA. The County had forfeitures of \$11,000 that were used to pay part of their portion. Total salaries for 2017 were \$4,511,462 with qualifying salaries of \$3,468,300.

Upon retirement, the employee is entitled to all funds deposited to his account, including investment earnings. Upon termination of employment, the employee will normally recover his contributions to the plan, plus investment earnings, plus 20% of the total County contribution up to 100% in his name for each year of employment.

Note 8**Leases**

The County has various leases for office equipment. The amounts are charged to expenses as incurred and are current at year-end. The annual operating lease payments are as follows:

2018	\$	28,326
2019		28,326
2020		26,346
2021		24,222
2022		24,222
		<u>\$ 131,442</u>

During 2017, the minimum operating lease payments were \$25,098.

Note 9 Contingent Liabilities

During the latter part of 2004, the State of Colorado, Department of Human Services converted to a new accounting system to account for the public welfare costs, revenues and eligible clients. The accounting system failed and several clients received more welfare benefits than they were entitled. It was ruled in federal court that if a welfare client received excess funds as a result of the State of Colorado, Department of Human Services or the County Department of Social Services error or errors, the welfare client was not responsible for repaying the excess amount and the State and County could not start a collection effort. The State has not decided if they will pursue collection efforts against the County for any excess payments made because of the accounting system errors. The amount of liability, if any, that the County could owe to the State because of the errors is not known and the impact on the financial statements, if any, cannot be determined.

Note 10 Transfers and Due To/Due From

Transfers made during 2017 were as follows:

<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>
General	Special Projects	\$ 200,000
P.I.L.T.	Special Projects	\$ 63,356
P.I.L.T.	Waste Transfer Station	\$ 40,000
Human Services	General	\$ 50,000
Conservation Trust	P.I.L.T.	\$ 15,000

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Non-recurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of Governmental Funds. Transfers of equity to Proprietary Funds are treated as contributed capital and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

During 2012 P.I.L.T. loaned the Lodging Tax fund \$80,000. The loan is to be repaid in four annual installments of \$20,000 each. A \$10,000 loan payment was made in the current year.

Note 11 Fund Balances:

In the fund financial statements the following classifications describe the relative strength of spending constraints.

- Non-Spendable Balance: The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaid amounts) or is legally or contractually required to be maintained intact.
- Restricted Fund Balance: The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- Committed Fund Balance: The portion of fund balance constrained for specific purposes according to the limitations imposed by the County's highest level of decision making authority, the County Commissioners, or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- Assigned Fund Balance: The portion of fund balance set aside for planned or intended purposes but is neither restricted nor committed. The intended use may be expressed by the County Commissioners or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- Unassigned Fund Balance: The residual portion of fund balance that does not meet any of the above criteria. The County will only report a positive unassigned fund balance in the General Fund.

The County considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Note 12 Risk Management

County Workers' Compensation Pool: The County is exposed to various risks of loss related to injuries of employees while on the job. The County joined together with other Counties in the State of Colorado to form the County Workers' Compensations Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The inter-governmental agreement of formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool: 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 intergovernmental 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, which is determined each policy year.

The county, in their opinion, has obtained adequate coverage as required by Colorado Revised Statutes to settle claims in the ordinary course of business. However, do to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the County would be financially responsible.

Note 13 Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

Note 14 Long Term Debt

During 2012, the County entered into a lease-purchase agreement for the purpose of enhancing the court house and other county properties. The lease-purchase agreement requires monthly payments of \$5,011 for sixty months with interest at 2.149%.

Principle and interest payments are as follows:

	Principle	Interest	Total
2017	\$ 34,755	\$ 322	\$ 35,077

The final payments were made during 2017.

During 2015 the County entered into a lease-purchase agreement for a motor grader. The lease-purchase agreement requires monthly payments of \$4,261 for 59 months plus a 60th payment of \$79,136 which includes a regular payment of \$4,261 and a balloon payment of \$74,875. The interest rate throughout the agreement is 3.2002%.

Principle and interest payments are as follows:

	Principle	Interest	Total
2018	\$ 46,396	\$ 4,736	\$ 51,132
2019	122,799	3,226	126,025
Total	\$ 169,195	\$ 7,962	\$ 177,157

During 2017, the County entered into a lease-purchase agreement for specific software to be utilized by the Sheriff's office. The terms of the lease-purchase are as follows. At the end of the lease-purchase agreement, the software can be purchased for \$1, assuming all annual payments, including principle and interest, have been paid. The payments are due in June of each year with an annual interest rate of 3.954%.

Principle and interest payments are as follows:

	Principle	Interest	Total
2018	\$ 33,495	\$ 5,621	\$ 39,116
2019	34,820	4,296	39,116
2020	36,197	2,919	39,116
2021	37,627	1,487	39,114
Total	\$ 142,139	\$ 14,323	\$ 156,462

Changes in long-term debt are as follows:

	Jan 1	Debt	Payments	Dec 31	Current
Long-Term Debt	\$ 248,887	\$ 181,255	\$ (118,808)	\$ 311,334	\$ 79,891

Note 15 Schedule of EBT Authorizations

Refer to the following page for EBT authorizations during the year.

Note 15

Huerfano County Department of Human Services
Schedule of EBT Authorizations, Warrant Expenditures and Total Expenditures
For the Year Ended December 31, 2017

Program	County EBT Authorizations	County Share of Authorizations	Expenditures By County Warrant	County EBT Authorizations and Expenditures by County Warrant	Total Expenditures
Eligibility Determination, Adult Protection and Common Support	\$ -	\$ -	\$ 359,600	\$ 359,600	\$ 359,600
Adult Protective Services	-	-	29,368	29,368	29,368
Child Support Enforcement	-	-	95,081	95,081	95,081
Low-Income Energy Assistance	380,701	-	18,526	399,227	18,526
Colorado/Huerfano County Works	336,191	35,684	211,986	548,177	247,670
Aid Needy Disabled/Homecare	128,961	31,629	-	128,961	31,629
Old Age Pension	343,097	2,049	-	343,097	2,049
Child Care/Child Care Grant	53,047	14,261	34,989	88,036	49,250
Child Welfare	468,098	96,943	589,130	1,057,228	686,073
Core Services - Child Welfare	33,995	2,685	26,840	60,835	29,525
HB1414, Parental Fees	-	-	15,089	15,089	15,089
IV-E Waiver Grant	-	-	44,399	44,399	44,399
Medicaid Transportation	-	-	59,929	59,929	59,929
Options for Long Term Care	-	-	148,863	148,863	148,863
County Only	-	-	102,735	102,735	102,735
Promoting Safe and Stable Families/Admin.	-	-	40,858	40,858	40,858
Family Resource Center Admin Fund	-	-	29,832	29,832	29,832
Parental Engagement Grant	-	-	12,973	12,973	12,973
Infant & Toddler Grant	-	-	37,721	37,721	37,721
Personal Responsibility Education Grant	-	-	164,384	164,384	164,384
HB 1451 Collaborative Management	-	-	78,702	78,702	78,702
Miscellaneous Grants	-	-	56,905	56,905	56,905
Reconnecting Youth	-	-	13,424	13,424	13,424
Sub-Total	1,744,090	183,251	2,171,334	3,915,424	2,354,585
Food Assistance	2,569,759	-	-	2,569,759	-
Grand Total	\$ 4,313,849	\$ 183,251	\$ 2,171,334	\$ 6,485,183	\$ 2,354,585

Huerfano County, Colorado
Budget and Actual
General
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 2,156,259	\$ 2,156,259	\$ 2,125,770
SO Taxes	226,000	226,000	240,202
Sales and miscellaneous taxes	583,821	583,821	551,162
Fees and fines	600	600	281
Licenses and permits	87,360	87,360	101,865
Intergovernmental	35,646	35,646	76,795
Charges for services	1,141,450	1,141,450	1,398,911
Investment earnings	4,400	4,400	8,937
Miscellaneous	197,764	197,764	226,912
Total revenues	<u>4,433,300</u>	<u>4,433,300</u>	<u>4,730,835</u>
EXPENDITURES			
Current:			
General government	2,552,119	2,552,119	2,491,097
Public Safety	2,056,120	2,056,120	1,737,946
Highways and roads	10,440	10,440	25,287
Health and sanitation	199,739	199,739	122,900
Debt Service:			
Principal	-	-	39,116
Capital Outlay	104,945	104,945	227,697
Total Expenditures	<u>4,923,363</u>	<u>4,923,363</u>	<u>4,644,043</u>
Excess (deficiency) of revenues over expenditures	<u>(490,063)</u>	<u>(490,063)</u>	<u>86,792</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	181,255
Transfers in	50,000	50,000	50,000
Transfers out	-	-	(200,000)
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>31,255</u>
Net change in fund balances	(440,063)	(440,063)	118,047
Fund balances - beginning	1,569,778	1,569,778	1,431,762
Fund balances - ending	<u>\$ 1,129,715</u>	<u>\$ 1,129,715</u>	<u>\$ 1,549,809</u>

Huerfano County, Colorado
Budget and Actual
Department of Human Services
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 313,673	\$ 313,673	\$ 310,259
SO Taxes	35,000	35,000	34,942
Intergovernmental	2,012,314	2,012,314	1,932,534
Miscellaneous	800	800	-
Total revenues	<u>2,361,787</u>	<u>2,361,787</u>	<u>2,277,735</u>
EXPENDITURES			
Current:			
Welfare	2,522,391	2,522,391	2,314,585
Total Expenditures	<u>2,522,391</u>	<u>2,522,391</u>	<u>2,314,585</u>
Excess (deficiency) of revenues over expenditures	<u>(160,604)</u>	<u>(160,604)</u>	<u>(36,850)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	(40,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balances	(160,604)	(160,604)	(76,850)
Fund balances - beginning	368,129	368,129	512,363
Fund balances - ending	<u>\$ 207,525</u>	<u>\$ 207,525</u>	<u>\$ 435,513</u>

Huerfano County, Colorado
Budget and Actual
Road & Bridge
For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 13,678	\$ 13,678	\$ 12,388
SO Taxes	1,325	1,325	1,398
Sales and miscellaneous taxes	1,500	1,500	-
Licenses and permits	26,000	26,000	29,650
Intergovernmental	1,768,498	1,768,498	1,743,147
Charges for services	30,500	30,500	45,008
Miscellaneous	12,020	12,020	92,951
Total revenues	<u>1,853,521</u>	<u>1,853,521</u>	<u>1,924,542</u>
EXPENDITURES			
Current:			
General government	30,554	30,554	33,575
Public Works	2,071,545	2,071,545	1,993,424
Debt Service:			
Principal	44,939	44,939	44,938
Interest and other charges	6,197	6,197	6,197
Capital Outlay	7,500	7,500	23,192
Total Expenditures	<u>2,160,735</u>	<u>2,160,735</u>	<u>2,101,326</u>
Excess (deficiency) of revenues over expenditures	<u>(307,214)</u>	<u>(307,214)</u>	<u>(176,784)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	16,000	16,000	-
Total other financing sources and uses	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Net change in fund balances	(291,214)	(291,214)	(176,784)
Fund balances - beginning	1,114,326	1,114,326	1,060,914
Fund balances - ending	<u>\$ 823,112</u>	<u>\$ 823,112</u>	<u>\$ 884,130</u>

Huerfano County, Colorado
Budget and Actual
Special Projects
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 2,563,239	\$ 2,563,239	\$ 1,092,483
Donations	-	-	125,000
Total revenues	<u>2,563,239</u>	<u>2,563,239</u>	<u>1,217,483</u>
EXPENDITURES			
Current:			
General government	-	-	313,188
Principal	34,754	34,754	34,754
Interest and other charges	324	324	324
Capital Outlay	<u>2,609,683</u>	<u>2,609,683</u>	<u>1,202,800</u>
Total Expenditures	<u>2,644,761</u>	<u>2,644,761</u>	<u>1,551,066</u>
Excess (deficiency) of revenues over expenditures	<u>(81,522)</u>	<u>(81,522)</u>	<u>(333,583)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>263,356</u>
Total other financing sources and uses	<u>150,000</u>	<u>150,000</u>	<u>263,356</u>
Net change in fund balances	68,478	68,478	(70,227)
Fund balances - beginning	78,958	78,958	246,436
Fund balances - ending	<u>\$ 147,436</u>	<u>\$ 147,436</u>	<u>\$ 176,209</u>

Huerfano County, Colorado
Balance Sheet
Other Governmental Funds
December 31, 2017

	P.I.L.T.	Conservation Trust	Waste Transfer Station	Retirement	Federal Forest Project	Emergency Services	Lodging Tax Tourism	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 385,845	\$ 8,433	\$ 11,714	\$ 121,994	\$ 27,948	\$ 456,667	\$ 93,793	\$ 1,106,394
Taxes receivable, net	-	-	-	106,758	-	-	-	106,758
Due from other funds	25,000	-	-	-	-	-	-	25,000
Receivable from other governments	-	-	-	-	-	13,635	-	13,635
Other receivables	-	-	-	-	-	92,058	-	92,058
Total assets	<u>410,845</u>	<u>8,433</u>	<u>11,714</u>	<u>228,752</u>	<u>27,948</u>	<u>562,360</u>	<u>93,793</u>	<u>1,343,845</u>

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	-	-	3,720	-	-	5,981	42	9,743
Due to other funds	-	-	-	-	-	-	25,000	25,000
Total liabilities	-	-	3,720	-	-	5,981	25,042	34,743
Deferred Inflow of Resources								
Deferred property taxes	-	-	-	106,758	-	-	-	106,758
Fund balances:								
Committed	410,845	8,433	7,994	121,994	27,948	556,379	68,751	1,202,344
Total fund balances	<u>410,845</u>	<u>8,433</u>	<u>7,994</u>	<u>121,994</u>	<u>27,948</u>	<u>556,379</u>	<u>68,751</u>	<u>1,202,344</u>
Total liabilities and fund balances	<u>\$ 410,845</u>	<u>\$ 8,433</u>	<u>\$ 11,714</u>	<u>\$ 228,752</u>	<u>\$ 27,948</u>	<u>\$ 562,360</u>	<u>\$ 93,793</u>	<u>\$ 1,343,845</u>

Huerfano County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2017

	P.I.L.T.	Conservation Trust	Waste Transfer Station	Retirement	Federal Forest Project	Emergency Services	Lodging Tax Tourism	Total-Other Governmental Funds
REVENUES								
Property Taxes	\$ -	-	\$ -	\$ 111,486	\$ -	-	\$ -	\$ 111,486
SO Taxes	-	-	-	12,579	-	-	-	12,579
Sales and miscellaneous taxes	-	-	-	-	-	612,659	-	612,659
Intergovernmental	502,770	13,795	-	-	-	25,436	-	542,001
Lodging Taxes	-	-	60,535	-	-	-	58,853	119,388
Investment earnings	-	35	-	-	-	-	-	35
Miscellaneous	-	3,538	24	204	-	1,637	-	5,403
Total revenues	502,770	17,368	60,559	124,269	-	639,732	58,853	1,403,551
EXPENDITURES								
Current:								
General government	37,402	-	2,238	93,951	-	-	40,223	173,814
Public safety	-	-	-	-	369	507,672	-	508,041
Highways and roads	4,769	-	-	-	-	-	-	4,769
Health services	-	-	91,439	-	-	-	-	91,439
Culture and recreation	5,500	30,218	-	-	-	-	-	35,718
Total Expenditures	47,671	30,218	93,677	93,951	369	507,672	40,223	813,781
Excess (deficiency) of revenues over expenditures	455,099	(12,850)	(33,118)	30,318	(369)	132,060	18,630	589,770
OTHER FINANCING SOURCES (USES)								
Transfers in	-	15,000	40,000	-	-	-	-	55,000
Transfers out	(118,356)	-	-	-	-	-	-	(118,356)
Total other financing sources and uses	(118,356)	15,000	40,000	-	-	-	-	(63,356)
SPECIAL ITEM								
Net change in fund balances	336,743	2,150	6,882	30,318	(369)	132,060	18,630	526,414
Fund balances - beginning	74,102	6,283	1,112	91,676	28,317	424,319	50,121	675,930
Fund balances - ending	\$ 410,845	\$ 8,433	\$ 7,994	\$ 121,994	\$ 27,948	\$ 556,379	\$ 68,751	\$ 1,202,344

Huerfano County, Colorado
Budget and Actual
Correctional Facility
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Investment earnings	\$ 45	\$ 45	\$ 40
Total revenues	<u>45</u>	<u>45</u>	<u>40</u>
EXPENDITURES			
Miscellaneous	-	-	5,612
Depreciation	9,417	9,417	24,211
Total Operating Expenses	<u>9,417</u>	<u>9,417</u>	<u>29,823</u>
Operating income (loss)	<u>(9,372)</u>	<u>(9,372)</u>	<u>(29,783)</u>
Net change in net position	(9,372)	(9,372)	(29,783)
Net position - beginning	9,372	9,372	108,335
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,552</u>

Huerfano County, Colorado
Budget and Actual
Ambulance
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 301,300	\$ 301,300	\$ 45,343
Operating grants and contributions	173,000	173,000	7,500
Miscellaneous	12,500	12,500	5,048
Total revenues	<u>486,800</u>	<u>486,800</u>	<u>57,891</u>
EXPENDITURES			
Personal services	351,995	351,995	103,563
Contractual services	41,901	41,901	17,081
Utilities	15,478	15,478	13,598
Repairs and maintenance	10,000	10,000	8,444
Bad debts	-	-	607
Other supplies and expenses	216,175	216,175	16,323
Miscellaneous	10,400	10,400	2,450
Insurance claims and expenses	38,922	38,922	24,034
Depreciation	46,000	46,000	11,030
Total Operating Expenses	<u>730,871</u>	<u>730,871</u>	<u>197,130</u>
Operating income (loss)	<u>(244,071)</u>	<u>(244,071)</u>	<u>(139,239)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	200,000	-
Total other financing sources and uses	<u>200,000</u>	<u>200,000</u>	<u>-</u>
SPECIAL ITEM			
Loss on transfer of assets	-	-	(179,563)
Net change in net position	(44,071)	(44,071)	(318,802)
Net position - beginning	99,512	99,512	754,240
Net position - ending	<u>\$ 55,441</u>	<u>\$ 55,441</u>	<u>\$ 435,438</u>

Huerfano County, Colorado
Budget and Actual
Gardner Water and Sewer Improvement District
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 74,875	\$ 80,438	\$ 76,635
Total revenues	<u>74,875</u>	<u>80,438</u>	<u>77,090</u>
EXPENDITURES			
Personal services	-	-	20,890
Contractual services	24,710	30,273	40,381
Utilities	5,914	5,914	5,728
Repairs and maintenance	11,294	11,294	13,753
Other supplies and expenses	500	500	121
Miscellaneous	10,060	10,060	5,340
Insurance claims and expenses	1,540	1,540	-
Depreciation	15,000	15,000	39,286
Total Operating Expenses	<u>69,018</u>	<u>74,581</u>	<u>125,499</u>
Operating income (loss)	<u>5,857</u>	<u>5,857</u>	<u>(48,409)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(16,000)	(16,000)	-
Total other financing sources and uses	<u>(16,000)</u>	<u>(16,000)</u>	<u>-</u>
Net change in net position	(10,143)	(10,143)	(48,409)
Net position - beginning	74,017	74,017	1,697,549
Net position - ending	<u>\$ 63,874</u>	<u>\$ 63,874</u>	<u>\$ 1,649,140</u>

Huerfano County, Colorado
Budget and Actual
Conservation Trust
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 12,750	\$ 26,804	\$ 13,795
Investment earnings	25	25	35
Miscellaneous	-	-	3,538
Total revenues	<u>12,775</u>	<u>26,829</u>	<u>17,368</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>15,704</u>	<u>29,758</u>	<u>30,218</u>
Total Expenditures	<u>15,704</u>	<u>29,758</u>	<u>30,218</u>
Excess (deficiency) of revenues over expenditures	<u>(2,929)</u>	<u>(2,929)</u>	<u>(12,850)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	15,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>15,000</u>
Net change in fund balances	(2,929)	(2,929)	2,150
Fund balances - beginning	5,132	5,132	6,283
Fund balances - ending	<u>\$ 2,203</u>	<u>\$ 2,203</u>	<u>\$ 8,433</u>

Huerfano County, Colorado
Budget and Actual
P.I.L.T.
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 410,000	\$ 410,000	\$ 502,770
Miscellaneous	10,000	10,000	-
Total revenues	<u>420,000</u>	<u>420,000</u>	<u>502,770</u>
EXPENDITURES			
Current:			
General government	27,000	27,000	37,402
Highways and roads	35,359	35,359	4,769
Culture and recreation	8,500	8,500	5,500
Total Expenditures	<u>70,859</u>	<u>70,859</u>	<u>47,671</u>
Excess (deficiency) of revenues over expenditures	<u>349,141</u>	<u>349,141</u>	<u>455,099</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>(118,356)</u>
Total other financing sources and uses	<u>(190,000)</u>	<u>(190,000)</u>	<u>(118,356)</u>
Net change in fund balances	159,141	159,141	336,743
Fund balances - beginning	80,911	80,911	74,102
Fund balances - ending	<u>\$ 240,052</u>	<u>\$ 240,052</u>	<u>\$ 410,845</u>

Huerfano County, Colorado
Budget and Actual
Retirement
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 109,660	\$ 109,660	\$ 111,486
SO Taxes	11,450	11,450	12,579
Miscellaneous	200	200	204
Total revenues	<u>121,310</u>	<u>121,310</u>	<u>124,269</u>
EXPENDITURES			
Current:			
General government	<u>116,975</u>	<u>116,975</u>	<u>93,951</u>
Total Expenditures	<u>116,975</u>	<u>116,975</u>	<u>93,951</u>
Excess (deficiency) of revenues over expenditures	<u>4,335</u>	<u>4,335</u>	<u>30,318</u>
Net change in fund balances	4,335	4,335	30,318
Fund balances - beginning	<u>85,602</u>	<u>85,602</u>	<u>91,676</u>
Fund balances - ending	<u><u>\$ 89,937</u></u>	<u><u>\$ 89,937</u></u>	<u><u>\$ 121,994</u></u>

Huerfano County, Colorado
Budget and Actual
Federal Forest Project
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 21,000	\$ 21,000	\$ -
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>-</u>
EXPENDITURES			
Current:			
Public Safety	46,932	46,932	369
Total Expenditures	<u>46,932</u>	<u>46,932</u>	<u>369</u>
Excess (deficiency) of revenues over expenditures	<u>(25,932)</u>	<u>(25,932)</u>	<u>(369)</u>
Net change in fund balances	(25,932)	(25,932)	(369)
Fund balances - beginning	25,932	25,932	28,317
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,948</u>

Huerfano County, Colorado
Budget and Actual
Emergency Services
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Sales and miscellaneous taxes	\$ 545,750	\$ 545,750	\$ 612,659
Intergovernmental	62,000	62,000	25,436
Miscellaneous	-	-	1,637
Total revenues	<u>607,750</u>	<u>607,750</u>	<u>639,732</u>
EXPENDITURES			
Current:			
Public Safety	520,514	520,514	507,672
Capital Outlay	67,100	67,100	-
Total Expenditures	<u>587,614</u>	<u>587,614</u>	<u>507,672</u>
Excess (deficiency) of revenues over expenditures	<u>20,136</u>	<u>20,136</u>	<u>132,060</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(200,000)	(200,000)	-
Total other financing sources and uses	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	(179,864)	(179,864)	132,060
Fund balances - beginning	291,313	291,313	424,319
Fund balances - ending	<u>\$ 111,449</u>	<u>\$ 111,449</u>	<u>\$ 556,379</u>

Huerfano County, Colorado
Budget and Actual
Lodging Tax Tourism
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Lodging taxes	\$ 45,500	\$ 45,500	\$ 58,853
Total revenues	<u>45,500</u>	<u>45,500</u>	<u>58,853</u>
EXPENDITURES			
Current:			
General government	63,500	63,500	40,223
Debt Service:			
Principal payment on due to other fund	<u>10,000</u>	<u>10,000</u>	<u>15,000</u>
Total Expenditures	<u>73,500</u>	<u>73,500</u>	<u>55,223</u>
Excess (deficiency) of revenues over expenditures	<u>(28,000)</u>	<u>(28,000)</u>	<u>3,630</u>
SPECIAL ITEM			
Principal payment on due to other fund	-	-	15,000
Net change in fund balances	(28,000)	(28,000)	18,630
Fund balances - beginning	<u>66,194</u>	<u>66,194</u>	<u>50,121</u>
Fund balances - ending	<u>\$ 38,194</u>	<u>\$ 38,194</u>	<u>\$ 68,751</u>

Huerfano County, Colorado
Budget and Actual
Waste Transfer Station
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 44,000	\$ 54,704	\$ 60,535
Total revenues	<u>44,000</u>	<u>54,704</u>	<u>60,559</u>
EXPENDITURES			
Current:			
General government	1,640	1,640	2,238
Health and sanitation	71,926	71,926	91,439
Capital Outlay	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total Expenditures	<u>85,566</u>	<u>85,566</u>	<u>93,677</u>
Excess (deficiency) of revenues over expenditures	<u>(41,566)</u>	<u>(30,862)</u>	<u>(33,118)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total other financing sources and uses	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Net change in fund balances	(1,566)	9,138	6,882
Fund balances - beginning	<u>1,964</u>	<u>1,964</u>	<u>1,112</u>
Fund balances - ending	<u>\$ 398</u>	<u>\$ 11,102</u>	<u>\$ 7,994</u>

LOCAL HIGHWAY FINANCE REPORT		City or County: Huerfano
		YEAR ENDING : December 2017
This Information From The Records Of Huerfano County:	Prepared By: Phone:	John Galusha 719 738-3000, ext. 110

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,027,783
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	51,574	c. Other	
4. Miscellaneous local receipts (from page 2)	102,244	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	22,408
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,050,191
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	269
7. Total (1 through 6)	153,818	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	269
C. Receipts from State government (from page 2)	1,767,625	2. Notes:	
D. Receipts from Federal Government (from page 2)	3,099	a. Interest	6,197
E. Total receipts (A.7 + B + C + D)	1,924,542	b. Redemption	44,938
		c. Total (a. + b.)	
		3. Total (1.c + 2.c)	51,135
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,101,326

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

	Opening Debt	Amount Issued	Redemptions	Ending Debt
A. Bonds (Total)				
1. Bonds (Refunding Portion)				
B. Notes (Total)	214,132	0	44,938	169,194

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance
	1,060,914	1,924,542	2,101,326	884,130
				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
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	12,387	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	0	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens	0	e. Sale of Surplus Property	1,973
4. Licenses		f. Charges for Services	15,163
5. Specific Ownership &/or Other	39,187	g. Other Misc. Receipts	79,316
6. Total (1. through 5.)	39,187	h. Other Permits	5,792
c. Total (a. + b.)	51,574	i. Total (a. through h.)	102,244
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	1,740,048	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	23,858	d. Federal Transit Admin	
d. Other (Specify) Grant	3,719	e. U.S. Corps of Engineers	
e. Other (Specify) Energy Impact	0	f. Other Federal Taylor Grazing	3,099
f. Total (a. through e.)	27,577	g. Total (a. through f.)	3,099
4. Total (1. + 2. + 3.f)	1,767,625	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments:

Huerfano County, Colorado
Schedule of Due From/ Due To the State of Colorado
Public Welfare Fund
December 31, 2017

Due From/Due To State of Colorado:	<u>Due From</u>	<u>Due To</u>
Colorado Works	\$ 11,424	\$ -
Child Care	1,993	-
Child Welfare Allocation	23,805	-
County Administration CDHS	11,420	-
County Administration HCPF	4,328	-
County Administration HCPF Enhanced	10,295	-
Personal Responsibility Education Program	13,529	-
EBT Administration	-	228
Core Services	3,570	-
Child Support Enforcement	8,324	-
LEAP	3,233	-
Adult Protective Services	1,446	-
Aid to Needy Disabled	-	1,687
Home Care Allowance	-	219
SSI Home Care Allowance	-	230
Old Age Pension	1,019	-
IV-E Waiver	3,402	-
Child Welfare Discretionary Grants	4,955	-
Promoting Safe & Stable Families	2,929	-
County Wide Cost Allocation Plan	6,466	-
State & Federal Incentives	374	-
County Tax Base Relief	4,125	-
IV-D Retained	152	-
Total Due From/Due To State of Colorado	<u>116,789</u>	<u>2,364</u>
 Net Due From/Due To all Sources	 <u>\$ 116,789</u>	 <u>\$ 2,364</u>
 Net Due from State	 \$ 114,425	
Miscellaneous Grants	-	
Total Due From/Due To	<u>\$ 114,425</u>	

Huerfano County, Colorado
Schedule of Findings and Questioned Costs
(Uniform Guidance)
For the Year ended December 31, 2017

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major federal programs: Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
CFDA Number(s)	Name of federal program or cluster
93.568	LEAP
93.558	TANF
Dollar threshold used to distinguish between type A and type B programs:	\$187,500
Auditee qualified as a low-risk auditee?	Yes

Section II: Financial Statement Findings

There are not any findings that are required to be reported.

Section III: Federal Awards Findings

There are not any findings that are required to be reported.

Huerfano County, Colorado
Schedule of Federal Awards Expended
for the year ended December 31, 2017

GRANT TITLE	PASS-THRU AGENCY	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF HEALTH & HUMAN SERVICES:				
IV-D Administration	Colo. Dept of Human Services	93.563	\$ 66,070	
LEAP	Colo. Dept of Human Services	93.568	399,682	*
Title IV-E-FC	Colo. Dept of Human Services	93.658	429,936	
Block Grant- Title XX	Colo. Dept of Human Services	93.667	125,162	
Medicaid Title XIX	Colo. Dept of Human Services	93.778	177,071	
Title IV-E Guard As	Colo. Dept of Human Services	93.090	892	
IV-B Child Care	Colo. Dept of Human Services	93.645	32,780	
CO Works- TANF	Colo. Dept of Human Services	93.558	665,739	*
Child Care Development Funds	Colo. Dept of Human Services	93.596	21,533	
Family Preservation-PSSF	Colo. Dept of Human Services	93.556	42,309	
IV-E Adoption	Colo. Dept of Human Services	93.659	<u>56,848</u>	2,018,022
DEPARTMENT OF AGRICULTURE:				
Food Stamp Admin.	Colo. Dept of Human Services	10.561	<u>71,398</u>	71,398
DEPARTMENT OF TRANSPORTATION:				
Airport Improvement Program	Federal Aviation Administration	20.106	<u>346,578</u>	346,578
DEPARTMENT OF LOCAL AFFAIRS:				
Community Development Block Grant	Colo. Dept of Local Affairs	14.228	<u>173,640</u>	** 173,640
DEPARTMENT OF HOMELAND SECURITY:				
Emergency Management		97.039	32,553	
Emergency Management		97.042	<u>55,436</u>	87,989
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 2,697,627</u></u>	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huerfano County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the federal requirements.

The County does not use the minimum indirect cost rate.

* Major Programs

** Pass-Thru Grant

The county had one subrecipient during the year.

**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***

Independent Auditor's Report

Board of County Commissioners
Huerfano County, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huerfano County (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 June 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

rfarmer, llc

June 12, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of County Commissioners
Huerfano County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Huerfano County'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 auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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* (CFR) 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 [Entity Name]'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Prowers County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

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

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

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

rfarmer, llc

June 12, 2018