

Lincoln County, Colorado

Financial Statements

December 31, 2017

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Office of the State Auditor

September 26, 2018

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a certified public accounting and consulting firm

Independent Auditor's Report

Board of County Commissioners
Lincoln County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lincoln County's 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 did not audit the financial statements of Lincoln Community Hospital, which represents 33 percent, 18.9 percent, and 96 percent, respectively, of the assets, fund balances, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lincoln Community Hospital, is based solely on the report of the other auditors. 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 (1) unmodified opinion on each major fund and aggregate remaining fund information, and (2) our qualified opinion on the governmental activities.

Basis for Qualified Opinion on the Governmental Activities

Effective for years ending December 31, 2015, for entities that have defined benefit plans, management was to have an actual study completed to determine the amount of any unfunded liability or funded deferred cash outflow so the proper disclosures could be in the governmental activities financial statements, including the footnotes. Due to management not having an actuarial study completed, as required by accounting principles generally accepted in the United States of America, the amounts that would be disclosed in the financial statements, including the footnotes, are not known.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion on the Governmental Activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities of Lincoln County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unqualified Opinion on the Major Funds

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of Lincoln County, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County's basic financial statements. The combining, individual fund financial information, the Local Highway Finance Report, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of the Federal Regulations (CFR), 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 accompanying supplementary information 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 by us and the other auditors. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

rfarmer, llc

September 20, 2018

**Lincoln County
Statement of Net Position
December 31, 2017**

	Governmental Activities	Total	Component Unit Lincoln Community Hospital
ASSETS			
Cash and Equivalents	\$ 17,865,086	\$ 17,865,086	\$ 389,395
Receivables	5,735,588	5,735,588	5,701,616
Inventories	259,827	259,827	224,363
Prepaid Expenses	136,955	136,955	158,333
Noncurrent cash	-	-	416,182
Capital Assets			
Land	109,425	109,425	160,783
Buildings	7,314,526	7,314,526	6,242,487
Equipment and Furniture	13,819,835	13,819,835	4,672,430
Land Improvements/Construction in Progress	931,458	931,458	176,607
Less: Accumulated Depreciation	<u>(11,511,066)</u>	<u>(11,511,066)</u>	<u>(6,667,050)</u>
Total Capital Assets	<u>10,664,178</u>	<u>10,664,178</u>	<u>4,585,257</u>
Total Assets	<u>34,661,634</u>	<u>34,661,634</u>	<u>11,475,146</u>
LIABILITIES			
Accounts payable and accrued expenses	118,400	118,400	2,958,349
Unearned Revenues	119,151	119,151	-
Long-term liabilities			
Due within one year			
Capital leases and notes payable	149,179	149,179	235,891
Due in more than one year			
Capital leases and notes payable	149,389	149,389	2,469,450
Compensated absences	200,346	200,346	-
Landfill Closure Payable	293,382	293,382	-
Total liabilities	<u>1,029,847</u>	<u>1,029,847</u>	<u>5,663,690</u>
Deferred cash in-flows resource			
Deferred property taxes	<u>5,186,848</u>	<u>5,186,848</u>	<u>432,513</u>
NET POSITION			
Investment in capital assets	10,365,610	10,365,610	1,633,440
Restricted for:			
Restricted TABOR/expendable	320,940	320,940	268,100
Unrestricted	17,758,389	17,758,389	3,477,403
Total net position	<u>\$ 28,444,939</u>	<u>\$ 28,444,939</u>	<u>\$ 5,378,943</u>

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

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

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
Primary government							
Governmental Activities							
General Government	\$ 2,834,523	\$ 611,725	\$ 126,525	\$ -	\$ (2,096,273)	\$ (2,096,273)	\$ -
Public Safety	2,174,822	184,797	33,949	-	(1,956,076)	(1,956,076)	-
Highway and Streets	4,727,875	-	2,494,454	-	(2,233,421)	(2,233,421)	-
Public Health and Welfare	346,609	10,353	106,606	-	(229,650)	(229,650)	-
Culture and Recreation	319,619	9,564	25,320	-	(284,735)	(284,735)	-
Tourism	156,983	-	-	-	(156,983)	(156,983)	-
Public Welfare	2,669,523	-	2,334,136	-	(335,387)	(335,387)	-
Total governmental activities	13,229,954	816,439	5,120,990	-	(7,292,525)	(7,292,525)	-
Total primary government	\$ 13,229,954	\$ 816,439	\$ 5,120,990	\$ -	\$ (7,292,525)	\$ (7,292,525)	-
Component Units							
Lincoln Community Hospital	18,258,087	15,039,484	-	-	-	-	(3,218,603)
Total component units	\$ 18,258,087	\$ 15,039,484	\$ -	\$ -	\$ -	\$ -	(3,218,603)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,441,977	5,441,977	1,113,270
SO and sales tax					4,971,906	4,971,906	-
Unrestricted investment earnings					155,070	155,070	3,334
Miscellaneous					187,632	187,632	52,035
Interest Expense					-	-	(155,008)
Total general revenues, special items, and transfers					10,756,585	10,756,585	1,013,631
Change in net position					3,464,060	3,464,060	(2,204,972)
Net position - beginning					24,980,879	24,980,879	7,583,915
Net position - ending					\$ 28,444,939	\$ 28,444,939	\$ 5,378,943

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

**Lincoln County
Balance Sheet
Governmental Funds
December 31, 2017**

	<u>General</u>	<u>Road & Bridge Fund</u>	<u>Human Services Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,013,574	\$ 3,619,177	\$ 1,201,955	\$ 5,030,386	\$ 17,865,092
Taxes receivable, net	2,318,364	1,650,361	314,354	903,769	5,186,848
Other receivables	262,180	179,307	72,222	35,030	548,739
Inventories	8,000	251,827	-	-	259,827
Prepaid expenses	73,613	57,128	-	6,214	136,955
Total assets	<u>10,675,731</u>	<u>5,757,800</u>	<u>1,588,531</u>	<u>5,975,399</u>	<u>23,997,461</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	38,646	67,287	10,004	2,463	118,400
Unearned revenues	-	-	119,151	-	119,151
Total liabilities	<u>38,646</u>	<u>67,287</u>	<u>129,155</u>	<u>2,463</u>	<u>237,551</u>
Deferred cash in-flow resources					
Deferred property taxes	<u>2,318,364</u>	<u>1,650,361</u>	<u>314,354</u>	<u>903,769</u>	<u>5,186,848</u>
Fund balances:					
Non-spendable:					
Inventories	8,000	251,827	-	-	259,827
Prepaid expenses	73,613	57,128	-	6,214	136,955
Restricted--TABOR	128,015	-	-	170,666	298,681
Unassigned	8,109,093	-	-	-	8,109,093
Committed	-	3,731,197	1,145,022	4,892,287	9,768,506
Total fund balances	<u>8,318,721</u>	<u>4,040,152</u>	<u>1,145,022</u>	<u>5,069,167</u>	<u>18,573,062</u>
Total liabilities and fund balances	<u>\$ 10,675,731</u>	<u>\$ 5,757,800</u>	<u>\$ 1,588,531</u>	<u>\$ 5,975,399</u>	<u>\$ 23,997,461</u>

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

Lincoln County

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017**

Total fund balance, governmental funds	\$ 18,573,062
Amounts reported for governmental activities in the Statement of Net Position are different because:	
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 Position.	10,664,178
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 Position.	(792,296)
Adjustment for rounding	(5)
Net Assets of Governmental Activities in the Statement of Net Position	<u>\$ 28,444,939</u>

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

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

	<u>General</u>	<u>Road & Bridge Fund</u>	<u>Human Services Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 2,309,048	\$ 1,731,385	\$ 412,220	\$ 989,483	\$ 5,442,136
SO Tax	151,482	162,116	38,599	92,572	444,769
Sales and miscellaneous taxes	4,395,574	-	-	131,662	4,527,236
Intergovernmental	160,474	2,494,454	2,334,136	212,170	5,201,234
Charges for services	638,797	-	-	168,526	807,323
Investment earnings	149,512	2,213	527	2,561	154,813
Miscellaneous	75,580	8,917	8,383	101,309	194,189
Total revenues	<u>7,880,467</u>	<u>4,399,085</u>	<u>2,793,865</u>	<u>1,698,283</u>	<u>16,771,700</u>
EXPENDITURES					
Current:					
General government	3,213,455	-	-	70,255	3,283,710
Public Safety	1,709,546	-	-	21,508	1,731,054
Public Works	-	3,803,481	-	-	3,803,481
Health and sanitation	168,337	-	-	476,633	644,970
Culture and recreation	199,218	-	-	50,857	250,075
Tourism	-	-	-	156,983	156,983
Welfare	-	-	2,598,062	-	2,598,062
Debt Service:					
Principal	7,771	197,791	-	-	205,562
Interest and other charges	-	1,214	-	-	1,214
Capital Outlay	11,350	388,548	-	253,123	653,021
Total Expenditures	<u>5,309,677</u>	<u>4,391,034</u>	<u>2,598,062</u>	<u>1,029,359</u>	<u>13,328,132</u>
Excess (deficiency) of revenues over expenditures	<u>2,570,790</u>	<u>8,051</u>	<u>195,803</u>	<u>668,924</u>	<u>3,443,568</u>
Net change in fund balances	2,570,790	8,051	195,803	668,924	3,443,568
Fund balances - beginning	5,747,931	4,032,101	949,219	4,400,243	15,129,494
Fund balances - ending	<u>\$ 8,318,721</u>	<u>\$ 4,040,152</u>	<u>\$ 1,145,022</u>	<u>\$ 5,069,167</u>	<u>\$ 18,573,062</u>

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

Lincoln County
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: \$ 3,443,568

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 outlays of \$653,021 is less than depreciation of \$834,934 in the current period. (181,913)

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. 202,404

Adjustment for rounding 1

Change in net assets of governmental activities: \$ 3,464,060

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

Lincoln County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Pension Trust Fund	Agency Fund
ASSETS:		
Cash -County Clerk and Treasurer	\$ -	\$ 2,923,684
Contributions receivable	14,422	-
Investments valued at fair market value:		
Pension Funds	2,329,836	-
Total assets	2,344,258	2,923,684
 LIABILITIES:		
Due to other governmental units	-	2,923,684
Benefits payables	4,207	-
ASSETS HELD IN TRUST FOR EMPLOYEES' PENSION BENEFITS	2,340,051	-
TOTALS	\$ 2,344,258	\$ 2,923,684

The Pension Trust Fund information is as of December 31, 2015, which is the most recent information available.

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

Lincoln County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
December 31, 2017

	Pension Trust
	Fund
ADDITIONS:	
Employee Post Tax Contributions	\$ 85,875
Employer Defined Benefit Contribution	291,424
Investment Income	100,810
Unrealized Gains/(Losses)	358
Total Additions	478,467
 DEDUCTIONS:	
Direct Distributions	83,690
Administrative Fees	17,932
Custodial Fees	29,627
Total Deductions	131,249
INCREASE IN NET ASSETS	347,218
PLAN NET ASSETS, BEGINNING OF YEAR	1,992,833
PLAN NET ASSETS, END OF YEAR	\$ 2,340,051

The Pension Trust Fund information is as of December 31, 2015, which is the most recent information available.

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

Lincoln County, Colorado
Note to Financial Statements
December 31, 2017

Note 1 **Summary of Significant Accounting Policies**

The financial statements of Lincoln County, Colorado (the County) have been prepared in conformity with generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial reporting entity consists of (1) primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, if any) with discretely presented component units reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Based on the above criteria, the Lincoln Community Hospital is included in the County's basic financial statements using the discrete presentation. The Hospital is governed by a board appointed by the County Commissioners. The Hospital is fiscally dependent on the County because the Hospital's budget is approved by the County Commissioners. Complete financial statements of the Hospital can be obtained directly at the Lincoln Community Hospital, PO Box 248, Hugo, CO 80821.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentations

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current periods, or soon enough thereafter, to pay liabilities of the current period. For this purpose, revenues are considered to be available if collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales tax collected and held at year end on behalf of the County is also recognized as revenue if collected within 60 days after year end. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with an enterprise fund's ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The County reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The main sources of revenues are property taxes and sales taxes.

Road and Bridge Fund - This fund records costs related to County road and bridge construction and maintenance. By state law, Colorado counties are required to maintain a Road and Bridge Fund and a portion of road and bridge taxes is allocated to cities and towns for their road and street activities. The main sources of revenues are highway user trust fund and property taxes.

Human Services Fund - This fund administers social services programs under state and federal regulations. Colorado counties are required by law to maintain a Human Services Fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The County does not have any enterprise funds.

Fiduciary funds focus on net assets and changes in net assets. The County reports the following fiduciary funds:

Agency Fund - This fund accounts for transactions related to assets held by the County in the capacity of trustee, custodian or agent for other governmental entities.

Short-Term Interfund Receivables/Payables

The County from time to time authorizes advances between County funds. Interfund receivables and payables are classified as internal balances on the government-wide statement of net assets and are classified as due to/from other funds on the balance sheet.

Receivables

For all revenue, the County uses sixty days as receivable under the modified accrual basis of accounting, except in instances where grant funds are involved and the criteria of receiving reimbursement has been met as of year-end.

Inventory

Inventory is valued at lower of cost (first in, first out) or market. Inventory in the special revenue fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Prepayments

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

Capital Assets

Capital assets, which include land, land improvements, buildings, furnishings, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are capitalized at actual or estimated costs. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of a government fund type are sold, the proceeds of the sale are recorded as revenues in the appropriate government fund. The County reports gains and losses on the disposal of capital assets (carrying value less sale proceeds, if any) in the government-wide statement of activities and enterprise fund operating statement. Interest incurred during the construction phase of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5, 000 and an estimated useful life in excess of one year. The County's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Estimated useful lives are:

Land improvements	15 to 50 years
Buildings and building improvements	15 to 50 years
Furniture, fixtures and equipment	3 to 50 years

As a Phase 3 government, as defined in GASB 34, the County has elected to not report major general infrastructure assets retroactively; therefore, the government-wide financial statements do not reflect infrastructure assets completed prior to January 1, 2004. There have been no infrastructure additions since January 1, 2004, so as of the current year-end the County is not reporting any infrastructure assets.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. Delinquent notices for unpaid taxes are sent to property owners in July and properties are subject to tax sale in November. The County bills and collects its own property taxes and also taxes for the schools, town and special districts. Collections of the County taxes and remittance of them to the schools, town and special districts are accounted for in the agency funds. County property taxes are recognized when levied to the extent that they result in current receivables and deferred revenues and are recorded on the balance sheet of the appropriate fund.

Compensated Absences

Vacation and sick pay is accrued when earned in the government-wide statements according to the County's vacation and sick pay policy at the employee's prevailing wage as of the last day of the year. The liability for compensated absences does not exceed a normal year's accumulation.

Fund Equity

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

Non-spendable fund 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. 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 are 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.

When both restricted and unrestricted fund balances are available for use, it is the County’s policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

Note 2 Budgetary Information

An annual budget and appropriation resolution is adopted by the Board of County Commissioners in accordance with the Colorado State Budget Act. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or about September 1, the various department heads submit to the Board of County Commissioners a proposed operating budget for their department for the fiscal year commencing the following January 1. After a review and discussion with each department head, the Board adopts a preliminary operating budget for each fund including proposed expenditures and the means of financing them.
2. A notice is published informing the public that the proposed budget is available for inspection.
3. Prior to December 22, the budget is legally enacted through passage of a resolution by the Board of County Commissioners. Once enacted, budgets may be amended by passage of a supplemental appropriation approved by the County Commissioners. The final amended budget is used in the financial

statements. All appropriations lapse at year end. Supplemental budgets were adopted during 2017.

4. Budgets for the general, special revenue, capital projects and expendable trust funds are adopted on a basis consistent with generally accepted accounting principles. (GAAP)

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level for all funds.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the County for either budget or financial reporting purposes.

Note 3 Deposits and Investments

Deposits

The County's cash and cash investments at year-end are as follows:

Cash on Hand	\$	4,778
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The County's deposits at year-end are as follows:

Insured (FDIC)		1,000,000
Collateralized by securities held by the pledging financial institution's trust department or agent in the County's name and U.S. Obligations		<u>19,783,992</u>
Total Cash and Deposits		20,788,770
Less amounts due other taxing entities		<u>(2,923,684)</u>
Cash with County Treasurer		<u>\$ 17,865,086</u>

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party) if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by The Public Deposit Protection Act

(PDPA)). Accordingly, none of the County's deposits at year-end are deemed to be exposed to custodial credit risk. The County has no policy regarding custodial credit risk for deposits.

Investments

Colorado statutes specify in which instruments the local government may invest, which include:

1. Repurchase agreements in obligations of the United States;
2. Obligations of the United States or obligations unconditionally guaranteed by the United States;
3. General obligation or revenue bonds of any state, District of Columbia, U.S. territory or any of their subdivisions, with certain limitations;
4. Bankers' acceptance issued by a state or national bank, with certain limitations;
5. Commercial paper, with certain limitations;
6. Any obligation, certificate of participation or lease/purchase of the investing public entity;
7. Money market fund, with certain limitations, which invest in the types of securities listed above;
8. Guaranteed investment contracts, with certain limitations;
9. Participation with other local governments in pooled investment funds (trust). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments. These trusts are "ColoTrust", "Jefftrust" and "C Safe". The County had \$18,587 invested in C Safe at year-end.

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, which approximates cost, except for non-participating contracts, which are reported at amortized cost. The County has \$6,122,836 in U.S. obligations

The County has invested in COLOTRUST in the amount of \$4,515,789 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.

The Pension Fund investments are special managed accounts consisting of individual stocks and other investments and are not subject to credit ratings.

Interest Rate Risk The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates.

Credit Risk With the exception of the Employee Pension Fund, the County does not have a formal investment policy that would further limit its investment choices beyond those listed above which are approved by Colorado Statutes.

All public funds within the jurisdiction of the Lincoln County Treasurer shall be invested in accordance with Colorado State Statutes and resolutions enacted by the Board of County Commissioners in a manner that seeks to accomplish the following objectives in the following priority:

Safety: To insure the safety of all public funds, investments shall be made so as to minimize the potential for capital losses arising from changes in market value or default.

Safety of principal is the foremost objective of the investment program. Investments of Lincoln County will be made in a manner that seeks to ensure the preservation of capital in the Portfolio. To attain this objective, the Lincoln County Treasurer will endeavor to mitigate credit and interest rate risks

Credit risk: Lincoln County will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in the Authorized Investments section of this Policy.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest rate risk: Lincoln County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Liquidity: To ensure that adequate funds are available at all times to promptly pay all of the County's financial obligations, without need for the sale of investments at the risk of market losses due to untimely liquidation.

The Employee Pension Fund must achieve a minimum of two of the three performance criteria. For 3, 5, 10 and 15 years, the investment selection must be in the top (40%) of its peer group for annualized return. This benchmark can be overridden if the fund illustrates that its risk (standard deviation) has been below industry peers for given time frames.

Note 4 Capital Assets

A summary of changes in governmental activity capital assets is as follows:

	Jan 1, 2017	Additions	Transfers Deletions	Dec 31, 2017
Non-Depreciable Assets:				
Land	\$ 109,425	\$ -	\$ -	\$ 109,425
Total Non-Depreciable Assets	109,425	-	-	109,425
Depreciable Assets:				
Land Improvements	931,458	-	-	931,458
Buildings	7,314,526	-	-	7,314,526
Furniture, Fixtures & Equipment	13,136,861	682,974	-	13,819,835
Total Depreciable Assets	21,382,845	682,974	-	22,065,819
Total Accumulated Depreciation	(10,646,181)	(864,885)	-	(11,511,066)
Total Depreciable Assets, Net	10,736,664	(181,911)	-	10,554,753
Total Capital Assets, Net	\$ 10,846,089	\$ (181,911)	\$ -	\$ 10,664,178

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

General Government	\$ 169,600
Public Safety	143,993
Highways and Roads	461,591
Health	29,951
Human Services	22,962
Culture and Recreation	36,788
Total Depreciation Expense	<u>\$ 864,885</u>

Note 5**Long Term Debt**Note Payable

In September 2002, the County entered into an agreement with Karval Water Users, Inc. (a nonprofit corporation) in connection with certain improvements to be made to the domestic potable water distribution system in Karval, an unincorporated community located within the County. Funding for these improvements has been received from the Colorado Department of Local Affairs (the State); however, as Karval is not incorporated, the State has required that the County be the primary recipient of these funds and that the distribution system improvements financed with these funds remain the property of the County for a period of 20 years, after which time ownership will transfer to Karval Water Users, Inc. The State agreed to fund this project through a grant in the amount of \$26,170.

The loan requires repayment in 20 annual installments of \$2,100, including interest at 5% beginning September 2003 and maturing September 2022 according to the following schedule. The water distribution system is to be fully operated by Karval Water Users, Inc., and all costs including loan repayments, incurred by the County are to be fully reimbursed by Karval Water Users, Inc. through user charges.

The note was paid in full in 2017.

Road & Bridge Fund

During the year, the County entered into new lease purchase agreements for road and bridge equipment. The interest rates vary from 3.2% to 3.5%. Repayment terms for these and previous agreements are as follows:

	Principal	Interest	Total
2018	\$ 149,179	\$ 631	\$ 149,810
2019	149,389	421	149,810
	<u>\$ 298,568</u>	<u>\$ 1,052</u>	<u>\$ 299,620</u>

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the County to place a final cover on each of the units located at the landfill site as the capacity of those units is maximized. In addition, the County is required to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure costs will be paid throughout the life of the site as individual units are closed, and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, government accounting standards require that the County report a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. Landfill closure and postclosure care costs of \$98,132 and \$195,250, respectively, reported as of December 31, 2009, represent the cumulative amount reported to date based on the use of 1.62% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$5,888,698 and \$11,927,906, respectively, as the remaining estimated capacity of the full 320-acre landfill site is used. These amounts are based on current cost estimates assuming that the landfill had reached

maximum capacity in 2010. Actual costs may differ from this estimate due to inflation, changes in technology or changes in regulations.

The landfill is comprised of a number of cells, each of which will be excavated as additional space is needed. Currently, the County is using the third cell of an estimated 104 cells expected to be utilized at this site. It is anticipated that it will take an additional 10 years to fill this cell. The total number of anticipated cells is derived from the average current cell size and total acreage available. Based on the current rate of use of the landfill, the landfill's life is estimated to be 989 years with 972 years remaining.

Closure and post-closure care financial assurances are being met by the local financial test.

Changes in Long-Term Debt

The changes in long-term debt during the current year are summarized as follows:

	Jan 1, 2017	Additions	Deletions	Dec 31, 2017	Due Within One Year
Compensated Absences	\$ 204,960	\$ -	\$ (4,613)	\$ 200,347	\$ -
Landfill Closure Costs	293,382	-	-	293,382	-
Lease Purchase	496,359	-	(197,791)	298,568	146,179
Note Payable	10,657	-	(10,657)	-	-
Total	\$ 1,005,358	\$ -	\$ (213,061)	\$ 792,297	\$ 146,179

Compensated absences are normally paid from the funds reporting payroll and related expenditures, including the General Fund, Road and Bridge Fund, Social Services Fund, Landfill Fund, Library Fund and Emergency 911 Fund. Landfill Closure Costs are payable from the Landfill Fund. The note payable is payable from the General Fund. The lease purchase is paid by the Road & Bridge Fund.

Note 6 Pension Plans

Employees' Pension Plan

The County has adopted a single-employer contribution pension plan under the authority of the Board of County Commissioners which provides retirement and death benefits to plan members and beneficiaries. The plan does not issue a publicly available financial report. All full-time employees who have completed one year of service and attained age 25 are eligible to participate. This information is as of December 31, 2015.

The percentage of accrued pension vested is determined according to the following schedule:

Number of Years		Portion of Accrued Pension Vested
At Least	But Less Than	
0	4	0.00%
4	8	62.50%
8	12	75.00%
12	n/a	100.00%

A participant who has attained his 62nd birthday is 100% vested in his accrued pension, regardless of the years of credited service.

The contribution requirements of the plan members and the County are established and may be amended by the County Commissioners. Plan members are required to contribute 3.25% of their annual covered salary. The county is required to contribute at an actuarially-determined rate, but has estimated that rate to be 3.5% of annual covered payroll. Administrative costs of the plan are financed through investments earnings.

The annual required contribution for the current year was determined as part of the January 1, 2014, actuarial valuation using the modified aggregate actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) considered compensation of \$3,023,434 and (c) a mortality rate in accordance with the 1983 group annuity male rates. The present value of benefits is \$3,995,700.

The actuarial valuation calculates the dollar amount of the annual required contribution (ARC) based on the projected annual covered payroll. The County's contributions are based on actual annual covered payroll at a rate designed to approximate the ARC.

Employer contributions were not required for 2015. Employee required contributions were 3.25% of total participants' compensation.

The activity of the County's retirement plan is presented as a Pension Trust Fund, and is accounted for under the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Deferred Compensation Plan

A deferred compensation plan under Section 457 of the Internal Revenue Code (IRC) is available to all employees for voluntary contributions of up to a maximum specified by the Internal Revenue Service. Employees are eligible to participate immediately upon his or her date of employment or reemployment. In accordance with the terms of the plan, distribution is not available to employees until retirement, death or in the event of an unforeseen emergency. The plan is administered by CCOERA, and plan provisions are established and may be amended by the County Commissioners.

Note 7

Risk Management

Due to the County's potential exposure to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, the County participates in the following public entity risk pools:

County Worker's Compensation Pool

Due to the high cost of obtaining worker's compensation insurance the County joined together with the Counties in the State of Colorado to form the County Worker's Compensation Pool (CWCP), a public entity risk pool operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its worker's compensation insurance coverage. The intergovernmental 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 specified self-insured retention, which is determined each policy year. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

Colorado Counties Casualty and Property Pool

Due to the high cost of property and liability insurance 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 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. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three years.

Note 8

Commitments and Contingencies

TABOR

In November 1992, the Colorado voters passed a constitutional amendment (Tabor Amendment) to the State Constitution (Article X, Section 20) which requires voter approval for any increases in mill levies, revenue limits, spending limits, and creation of multi-year debt. In addition, the amendment requires that a 3% reserve be established for emergencies.

The initial base for local government spending and revenue limits is 1992 fiscal year spending (as defined by TABOR). Future spending and revenue limits are determined based on the prior year's spending (as defined under TABOR) adjusted for the inflation and annual local growth. Revenue in excess of the spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. In November 1995, the voters approved a ballot issue which read, in part, that the County "be... permitted to retain, appropriate and utilize, by retention for reserve, carry-over fund balance, or expenditures in 1995, and all subsequent years, notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution." This ballot issue also included a provision that, although the revenue and spending limitations of TABOR would not apply in 1995 and subsequent years, any future increase in tax rates or mill levy or imposition of any new tax would continue to require consent of the voters.

The County has reserved \$170,666 within the Contingency Fund and \$128,015 within the General Fund for the emergency reserve under the Tabor Amendment.

Except for the refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval of the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years. As indicated in Note 5, during 2002, the County entered into a loan and grant agreement with the Colorado Department of Local Affairs in connection with improvements to be made to the water system of Karval, an unincorporated town within the County. In connection with this agreement, loan proceeds of \$26,170 were received from the State and require repayment over a period of 20 years, which may be in violation of this provision of TABOR.

The County believes that it is in compliance with the provisions of the Tabor Amendment except as indicated above. However, many provisions of the Tabor Amendment are complex and subject to further interpretation and will require judicial interpretation.

Note 9**Joint Venture**

District Attorney for the Eighteenth Judicial District is a joint venture between four counties. The District Attorney represents the people of the counties and is established by state statute. The District Attorney is an elected office and the counties comprising the District other than approving their respective budgets do not exercise oversight responsibility, significantly affect operations, nor do they have any financial obligation beyond the budget.

The report of the Office of the District Attorney for the Eighteenth District may be obtained at the following address:

Office of the District Attorney
Eighteenth Judicial District
7305 S. Potomac St., Suite 300
Englewood, CO 80112-4031
720-874-8500

**Lincoln County
Budget and Actual
General
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 2,309,342	\$ 2,309,342	\$ 2,309,048
Sales and miscellaneous taxes	1,350,000	1,350,000	4,395,574
SO Taxes	105,000	105,000	151,482
Intergovernmental	535,500	535,500	160,474
Charges for services	589,084	589,084	638,797
Investment earnings	75,000	75,000	149,512
Miscellaneous	60,000	60,000	75,580
Total revenues	<u>5,023,926</u>	<u>5,023,926</u>	<u>7,880,467</u>
EXPENDITURES			
Current:			
General government	3,332,723	3,332,723	3,213,455
Public Safety	2,119,056	2,119,056	1,709,546
Health and sanitation	258,200	258,200	168,337
Culture and recreation	230,967	230,967	199,218
Debt Service:			
Principal	2,100	2,100	7,771
Capital Outlay	13,980	13,980	11,350
Total Expenditures	<u>5,957,026</u>	<u>5,957,026</u>	<u>5,309,677</u>
Excess (deficiency) of revenues over expenditures	<u>(933,100)</u>	<u>(933,100)</u>	<u>2,570,790</u>
Net change in fund balances	(933,100)	(933,100)	2,570,790
Fund balances - beginning	4,811,000	4,811,000	5,747,931
Fund balances - ending	<u>\$ 3,877,900</u>	<u>\$ 3,877,900</u>	<u>\$ 8,318,721</u>

**Lincoln County
Budget and Actual
Road & Bridge Fund
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 1,731,022	\$ 1,731,022	\$ 1,731,385
Sales and miscellaneous taxes	210,000	210,000	162,116
Intergovernmental	2,295,000	2,295,000	2,494,454
Investment earnings	3,000	3,000	2,213
Miscellaneous	50,000	50,000	8,917
Total revenues	<u>4,289,022</u>	<u>4,289,022</u>	<u>4,399,085</u>
EXPENDITURES			
Current:			
Highways and roads	4,553,700	4,553,700	3,803,479
Principal	600,000	600,000	197,791
Interest and other charges	-	-	1,214
Capital Outlay	100,000	100,000	388,550
Total Expenditures	<u>5,253,700</u>	<u>5,253,700</u>	<u>4,391,034</u>
Excess (deficiency) of revenues over expenditures	<u>(964,678)</u>	<u>(964,678)</u>	<u>8,051</u>
SPECIAL ITEM			
Proceeds from sale capital assets	10,000	10,000	-
Net change in fund balances	(954,678)	(954,678)	8,051
Fund balances - beginning	3,650,000	3,650,000	4,032,101
Fund balances - ending	<u>\$ 2,695,322</u>	<u>\$ 2,695,322</u>	<u>\$ 4,040,152</u>

**Lincoln County
Budget and Actual
Human Services Fund
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 412,505	\$ 412,505	\$ 412,220
SO Taxes	-	-	38,599
Intergovernmental	2,499,786	2,499,786	2,334,136
Investment earnings	-	-	527
Miscellaneous	128,315	128,315	8,383
Total revenues	<u>3,040,606</u>	<u>3,040,606</u>	<u>2,793,865</u>
EXPENDITURES			
Current:			
Welfare	2,948,139	2,948,139	2,598,062
Total Expenditures	<u>2,948,139</u>	<u>2,948,139</u>	<u>2,598,062</u>
Excess (deficiency) of revenues over expenditures	<u>92,467</u>	<u>92,467</u>	<u>195,803</u>
Net change in fund balances	92,467	92,467	195,803
Fund balances - beginning	700,000	700,000	949,219
Fund balances - ending	<u>\$ 792,467</u>	<u>\$ 792,467</u>	<u>\$ 1,145,022</u>

Lincoln County
Balance Sheet
Other Governmental Funds
December 31, 2017

	Conservation Trust	Library Fund	Contingent Fund	Public Health	Emergency 911 Fund	Lodging Tax Tourism Fund	Landfill Fund	Capital Projects Fund	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 113,447	\$ 41,158	\$ 170,666	\$ 312,006	\$ 248,537	\$ 75,443	\$ 730,545	\$ 3,338,584	\$ 5,030,386
Taxes receivable, net	-	39,294	-	78,589	-	-	157,177	628,709	903,769
Other receivables	-	-	-	12,241	3,979	-	18,810	-	35,030
Prepaid expenses	-	-	-	3,304	-	-	2,910	-	6,214
Total assets	<u>113,447</u>	<u>80,452</u>	<u>170,666</u>	<u>406,140</u>	<u>252,516</u>	<u>75,443</u>	<u>909,442</u>	<u>3,967,293</u>	<u>5,975,399</u>

LIABILITIES AND FUND BALANCES

Liabilities:									
Accounts payable	-	1,414	-	(267)	235	-	1,081	-	2,463
Total liabilities	<u>-</u>	<u>1,414</u>	<u>-</u>	<u>(267)</u>	<u>235</u>	<u>-</u>	<u>1,081</u>	<u>-</u>	<u>2,463</u>
Deferred cash in-flow resources									
Deferred property taxes	-	39,294	-	78,589	-	-	157,177	628,709	903,769

Fund balances:

Non-spendable	-	-	-	3,304	-	-	2,910	-	6,214
Prepaid expenses	-	-	170,666	-	-	-	-	-	170,666
Restricted--TABOR									
Committed	113,447	39,744	-	324,514	252,281	75,443	748,274	3,338,584	4,892,287
Total fund balances	<u>113,447</u>	<u>39,744</u>	<u>170,666</u>	<u>327,818</u>	<u>252,281</u>	<u>75,443</u>	<u>751,184</u>	<u>3,338,584</u>	<u>5,069,167</u>
Total liabilities and fund balances	<u>\$ 113,447</u>	<u>\$ 80,452</u>	<u>\$ 170,666</u>	<u>\$ 406,140</u>	<u>\$ 252,516</u>	<u>\$ 75,443</u>	<u>\$ 909,442</u>	<u>\$ 3,967,293</u>	<u>\$ 5,975,399</u>

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

	Conservation Trust	Library Fund	Contingent Fund	Public Health	Emergency 911 Fund	Lodging Tax Tourism Fund	Landfill Fund	Capital Projects Fund	Total-Other Governmental Funds
REVENUES									
Property Taxes	\$ -	\$ 41,221	\$ -	\$ 123,818	\$ 19	\$ -	\$ 164,882	\$ 659,543	\$ 989,483
SO Taxes	-	3,978	-	11,509	-	-	15,327	61,758	92,572
Lodging Taxes	-	-	-	-	-	131,662	-	-	131,662
Intergovernmental	25,320	-	-	186,850	-	-	-	-	212,170
Charge for services	-	-	-	1,237	46,786	-	120,503	-	168,526
Investment earnings	1,665	53	-	-	-	-	-	843	2,561
Miscellaneous	-	4,886	-	(3,849)	-	-	1,213	99,059	101,309
Total revenues	26,985	50,138	-	319,565	46,805	131,662	301,925	821,203	1,698,283
EXPENDITURES									
Current:									
General government	-	-	-	5,570	-	-	-	64,685	70,255
Public Safety	-	-	-	-	21,508	-	-	-	21,508
Health and sanitation	-	-	-	241,986	-	-	234,647	-	476,633
Culture and recreation	-	50,857	-	-	-	-	-	-	50,857
Tourism	-	-	-	-	-	156,983	-	-	156,983
Capital Outlay	-	-	-	5,344	116,408	-	-	131,371	253,123
Total Expenditures	-	50,857	-	252,900	137,916	156,983	234,647	196,056	1,029,359
Excess (deficiency) of revenues over expenditures	26,985	(719)	-	66,665	(91,111)	(25,321)	67,278	625,147	668,924
Net change in fund balances	26,985	(719)	-	66,665	(91,111)	(25,321)	67,278	625,147	668,924
Fund balances - beginning	86,462	40,463	170,666	261,153	343,392	100,764	683,906	2,713,437	4,400,243
Fund balances - ending	\$ 113,447	\$ 39,744	\$ 170,666	\$ 327,818	\$ 252,281	\$ 75,443	\$ 751,184	\$ 3,338,584	\$ 5,069,167

**Lincoln County
Budget and Actual
Library Fund
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 41,250	\$ 41,250	\$ 41,221
SO Taxes	3,300	3,300	3,978
Investment earnings	-	-	53
Miscellaneous	4,500	4,500	4,886
Total revenues	<u>49,050</u>	<u>49,050</u>	<u>50,138</u>
EXPENDITURES			
Current:			
Culture and recreation	52,100	52,100	50,857
Total Expenditures	<u>52,100</u>	<u>52,100</u>	<u>50,857</u>
Excess (deficiency) of revenues over expenditures	<u>(3,050)</u>	<u>(3,050)</u>	<u>(719)</u>
Net change in fund balances	(3,050)	(3,050)	(719)
Fund balances - beginning	38,000	38,000	40,463
Fund balances - ending	<u>\$ 34,950</u>	<u>\$ 34,950</u>	<u>\$ 39,744</u>

**Lincoln County
Budget and Actual
Contingent Fund
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	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	170,666	170,666	-
Total Expenditures	<u>170,666</u>	<u>170,666</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(170,666)</u>	<u>(170,666)</u>	<u>-</u>
Net change in fund balances	(170,666)	(170,666)	-
Fund balances - beginning	170,666	170,666	170,666
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,666</u>

**Lincoln County
Budget and Actual
Conservation Trust
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 24,000	\$ 24,000	\$ 25,320
Investment earnings	1,200	1,200	1,665
Total revenues	<u>25,200</u>	<u>25,200</u>	<u>26,985</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(44,800)</u>	<u>(44,800)</u>	<u>26,985</u>
Net change in fund balances	(44,800)	(44,800)	26,985
Fund balances - beginning	<u>81,857</u>	<u>81,857</u>	<u>86,462</u>
Fund balances - ending	<u>\$ 37,057</u>	<u>\$ 37,057</u>	<u>\$ 113,447</u>

Lincoln County
Budget and Actual
Emergency 911 Fund
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	\$ -	\$ -	\$ 19
Charges for services	\$ 50,000	\$ 50,000	\$ 46,786
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>46,805</u>
EXPENDITURES			
Current:			
Public Safety	290,000	290,000	21,508
Capital Outlay	-	-	116,408
Total Expenditures	<u>290,000</u>	<u>290,000</u>	<u>137,916</u>
Excess (deficiency) of revenues over expenditures	<u>(240,000)</u>	<u>(240,000)</u>	<u>(91,111)</u>
Net change in fund balances	(240,000)	(240,000)	(91,111)
Fund balances - beginning	<u>263,852</u>	<u>263,852</u>	<u>343,392</u>
Fund balances - ending	<u>\$ 23,852</u>	<u>\$ 23,852</u>	<u>\$ 252,281</u>

**Lincoln County
Budget and Actual
Public Health
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	\$ 123,474	\$ 123,474	\$ 123,818
SO Taxes	8,500	8,500	11,509
Intergovernmental	91,000	91,000	186,850
Charges for services	-	-	1,237
Miscellaneous	50,000	50,000	(3,849)
Total revenues	<u>272,974</u>	<u>272,974</u>	<u>319,565</u>
EXPENDITURES			
Current:			
General government	8,000	8,000	5,570
Health	304,474	304,474	241,986
Capital Outlay	1,500	1,500	5,344
Total Expenditures	<u>313,974</u>	<u>313,974</u>	<u>252,900</u>
Excess (deficiency) of revenues over expenditures	<u>(41,000)</u>	<u>(41,000)</u>	<u>66,665</u>
Net change in fund balances	(41,000)	(41,000)	66,665
Fund balances - beginning	206,000	206,000	261,153
Fund balances - ending	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 327,818</u>

**Lincoln County
Budget and Actual
Landfill Fund
For the year ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 165,002	\$ 165,002	\$ 164,882
Sales and miscellaneous taxes	14,000	14,000	15,327
Charge for Services	120,000	120,000	120,503
Miscellaneous	4,043	4,043	1,213
Total revenues	<u>303,045</u>	<u>303,045</u>	<u>301,925</u>
EXPENDITURES			
Health and Sanitation	<u>265,000</u>	<u>265,000</u>	<u>234,647</u>
Total Operating Expenses	<u>265,000</u>	<u>265,000</u>	<u>234,647</u>
Operating income (loss)	<u>38,045</u>	<u>38,045</u>	<u>67,278</u>
Net change in fund balances	38,045	38,045	67,278
Fund balances - beginning	<u>610,875</u>	<u>610,875</u>	<u>683,906</u>
Fund balances - ending	<u><u>\$ 648,920</u></u>	<u><u>\$ 648,920</u></u>	<u><u>\$ 751,184</u></u>

**Lincoln County
Budget and Actual
Lodging Tax Tourism Fund
For the year ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Lodging Taxes	\$ 140,000	\$ 147,783	\$ 131,662
Total revenues	<u>140,000</u>	<u>147,783</u>	<u>131,662</u>
EXPENDITURES			
Current:			
Tourism	149,200	156,983	156,983
Total Expenditures	<u>149,200</u>	<u>156,983</u>	<u>156,983</u>
Excess (deficiency) of revenues over expenditures	<u>(9,200)</u>	<u>(9,200)</u>	<u>(25,321)</u>
Net change in fund balances	(9,200)	(9,200)	(25,321)
Fund balances - beginning	82,610	82,610	100,764
Fund balances - ending	<u>\$ 73,410</u>	<u>\$ 73,410</u>	<u>\$ 75,443</u>

**Lincoln County
Budget and Actual
Capital Projects Fund
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	\$ 660,008	\$ 660,008	\$ 659,543
Sales and miscellaneous taxes	62,000	62,000	61,758
Investment earnings	-	-	843
Miscellaneous	10,000	10,000	99,059
Total revenues	<u>732,008</u>	<u>732,008</u>	<u>821,203</u>
EXPENDITURES			
General Government	528,000	528,000	64,685
Capital Outlay	702,000	702,000	131,371
Total Operating Expenses	<u>1,230,000</u>	<u>1,230,000</u>	<u>196,056</u>
Operating income (loss)	<u>(497,992)</u>	<u>(497,992)</u>	<u>625,147</u>
Net change in fund balances	(497,992)	(497,992)	625,147
Fund balances - beginning	2,439,578	2,439,578	2,713,437
Fund balances - ending	<u>\$ 1,941,586</u>	<u>\$ 1,941,586</u>	<u>\$ 3,338,584</u>

LOCAL HIGHWAY FINANCE REPORT		City or County: Lincoln
		YEAR ENDING : December 2017
This Information From The Records Of Lincoln County:	Prepared By: Phone:	Gary Ensign 719-743-2810

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:	4,092,517
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	265,502	b. Snow and ice removal	41,321
3. Other local imposts (from page 2)	1,895,714	c. Other	0
4. Miscellaneous local receipts (from page 2)	8,917	d. Total (a. through c.)	41,321
5. Transfers from toll facilities		4. General administration & miscellaneous	58,191
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	265,502
a. Bonds - Original Issues		6. Total (1 through 5)	4,457,531
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,170,133	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	2,494,455	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	1,214
E. Total receipts (A.7 + B + C + D)	4,664,588	b. Redemption	197,791
		c. Total (a. + b.)	199,005
		3. Total (1.c + 2.c)	199,005
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	4,656,536

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)	422,645	446,966	383,909	485,702

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	4,032,101	4,664,588	4,656,536	4,040,153	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	1,733,598	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	162,116	g. Other Misc. Receipts	8,917
6. Total (1. through 5.)	162,116	h. Other lease purchase agreements	0
c. Total (a. + b.)	1,895,714	i. Total (a. through h.)	8,917
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,478,978	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	15,477	d. Federal Transit Admin	
d. Other (Specify) Mineral leasing	0	e. U.S. Corps of Engineers	
e. Other (Specify)	0	f. Other Federal	
f. Total (a. through e.)	15,477	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	2,494,455	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:

Lincoln County
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

GRANT TITLE	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF HEALTH & HUMAN SERVICES:			
IV-D Administration	93.563	\$ 76,525	
LEAP	93.568	89,673	
Title IV-E FC	93.658	205,409	*
Block Grant- Title XX	93.667	67,220	
Medicaid Title XIX	93.778	108,563	
IV-B Child Care	93.645	3,509	
CO Works- TANF	93.558	31,679	
CCDF Disc.	93.575	26,166	
IV-E Relation Guard	93.090	946	
IV-E Adoption	93.659	<u>43,150</u>	
Total			652,840
DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT			
IMM Core Services	93.268	1,041	
PHEP Funding	93.074	40,038	
CHAPS	93.758	7,500	
Care Coordination	93.994	<u>4,530</u>	
Total			53,109
DEPARTMENT OF AGRICULTURE:			
Food Stamp Admin.	10.561	44,462	
Women, Infant & Children	10.557	43,162	
Special Supplemental Nutrition Program for Women, Infant & Children	10.557	<u>84,323</u>	
Total			171,947
COLORADO DEPARTMENT OF LOCAL AFFAIRS:			
Community Development Block Grant	14.228	<u>79,228</u>	
Total			79,228
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 957,124</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The County does not use the de minimus indirect cost rate.
The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lincoln County, Colorado and is presented on the modified accrual basis of accounting.

* Major programs

**Lincoln County Colorado
Schedule of Findings and Questioned Costs
December 31, 2017**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None Reported
Is any noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	No
Are any 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): 93.658	Name of federal program: Title IV-E FC
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**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
Lincoln County

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, each major fund, and the aggregate remaining fund information of Lincoln County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln 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 Lincoln County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln 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 Lincoln 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

September 20, 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
Lincoln County

Report on Compliance for Each Major Federal Program

We have audited Lincoln County's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (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. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lincoln 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 Lincoln 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

rfarmer, llc

September 20, 2018