

**RIO GRANDE COUNTY, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2017**

**E**

**RECEIVED**

Office of the State Auditor

August 29, 2018



Wall,  
Smith,  
Bateman Inc.

Certified Public Accountants

**RIO GRANDE COUNTY, COLORADO**  
**TABLE OF CONTENTS**  
**December 31, 2017**

	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	i-x
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Governmental Fund Financial Statements:	
Balance Sheet	6
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities	10
Notes to the Basic Financial Statements	11
<b>Required Supplementary Information:</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
General Fund and Major Special Revenue Funds:	
General Fund	25
Road and Bridge Fund	26
Social Services Fund	27
<b>Other Supplementary Information:</b>	
Combining Schedules of Nonmajor Governmental Funds:	
Combining Balance Sheet	28
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances	29
Schedule of Expenditures and Transfers Out – Budget and Actual	30
<b>Other Schedules and Reports:</b>	
Schedule of Expenditures of Federal Awards	31
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	39
Summary Schedule of Prior Year Findings	41
Corrective Action Plan	42
Local Highway Finance Report	

# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

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

## **Report on the Financial Statements**

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

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

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

### *Auditors' Responsibility*

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

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

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

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 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 management's discussion and analysis and budgetary comparison information on pages i through x and 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The combining nonmajor fund schedules, the Local Highway Finance Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund schedules, the Local Highway Finance Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 09, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 09, 2018

**Rio Grande County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

As County Administrator, I would like to offer readers of the Rio Grande County Financial Statements an overview and analysis of the financial activities of the County for the year ended December 31, 2017.

This year, we have chosen to include a set of Financial Ratios that have been developed by the *Local Government Audit Division of the Office of the State Auditor*. Financial indicators provide quantifiable information to identify areas of concern. They are a quick and effective means to evaluate the fiscal health of the County. Financial ratios are only effective if they are shown as a trend so we have included information for 2015, 2016, and 2017.

This analysis and discussion is not intended to be a stand-alone document. Rather, it is to be used in conjunction with the Rio Grande County Financial Statements.

**Financial Highlights**

- The County's Total Net Position<sup>1</sup> grew 1.8% to \$50,102,448.
- Taxes, property and sales, account for approximately 30% of County revenues while intergovernmental revenues, charges for services, and grants, account for the remaining 70%. This distribution of revenues has stayed very steady for three years.
- The County had \$16,564,942 in expenses, a 2.6% decrease from 2016.
- Rio Grande County invested in \$1,498,928 in road paving and maintenance, and \$636,468 in communication equipment, vehicles<sup>2</sup> and several pieces of equipment for the Road and Bridge department include a loader, Kenworth tractor, paver, and plow. The County booked \$1,911,113 in depreciation resulting in total Capital Assets of \$39,715,098.
- Rio Grande County saw a 5% increase in property taxes resulting from an increase in the assessed valuations of commercial and other properties. Residential properties saw a much smaller increase, if at all due to the decrease in the residential assessment rate.
- Sales tax had a decrease of 4.5% in 2017 to \$892,574. This is a reversal of the slight increases we have been seeing since 2014.
- Lodging Tax revenues were up 36.79% from 2016 indicating an increase in tourism in Rio Grande County.

**Overview of the Financial Statements**

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

- Government-wide Financial Statements
- Fund Financial Statements, and
- Notes to the Basic Financial Statements.

---

<sup>1</sup> Total Assets less Total Liabilities plus Deferred Inflows

<sup>2</sup> 1- Jail, 1 – Sheriff, 3 – Department of Social services

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

The statements are followed by a section of supplementary information that provides further explanations and supports the financial statements including the 2017 Budget comparison.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances as a whole, using accounting methods comparable to those used by private-sector companies. They include the following two statements:

- The Statement of Net Position presents information on the County's assets, liabilities and deferred inflows, with the difference between the two factors reported as net position.
- The Statement of Activities presents information demonstrating how the County's net position changed during the most recent fiscal year as compared with the previous fiscal year. All of the current year's revenues and expenses are accounted for in this statement regardless of when cash is actually received or paid.

The governmental activities of the County include general government; public safety; health and welfare; highways and streets; judicial; auxiliary services; and culture and recreation.

**Fund Financial Statements**

A fund is an accounting device that a government uses to maintain control over and account for specific sources of funding that are to be spent for specific purposes. The County uses funds to ensure and demonstrate compliance with statutory requirements.

These statements focus more on the individual functions of the County, reporting on financial operations in a more detailed format than is found in the government-wide statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Since the government-wide focus includes long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Rio Grande County maintains three major governmental funds and six non-major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the major governmental funds. Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County, i.e., agency fund. Fiduciary funds are not reflected in the government-wide financial

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

statements because the resources of those funds are not available to support the County's programs.

**Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide a more detailed explanation of some of the information contained in the financial statements that is essential to gain a better understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including combining individual fund statements as well as budgetary schedules comparing original budgets, final budgets, and actual expenditures for all funds subject to budgetary restrictions.

**Component Units**

The County recognizes the following Rio Grande County Weed Control District as a component units of government for inclusion in the financial analysis which has been blended into the County's financial statements as "a Special Review Fund." More information on component units can be found in the notes to the basic financial statements.

**Financial Analysis of Rio Grande County (Table 1)**

Rio Grande County's assets exceeded their liabilities plus deferred inflows by \$50,102,448 in 2017, an increase of 1.8% from 2016. Current Assets increased \$434,281 while noncurrent assets (infrastructure and equipment) increased by \$2,135,396 less booked depreciation of \$1,911,113. Overall, total assets increased 1.2% or \$658,564. Current liabilities decreased 17.5% and noncurrent liabilities decreased 9.7% showing an overall decrease in Liabilities of 284,589.

- As a way to measure the Counties' ability to pay its bills in the short term, we use a *Cash to Liabilities Ratio (CLR)*<sup>3</sup>. While providing this ratio for one year is interesting, a trend analysis will determine if the County is using cash or increasing their liabilities in an unsustainable manner. In 2015, the CLR was 18.66, 15.99 in 2016, and in 19.60 in 2017. This means that for every \$1.00 in current liabilities, the County has \$19.60 to pay them. The trend the County is seeing is positive. The benchmark for this ratio is 1.0.

Approximately 76% of the County's net position is invested in capital assets (e.g. land, buildings and improvements, equipment and infrastructure) less any outstanding related debt used to acquire those assets which the County uses to provide services to citizens. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

---

<sup>3</sup> Total Cash and Investments/Total Current Liabilities

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

- Another way to monitor the use of debt is to watch the *Debt Burden Ratio (BDR)*<sup>4</sup>. Since General Fund is the only fund with debt payments, we just used those revenues. The BDR ratio for 2015 was 21.84, 2016 it was 22.84, and 22.89 in 2017. As the ratio increases, the debt payment is becoming less burdensome. The benchmark for this ratio is 1:1 or for every \$1.00 of debt service, the County has \$1.00 of revenue to pay it. Rio Grande County continues to show a very positive trend.

Table 1				
Condensed Statement of Net Position				
	Governmental Activities		Percentage	Actual
	2016	2017	Inc/Decr	Increase/Decr
Current & other Assets	\$ 14,998,053	\$ 15,432,334	2.9%	\$ 434,281
Noncurrent Assets	\$ 39,490,815	\$ 39,715,098	0.6%	\$ 224,283
<b>Total Assets</b>	<b>\$ 54,488,868</b>	<b>\$ 55,147,432</b>	<b>1.2%</b>	<b>\$ 658,564</b>
Current Liabilities	\$ 684,229	\$ 564,696	-17.5%	\$ (119,533)
Noncurrent Liabilities	\$ 1,695,162	\$ 1,530,106	-9.7%	\$ (165,056)
<b>Total Liabilities</b>	<b>\$ 2,379,391</b>	<b>\$ 2,094,802</b>	<b>-12.0%</b>	<b>\$ (284,589)</b>
Deferred Inflows of Resources	\$ 2,894,122	\$ 2,950,182	1.9%	\$ 56,060
<b>Net Position</b>				
Net Invested Capital Assets	\$ 37,852,342	\$ 38,250,585	1.1%	\$ 398,243
Restricted	\$ 1,387,663	\$ 1,555,207	12.1%	\$ 167,544
Unrestricted (deficit)	\$ 9,975,350	\$ 10,296,656	3.2%	\$ 321,306
<b>Total Net Position as December 31</b>	<b>\$ 49,215,355</b>	<b>\$ 50,102,448</b>	<b>1.8%</b>	<b>\$ 887,093</b>

The County's portion of unrestricted net position \$10,296,656 (21%) may be used to meet the government's ongoing obligations to citizens and creditors. It is generally recommended that the unrestricted fund balance be no less than 2 months of regular general fund expenditures.

- Using the *Unrestricted Fund Balance Ratio (UFB)*<sup>5</sup>, we see the County had a ratio in 2015 of .59, in 2016, .61, and .61 in 2017. The benchmark is .167 so the trend is positive. On average, the County has almost 7 months of general fund expenditures.

### Statement of Activities

Each year, the County reviews its ability to fund operations which is determined by revenues exceeding expenses. In 2016, they did not expenses exceeded revenues. We are pleased to show

<sup>4</sup> Total Revenue of the Fund(s) paying the Debt/Total Debt Payment

<sup>5</sup> (General Fund Unrestricted Fund Balance/General Fund Total Expenditures (Net of Transfers))

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

that in 2017, revenues exceeded expenditures by \$887,093. This was accomplished through increases in several revenue categories and decreases in expenses in several funds with the largest being Highways and Streets.

- One way of measuring how much the County is adding to the general fund for every \$1.00 in revenue generated is the *Operating Margin Ratio (OMR)*<sup>6</sup>. The Ratio in 2015 was .01, increased to .05 in 2016, and decreased to .03 in 2017. This ratio tells us that in 2017, we were able to put .03 into our general fund for every \$1.00 generated. It is critical that this ratio remain above .00.

	2016	2017	Percent Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 879,684	\$ 929,117	5.6%
Operating grants & Contributions	\$ 10,963,426	\$ 11,254,955	2.7%
Capital grants/restricted investment earnings	\$ 57,326	\$ 102,526	78.8%
General Revenues			
Taxes	\$ 4,142,192	\$ 4,297,032	3.7%
Payment in Lieu of Taxes	\$ 803,148	\$ 812,971	1.2%
Other	\$ 74,300	\$ 55,434	-25.4%
<b>Total Revenues</b>	<b>\$ 16,920,076</b>	<b>\$ 17,452,035</b>	<b>3.1%</b>
<b>Expenses</b>			
General Government	\$ 2,744,840	\$ 2,520,396	-8.2%
Public Safety	\$ 2,041,988	\$ 2,100,966	2.9%
Health and Welfare	\$ 8,442,813	\$ 8,888,823	5.3%
Highways and Streets	\$ 3,262,823	\$ 2,531,395	-22.4%
Judicial	\$ 175,000	\$ 180,000	2.9%
Auxiliary Services	\$ 61,339	\$ 64,322	4.9%
Culture & Recreation	\$ 202,646	\$ 205,780	1.5%
Interest on Debt	\$ 73,017	\$ 73,260	0.3%
<b>Total Expenses</b>	<b>\$ 17,004,466</b>	<b>\$ 16,564,942</b>	<b>-2.6%</b>
Increase(decrease) in Net Position	\$ (84,390)	\$ 887,093	1151.2%
<b>Ending Net Position</b>	<b>\$ 49,215,355</b>	<b>\$ 50,102,448</b>	<b>1.8%</b>

**Governmental Revenues**

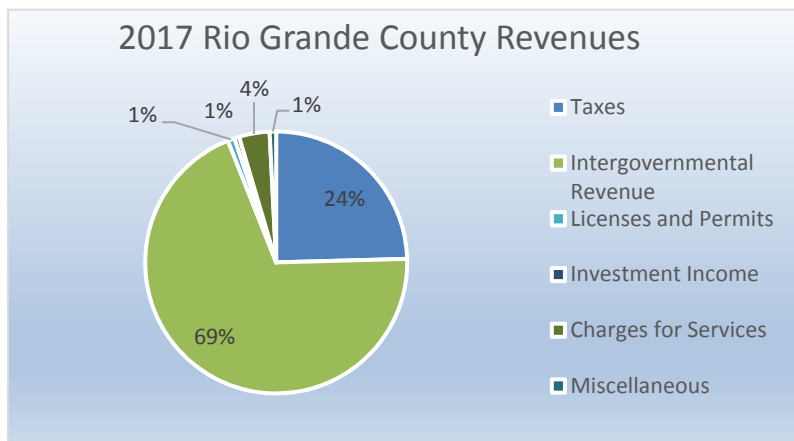
Total revenues reported in the Government-wide Statement of Activities for 2017 increased by \$496,293 (2.9%) compared to 2016. Sales tax decreased slightly by 4.5% while property taxes were up 5% resulting in a percent change in taxes of 3.7%. There was substantial increases in

<sup>6</sup> (Total Fund Revenue – Total Fund Expenditures)/Total Revenue

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2017**

Interest on Investments, licenses and permits were down 6% and charges for services were up 3.3%.

Revenues	2016	2017	Percent Change	Increase/ Decrease
Taxes	\$ 4,142,192	\$ 4,297,032	3.7%	\$ 154,840
Intergovernmental Revenue	\$ 11,811,344	\$ 12,140,129	2.8%	\$ 328,785
Licenses and Permits	\$ 158,209	\$ 148,635	-6.1%	\$ (9,574)
Investment Income	\$ 57,326	\$ 102,526	78.8%	\$ 45,200
Charges for Services	\$ 640,391	\$ 661,246	3.3%	\$ 20,855
Miscellaneous	\$ 182,599	\$ 138,786	-24.0%	\$ (43,813)
<b>Total Revenues</b>	<b>\$ 16,992,061</b>	<b>\$ 17,488,354</b>	<b>2.9%</b>	<b>\$ 496,293</b>



Rio Grande County relies heavily on taxes and intergovernmental revenue for operations and capital improvements/acquisitions.

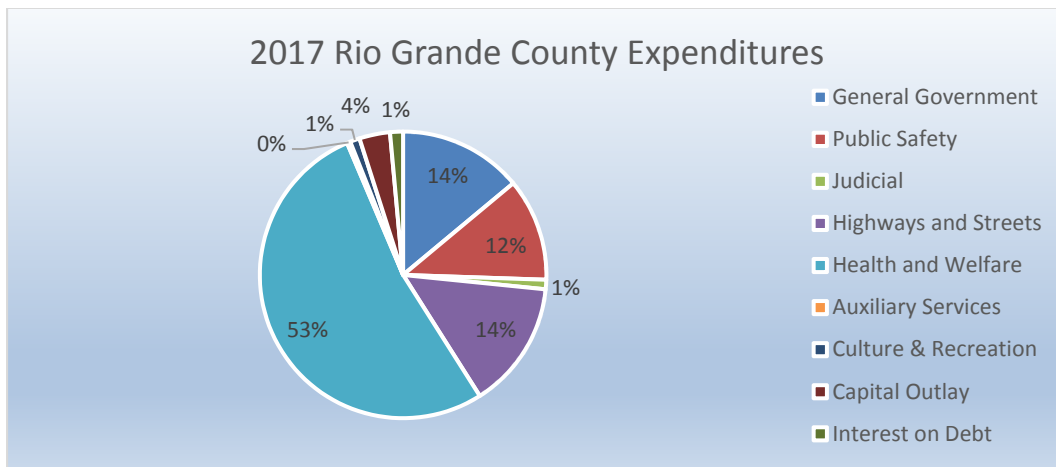
**Governmental Expenditures**

During 2017, with the exception of General Government, all funds experienced some increase in expenditures. Increases in salaries and resulting benefits, were part of the increases. Purchases of Jail vehicles and Road and Bridge equipment along with increase in clients and benefits in Health and Welfare round out the \$739,552 increase.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2017**

Expenditures	2016	2017	Percent Change	Increase/ Decrease
General Government	\$ 2,632,202	\$ 2,370,911	-9.9%	\$ (261,291)
Public Safety	\$ 1,941,676	\$ 1,968,119	1.4%	\$ 26,443
Judicial	\$ 175,000	\$ 180,000	2.9%	\$ 5,000
Highways and Streets	\$ 2,436,320	\$ 2,446,545	0.4%	\$ 10,225
Health and Welfare	\$ 8,422,900	\$ 8,933,453	6.1%	\$ 510,553
Auxiliary Services	\$ 61,339	\$ 64,322	4.9%	\$ 2,983
Culture & Recreation	\$ 182,361	\$ 185,495	1.7%	\$ 3,134
Capital Outlay	\$ 171,305	\$ 589,074	243.9%	\$ 417,769
Interest on Debt	\$ 222,484	\$ 247,220	11.1%	\$ 24,736
<b>Total Expenses</b>	<b>\$ 16,245,587</b>	<b>\$ 16,985,139</b>	<b>4.6%</b>	<b>\$ 739,552</b>

- The County measures the cost of services per citizen by using the *Expenditures per Capita Ratio (EPC)*<sup>7</sup>. In 2015, the EPC was \$1,469.53, in 2016 it was \$1,422.06, while in 2017 it was \$1,486.79. While there is no set benchmark, the ratio shows a very steady result indicating consistent and prudent spending based on population growth



### Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows and outflows, as well as, resources that remain available for future spending. Such information is useful in assessing the County's financing requirements. Governmental funds reported total ending fund balance of \$12,118,851, an increase of \$507,537 (4.4%) over 2016.

<sup>7</sup> Total Expenditures/Annual population (as published on the DoLA Demographers Website)

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

Table 5 depicts the County's three major and compilation of the other governmental fund financial activities for 2016 and 2017.

Table 5					
Major Governmental Funds Activity					
	General Fund	Road and Bridge	Social Services	Other	Total
	Fund	Fund	Fund	Governmental	Governmental
2017	Fund	Fund	Fund	Funds	Funds
Revenues	\$ 5,344,529	\$ 2,772,366	\$ 7,982,461	\$ 1,388,998	\$ 17,488,354
Expenditures	\$ 4,882,914	\$ 2,899,970	\$ 7,951,827	\$ 1,250,428	\$ 16,985,139
Excess/Deficiency	\$ 461,615	\$ (127,604)	\$ 30,634	\$ 138,570	\$ 503,215
Other Financing Sources(Uses)	\$ 894	\$ 428	\$ -	\$ -	\$ 1,322
<b>Net Change in Fund Balance</b>	<b>\$ 462,509</b>	<b>\$ (127,176)</b>	<b>\$ 30,634</b>	<b>\$ 138,570</b>	<b>\$ 504,537</b>
					\$ -
Fund Balance at Beginning of year	\$ 3,665,621	\$ 5,581,316	\$ 1,042,292	\$ 1,325,085	\$ 11,614,314
Fund Balance at End of Year	\$ 4,128,130	\$ 5,454,140	\$ 1,072,926	\$ 1,463,655	\$ 12,118,851
	General Fund	Road and Bridge	Social Services	Other	Total
	Fund	Fund	Fund	Governmental	Governmental
2016	Fund	Fund	Fund	Funds	Funds
Revenues	\$ 5,333,097	\$ 2,849,140	\$ 7,761,737	\$ 1,048,087	\$ 16,992,061
Expenditures	\$ 5,000,851	\$ 2,570,701	\$ 7,677,085	\$ 996,950	\$ 16,245,587
Excess/Deficiency	\$ 332,246	\$ 278,439	\$ 84,652	\$ 51,137	\$ 746,474
Other Financing Sources(Uses)	\$ -	\$ 7,131	\$ -	\$ -	\$ 7,131
<b>Net Change in Fund Balance</b>	<b>\$ 332,246</b>	<b>\$ 285,570</b>	<b>\$ 84,652</b>	<b>\$ 51,137</b>	<b>\$ 753,605</b>
					\$ -
Fund Balance at Beginning of year	\$ 3,333,375	\$ 5,292,746	\$ 957,640	\$ 1,273,948	\$ 10,857,709
Fund Balance at End of Year	\$ 3,665,621	\$ 5,578,316	\$ 1,042,292	\$ 1,325,085	\$ 11,611,314

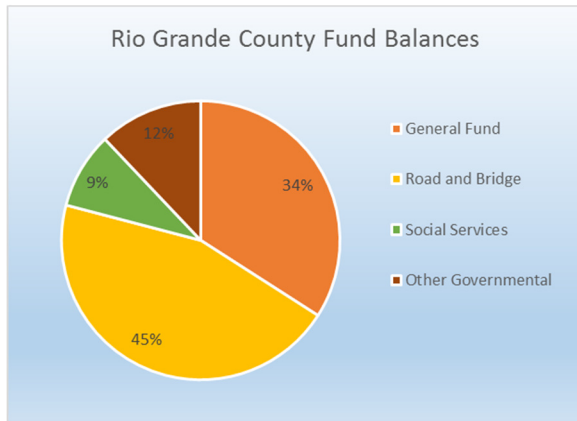
Fund balances do not reflect fixed asset additions, deletions or depreciation expense, lease payments, or non-cash items such as compensated absences or accrued interest payable changes. The reconciliation of the Net Change in fund balance to the Net Position of Governmental Funds will be found after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

A supplemental Budget was approved December 27, 2017 to approve budget amendments.

**General Fund Budgetary Highlights**

**General Fund:** As the County's major operating fund, the General Fund accounts for all transactions not accounted for in other funds. The General Fund completed the year with a total fund balance of \$4,128,130, an 11.2% increase over 2016. Unassigned fund balance represents 76.6% of total fund balance.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2017**



Total General Fund revenues for 2017 were \$5,344,529, an increase of \$11,432 over 2016. Taxes account for \$3,239,589 (60.6%) of total general fund revenues. Tax collections saw an increase of \$221,957 (7.4%) over 2016. In total, operating expenditures had decreased \$117,937 (2.36%) over 2016.

Actual expenditures were \$1,346,767 less than budgeted in 2017 and total revenues were \$305,462 less than the 2017 budgeted amount. The net result was that revenues exceeded

expenditures by \$462,509.

**Road and Bridge:** The Road and Bridge fund's primary purpose is to maintain and improve the County's road and bridge infrastructure as well as snow removal. The fund balance decreased by \$124,176 (2.3%) in 2017 and has an overall fund balance of \$5,454,140 of which \$562,837 is inventory and is non-spendable. This leaves \$4,806,303 of available fund balance in the fund. The Road and Bridge fund has built up reserves to cover possible costs for bridge replacement and to fund future equipment purchases or projects. The Commissioners have chosen to use some of the reserves in 2017 to replace aging equipment.

Total revenues in this fund decreased by \$76,774 (2.69%) over 2016 due to a decrease in the USDA Secure Rural Schools receipts. The majority of Road and Bridge's revenue is derived from intergovernmental sources and under statute must be expended for road and bridge construction, maintenance and repair. These revenues made up 89.35% of the R & B total revenues for 2017.

Expenditures increased \$329,269 (12.81%) in 2017. This relates primarily to the purchase of several pieces of equipment, an increase in on-site inventory, and paving three miles of county roads.

**Social Services:** The Social Services Fund provides and coordinates a variety of State mandated social services including public assistance, child support, and family service programs. DSS fund balance increased by \$30,634 (2.9%) in 2017.

Total revenues in the social services fund were \$7,982,461, of this only 6% is funded through property tax revenues. The remaining 94% is funded by federal/state grants and reimbursements. Total expenditures in the social services fund for 2017 were \$7,951,827.

**Non Major Funds:** Information for non-major governmental funds is aggregated and reported as other types of funds in the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the other supplementary information section of this financial report. These funds realized a \$138,570 (9.5%) increase in their fund balances during 2017.

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2017**

**Asset and Debt Administration**

**Capital Assets:** Rio Grande County's investments in capital assets amounted to \$39,715,098 (net of accumulated depreciation) on December, 31, 2017. Additional information regarding capital assets can be found in Note 5.

**Long Term Liabilities:** Rio Grande County has two annually renewable lease-purchase agreements used to purchase and/or improve capital assets. The first was to construct and equip a new jail facility and the second was to purchase and install energy efficiency components on the Del Norte campus facilities. The Jail lease has a principal balance of \$1,266,748 and the Energy Efficiency improvements have a principal balance remaining of \$197,765. Additional information regarding interest rates and terms can be found in Note 7.

**Economic Outlook**

- Given the economic and political climate in the United States, the County is monitoring intergovernmental funding. It is believed that Payment in Lieu of Taxes will be fully funded in 2018 as will the Secure Rural Schools program.
- The County continues to monitor expenditures and revenues in order to respond in a timely manner to any shortfalls. In the 2017 actual financials, County departments ended with surplus funds, due to reduction in expenditures. The General Fund continues to be a major concern due to possible reduction in revenues and increased costs that can only be covered by cutting employees, services, and/or programs.
- The County continues to fight the trend of shifting costs from the State to the County. Expenditures continue to rise while revenues, while increasing, are not sufficient to cover future needs. The cost of health care for county inmates, increases in oil for roads, and the need to increase employee wages especially in light of continuing minimum wage increases continues to be major concerns for the County.
- The County continues to monitor the possible additional reduction in residential assessment rate for property tax in 2020. Due to the very conservative mill levy Rio Grande County has, a reduction in residential property tax revenues will impact the growth of Rio Grande County for future years. We will be seeking ways to offset this possible decrease in revenue

**Contacting the County's Financial Management**

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

**RIO GRANDE COUNTY, COLORADO**  
**BASIC FINANCIAL STATEMENTS**

**RIO GRANDE COUNTY, COLORADO**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Primary Government</b>
	<b>Governmental</b>
	<b>Activities</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 11,066,341
Accounts Receivable	45,868
Due from Other Governments	807,106
Property Taxes Receivable	2,950,182
Inventories	562,837
<b>Total Current Assets</b>	<b>15,432,334</b>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	433,301
Buildings	8,056,838
Machinery and Equipment	6,930,694
Infrastructure	59,862,303
Less: Accumulated Depreciation/Depletion	(35,568,038)
<b>Total Noncurrent Assets</b>	<b>39,715,098</b>
<b>TOTAL ASSETS</b>	<b>55,147,432</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	67,479
Due to Other Governments	43,633
Unearned Grant Revenue	252,189
Accrued Interest Payable	14,197
Lease Purchase Agreement	172,135
Compensated Absences	15,063
<b>Total Current Liabilities</b>	<b>564,696</b>
<b>Noncurrent Liabilities:</b>	
Lease Purchase Agreement	1,292,378
Compensated Absences	237,728
<b>Total Noncurrent Liabilities</b>	<b>1,530,106</b>
<b>TOTAL LIABILITIES</b>	<b>2,094,802</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Revenue - Property Tax	2,950,182
	<b>2,950,182</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	38,250,585
Restricted for:	
TABOR	319,800
DSS Programs - SEP and CHRP	498,161
Title III	25,798
Clerk's Filing Surcharge	73,947
Culture and Recreation	637,501
Unrestricted	10,296,656
<b>TOTAL NET POSITION</b>	<b>\$ 50,102,448</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 2,520,396	\$ 695,402	\$ 45,768	\$ -	\$ (1,779,226)
Public safety	2,100,966	114,364	278,909	-	(1,707,693)
Health and welfare	8,888,823	107,755	8,295,295	-	(485,773)
Highways and streets	2,531,395	200	2,467,830	-	(63,365)
Judicial	180,000	-	-	-	(180,000)
Auxiliary services	64,322	8,316	-	-	(56,006)
Culture and recreation	205,780	3,080	167,153	-	(35,547)
Interest on debt	73,260	-	-	-	(73,260)
<b>Total Governmental Activities</b>	<b>\$ 16,564,942</b>	<b>\$ 929,117</b>	<b>\$ 11,254,955</b>	<b>\$ -</b>	<b>(4,380,870)</b>
<b>General Revenues:</b>					
Taxes:					
					2,856,234
					892,574
					548,224
					812,971
					102,526
					6,454
					48,980
					<u>5,267,963</u>
					887,093
					<u>49,215,355</u>
					<u>\$ 50,102,448</u>

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

**RIO GRANDE COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2017**

	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUND</b>	<b>SOCIAL SERVICES FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
Cash and Investments	\$ 3,870,347	\$ 4,709,770	\$ 1,207,194	\$ 1,279,030	\$ 11,066,341
Accounts Receivable - Net	-	-	41,190	4,678	45,868
Property Taxes Receivable	2,098,030	275,646	433,308	143,198	2,950,182
Due From Other Governments	303,130	181,533	122,503	199,940	807,106
Inventory	-	562,837	-	-	562,837
<b>TOTAL ASSETS</b>	<b>\$ 6,271,507</b>	<b>\$ 5,729,786</b>	<b>\$ 1,804,195</b>	<b>\$ 1,626,846</b>	<b>\$ 15,432,334</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 45,347	\$ -	\$ 2,139	\$ 19,993	\$ 67,479
Due to Other Governments	-	-	43,633	-	43,633
Unearned Revenue - Grants	-	-	252,189	-	252,189
<b>TOTAL LIABILITIES</b>	<b>45,347</b>	<b>-</b>	<b>297,961</b>	<b>19,993</b>	<b>363,301</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue - Property Tax	2,098,030	275,646	433,308	143,198	2,950,182
<b>FUND BALANCE</b>					
Nonspendable - Inventory	-	562,837	-	-	562,837
Restricted for:					
TABOR	140,000	85,000	78,000	16,800	319,800
DSS Programs - SEP and CHRP	-	-	498,161	-	498,161
Title III	25,798	-	-	-	25,798
Clerk's Filing Surcharge	73,947	-	-	-	73,947
Culture and Recreation	-	-	-	637,501	637,501
Committed:					
Capital Projects	-	-	-	8,180	8,180
Public Safety	29,147	-	-	-	29,147
Highways and Streets	-	4,806,303	-	-	4,806,303
Health and Welfare	-	-	496,765	371,013	867,778
Weed Control	-	-	-	205,632	205,632
Astronaut Rominger Airport	-	-	-	224,529	224,529
Assigned - Designated for Subsequent Years	695,823	-	-	-	695,823
Unassigned	3,163,415	-	-	-	3,163,415
<b>TOTAL FUND BALANCE</b>	<b>4,128,130</b>	<b>5,454,140</b>	<b>1,072,926</b>	<b>1,463,655</b>	<b>12,118,851</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 6,271,507</b>	<b>\$ 5,729,786</b>	<b>\$ 1,804,195</b>	<b>\$ 1,626,846</b>	<b>\$ 15,432,334</b>

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

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

<b>Total governmental fund balances</b>		\$ 12,118,851
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		39,715,098
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Lease Purchase Agreement	(1,464,513)	
Compensated Absences	(252,791)	
Accrued Interest Payable	(14,197)	
	(1,731,501)	(1,731,501)
<b>Net position of governmental activities</b>		<b>\$ 50,102,448</b>

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

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>	<u>SOCIAL SERVICES FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>					
Taxes	\$ 3,239,589	\$ 262,128	\$ 473,248	\$ 322,067	\$ 4,297,032
Intergovernmental Revenue	1,264,767	2,477,043	7,509,213	889,106	12,140,129
Licenses and Permits	148,435	200	-	-	148,635
Investment Income	101,953	-	-	573	102,526
Charges for Services	500,221	-	-	161,025	661,246
Miscellaneous	89,564	32,995	-	16,227	138,786
<b>TOTAL REVENUES</b>	<u>5,344,529</u>	<u>2,772,366</u>	<u>7,982,461</u>	<u>1,388,998</u>	<u>17,488,354</u>
<b>EXPENDITURES</b>					
Current Expenditures:					
General Government	2,271,255	-	-	99,656	2,370,911
Public Safety	1,968,119	-	-	-	1,968,119
Judicial	180,000	-	-	-	180,000
Highways and Streets	-	2,446,545	-	-	2,446,545
Health and Welfare	-	-	7,870,657	1,007,222	8,877,879
Auxiliary Services	64,322	-	-	-	64,322
Culture and Recreation	56,945	-	-	128,550	185,495
Capital Outlay	95,053	453,425	81,170	15,000	644,648
Debt Service	247,220	-	-	-	247,220
<b>TOTAL EXPENDITURES</b>	<u>4,882,914</u>	<u>2,899,970</u>	<u>7,951,827</u>	<u>1,250,428</u>	<u>16,985,139</u>
Excess (deficiency) of revenues over expenditures	<u>461,615</u>	<u>(127,604)</u>	<u>30,634</u>	<u>138,570</u>	<u>503,215</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	894	428	-	-	1,322
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>894</u>	<u>428</u>	<u>-</u>	<u>-</u>	<u>1,322</u>
Net Change in Fund Balance	462,509	(127,176)	30,634	138,570	504,537
<b>Fund Balance at beginning of year</b>	<u>3,665,621</u>	<u>5,581,316</u>	<u>1,042,292</u>	<u>1,325,085</u>	<u>11,614,314</u>
<b>Fund Balance at end of year</b>	<u>\$ 4,128,130</u>	<u>\$ 5,454,140</u>	<u>\$ 1,072,926</u>	<u>\$ 1,463,655</u>	<u>\$ 12,118,851</u>

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

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

**Net change in fund balances - total governmental funds** \$ 504,537

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

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

Fixed Asset Additions	\$ 2,135,396	
Depreciation Expense	(1,911,113)	
		224,283

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

Lease Payments	173,960	
		173,960

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

Compensated Absences	(17,136)	
Accrued Interest Payable Changes	1,449	
		(15,687)

**Change in net position of governmental funds** **\$ 887,093**

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

	<b>AGENCY FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 840,371
<b>TOTAL ASSETS</b>	<u>\$ 840,371</u>
<b>LIABILITIES</b>	
Funds Held For Others	\$ 840,371
<b>TOTAL LIABILITIES</b>	<u>\$ 840,371</u>

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

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

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

***Component Units***

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

***Cash***

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

***Investments***

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

***Property Taxes***

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

***Inventories***

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

***Capital Assets***

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

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

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

Assets	Years
Buildings and Improvements	20-100
Vehicles and Equipment	5-50
Infrastructure	40

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

***Compensated Absences***

Annual leave may be accrued to the maximum of:

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

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

***Unearned Revenue***

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

***Deferred Inflows of Resources***

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

***Encumbrances***

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

***Net Position***

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

***Fund Balance***

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

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

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

***Use of Estimates***

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

***Reclassifications***

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

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

***Budgets and Budgetary Accounting***

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

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

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

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

***Stewardship***

During 2017 expenditures in the Public Health Fund exceeded appropriations by \$29,763. This may be a violation of Colorado Revised Statute 29-1-110.

**NOTE 3 CASH, DEPOSITS, AND INVESTMENTS**

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

Cash on Hand	\$ 1,329
Cash Deposited in Banks	3,997,432
COLOTrust	6,179,430
Investments	<u>1,728,521</u>
 Total Cash, Deposits, and Investments (Book Balance)	 11,906,712
Less: Amounts Related to Agency Fund	<u>(840,371)</u>
 Total Cash, Deposits, and Investments on the Statement of Net Position	 <u><u>\$ 11,066,341</u></u>

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2017, \$2,818,557 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

***Investments***

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

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

***Custodial Credit Risk - Investments***

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

***Interest Rate Risk***

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

***Fair Value***

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

<u>Investment Type</u>		<u>Rating</u> <u>Moody's/</u> <u>S&amp;P</u>	<u>Up to 120</u> <u>days</u>	<u>121 days</u> <u>to 5 years</u>	<u>Fair Value</u> <u>Measurements</u> <u>Using:</u> <u>Level 2</u>
Federal National Mortgage Assoc.	2%	Aaa/AA+	\$ 30,251	\$ -	\$ 30,251
Federal National Mortgage Assoc.	16%	n/a/AA-	-	269,929	269,929
Financing Corporation	6%	AAA/n/a	110,862	-	110,862
Federal Farm Credit Bank	2%	AAA/AA+	-	39,723	39,723
			<u>\$ 141,113</u>	<u>\$ 309,652</u>	<u>450,765</u>
Money Market Funds	5%	unrated			84,670
SIGMA Certificates of Deposit	23%	unrated			398,580
LPL Financial Certificates of Deposit	46%	unrated			794,506
					<u>1,277,756</u>
					<u>\$ 1,728,521</u>

**NOTE 4 PROPERTY TAXES RECEIVABLE**

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

General Fund	\$2,098,030
Road and Bridge Fund	275,646
Social Services Fund	433,308
Public Health Fund	64,317
Weed Control District	78,881
	<u>\$2,950,182</u>

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 CAPITAL ASSETS**

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

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 433,301	\$ -	\$ -	\$ 433,301
Total capital assets not being depreciated	<u>433,301</u>	<u>-</u>	<u>-</u>	<u>433,301</u>
Capital assets being depreciated				
Buildings and Improvements	8,056,838	-	-	8,056,838
Vehicles and Equipment	6,294,226	636,468	-	6,930,694
Infrastructure	58,363,375	1,498,928	-	59,862,303
Total capital assets being depreciated	<u>72,714,439</u>	<u>2,135,396</u>	<u>-</u>	<u>74,849,835</u>
Less: accumulated depreciation for				
Buildings and Improvements	3,099,927	142,147	-	3,242,074
Vehicles and Equipment	4,693,831	260,635	-	4,954,466
Infrastructure	25,863,167	1,508,331	-	27,371,498
Total accumulated depreciation	<u>33,656,925</u>	<u>1,911,113</u>	<u>-</u>	<u>35,568,038</u>
Total Capital Assets being depreciated, net	<u>39,057,514</u>	<u>224,283</u>	<u>-</u>	<u>39,281,797</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,490,815</u>	<u>\$ 224,283</u>	<u>\$ -</u>	<u>\$ 39,715,098</u>

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

Governmental Activities:	
General Government	\$ 133,798
Public Safety	115,938
Health and Welfare	62,148
Highways and Streets	1,578,944
Culture and Recreation	20,285
Total Depreciation Expense	<u>\$ 1,911,113</u>

**NOTE 6 OPERATING LEASES**

The County has entered into operating lease arrangements for computer software, copy machines, and Road and Bridge equipment. Lease terms range from 36 to 60 months. Rental expense for all operating leases for the year ended December 31, 2017, was approximately \$241,267.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 LONG-TERM LIABILITIES**

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

Long-term liability activity for the year ended December 31, 2017, was as follows:

	12/31/2016			12/31/2017	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
<i>Governmental Activities:</i>					
Lease Purchase Agreement					
Jail	\$ 1,395,230	\$ -	\$ 128,482	\$ 1,266,748	\$ 134,539
Energy Performance Audit	243,243	-	45,478	197,765	37,596
Total	<u>1,638,473</u>	<u>-</u>	<u>173,960</u>	<u>1,464,513</u>	<u>172,135</u>
Compensated Absences	<u>235,655</u>	<u>17,136</u>	<u>-</u>	<u>252,791</u>	<u>15,063</u>
Total Governmental Activities	<u>\$ 1,874,128</u>	<u>\$ 17,136</u>	<u>\$ 173,960</u>	<u>\$ 1,717,304</u>	<u>\$ 187,198</u>

***Lease Purchase Agreements***

An annually renewable lease purchase agreement, dated January 11, 2005, was entered into between San Luis Valley Federal Bank (the "Bank"), as lessor, and Rio Grande County (the "County"), as lessee. The bank issued \$2,500,000 to the County for the purchase of the McCallister Building, the Courthouse Annex, the Road and Bridge Shop Building, and the Road and Bridge Truck Garage. The County is leasing the buildings back via the lease purchase agreement at 4.50% interest. The County used the proceeds from the sale to construct and equip a new jail facility. Payments are due to the Bank in annual installments through October 2025, from the General Fund. The County can purchase the building back at any time for the Purchase Option Price included in the lease. The buildings are included in fixed assets at a cost of \$1,762,653 with accumulated depreciation of \$899,422. Principal balance at December 31, 2017, was \$1,266,748.

A Lease Purchase Agreement, dated November 20, 2012, was entered into between All American Investment Group, LLC, as lessor, and Rio Grande County (the "County"), as lessee, in the amount of \$367,062, with an interest rate of 2.50%. The County used the proceeds to purchase energy efficient components based on an energy efficiency audit on the County buildings. Quarterly payments of principal and interest are made from the General Fund through January 2023. Principal balance at December 31, 2017, was \$197,765.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 172,135	\$ 61,381	\$ 233,516
2019	179,137	54,379	233,516
2020	186,437	47,079	233,516
2021	194,046	39,471	233,517
2022	201,978	31,539	233,517
2023-2025	<u>530,780</u>	<u>48,030</u>	<u>578,810</u>
	<u>\$ 1,464,513</u>	<u>\$ 281,879</u>	<u>\$ 1,746,392</u>

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 DEFINED CONTRIBUTION PLAN**

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

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

The County must contribute a minimum of 4% and a maximum of 6% of the compensation of each employee. For 2017, the contribution rate was 4%. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2017, employee contributions totaled \$163,726 and the County recognized pension expense of \$163,726. The County recognized \$757 of forfeitures in retirement expense during 2017.

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

**NOTE 9 DEFERRED COMPENSATION PLAN**

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

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

**NOTE 10 TABOR AMENDMENT RESERVE**

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

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

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. The Emergency Reserve has been presented as a restriction of fund balance in the County funds and

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

restricted net position on the Statement of Net Position. The County is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**NOTE 11 COLORADO CONTRABAND FORFEITURE ACT**

We have reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2017.

**NOTE 12 RISK MANAGEMENT**

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

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

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

***Colorado Workers' Compensation Pool (CWCP)***

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

At December 31, 2017, CWCP had assets of \$42,592,056, liabilities of \$25,179,086 (including \$23,745,055 reserved for losses and claims) and members' equity of \$17,412,970. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2017, amounted to \$11,357,033 total expenses were \$12,061,986, resulting in net loss before return of surplus of \$(704,953).

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 13 JOINT VENTURES**

***SAN LUIS VALLEY REGIONAL SOLID WASTE AUTHORITY***

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

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

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

***Closure and Post-Closure Care***

Rio Grande and Alamosa Counties are exposed to closure and post-closure expenses, should the Authority be unable to meet those obligations when they become due. Management believes the risk of failure to be minimal. State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Authority reported \$834,204 as landfill closure and post-closure care liability at December 31, 2017, that represents the cumulative amount reported to date based on the use of 34% of the estimated capacity of the landfill.

The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,626,720 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017, the most recent information available. The Authority expects to close the landfill in the year 2043, the remaining useful life is 26 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The most recent audited financial statements of the authority report total assets of \$4,591,278, total liabilities of \$870,852, and net position of \$3,720,426 at December 31, 2017.

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

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

***Grant Programs***

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

***Litigation***

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

***Insurance Pools***

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

# **RIO GRANDE COUNTY, COLORADO**

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 3,111,249	\$ 3,111,249	\$ 3,239,589	\$ 128,340
Intergovernmental Revenue	1,777,647	1,777,647	1,264,767	(512,880)
Licenses and Permits	127,600	127,600	148,435	20,835
Investment Income	88,000	88,000	101,953	13,953
Charges for Services	419,350	471,545	500,221	28,676
Miscellaneous	73,950	73,950	89,564	15,614
<b>TOTAL REVENUES</b>	<b>5,597,796</b>	<b>5,649,991</b>	<b>5,344,529</b>	<b>(305,462)</b>
<b>EXPENDITURES</b>				
General Government	3,209,218	3,243,942	2,271,255	972,687
Public Safety	2,146,072	2,296,718	1,968,119	328,599
Judicial	180,000	180,000	180,000	-
Health and Welfare	2,200	2,200	-	2,200
Auxiliary Services	66,186	66,186	64,322	1,864
Culture and Recreation	69,208	69,208	56,945	12,263
Capital Outlay	138,700	138,700	95,053	43,647
Debt Service	232,727	232,727	247,220	(14,493)
<b>TOTAL EXPENDITURES</b>	<b>6,044,311</b>	<b>6,229,681</b>	<b>4,882,914</b>	<b>1,346,767</b>
Excess (deficiency) of revenues over expenditures	(446,515)	(579,690)	461,615	1,041,305
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	-	894	894
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>894</b>	<b>894</b>
Net Change in Fund Balance	(446,515)	(579,690)	462,509	1,042,199
<b>Fund Balance at beginning of year</b>	<b>3,157,964</b>	<b>3,157,964</b>	<b>3,665,621</b>	<b>507,657</b>
<b>Fund Balance at end of year</b>	<b>\$ 2,711,449</b>	<b>\$ 2,578,274</b>	<b>\$ 4,128,130</b>	<b>\$ 1,549,856</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 302,771	\$ 302,771	\$ 262,128	\$ (40,643)
Intergovernmental Revenue	2,559,631	2,439,631	2,477,043	37,412
Licenses and Permits	250	250	200	(50)
Charges for Services	1,500	1,500	-	(1,500)
Miscellaneous	1,500	1,500	32,995	31,495
<b>TOTAL REVENUES</b>	<b>2,865,652</b>	<b>2,745,652</b>	<b>2,772,366</b>	<b>26,714</b>
<b>EXPENDITURES</b>				
Highways and Streets	2,930,394	2,940,394	2,446,545	493,849
Capital Outlay	300,000	450,000	453,425	(3,425)
<b>TOTAL EXPENDITURES</b>	<b>3,230,394</b>	<b>3,390,394</b>	<b>2,899,970</b>	<b>490,424</b>
Excess (deficiency) of revenues over expenditures	(364,742)	(644,742)	(127,604)	517,138
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	500	500	428	(72)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>500</b>	<b>500</b>	<b>428</b>	<b>(72)</b>
Net Change in Fund Balance	(364,242)	(644,242)	(127,176)	517,066
<b>Fund Balance at beginning of year</b>	<b>5,495,099</b>	<b>5,495,099</b>	<b>5,581,316</b>	<b>86,217</b>
<b>Fund Balance at end of year</b>	<b>\$ 5,130,857</b>	<b>\$ 4,850,857</b>	<b>\$ 5,454,140</b>	<b>\$ 603,283</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 468,988	\$ 468,988	\$ 473,248	\$ 4,260
Intergovernmental Revenue	9,723,003	9,900,203	7,509,213	(2,390,990)
<b>TOTAL REVENUES</b>	<b>10,191,991</b>	<b>10,369,191</b>	<b>7,982,461</b>	<b>(2,386,730)</b>
<b>EXPENDITURES</b>				
Health and Welfare	10,418,206	10,418,206	7,870,657	2,547,549
Capital Outlay	-	-	81,170	(81,170)
<b>TOTAL EXPENDITURES</b>	<b>10,418,206</b>	<b>10,418,206</b>	<b>7,951,827</b>	<b>2,466,379</b>
Net Change in Fund Balance	(226,215)	(49,015)	30,634	79,649
<b>Fund Balance at beginning of year</b>	<b>792,868</b>	<b>792,868</b>	<b>1,042,292</b>	<b>249,424</b>
<b>Fund Balance at end of year</b>	<b>\$ 566,653</b>	<b>\$ 743,853</b>	<b>\$ 1,072,926</b>	<b>\$ 329,073</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

# **RIO GRANDE COUNTY, COLORADO**

## **OTHER SUPPLEMENTARY INFORMATION**

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

**RIO GRANDE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

**CAPITAL PROJECTS FUND**

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

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

**SPECIAL REVENUE FUNDS**

	<b>PUBLIC HEALTH FUND</b>	<b>AIRPORT FUND</b>	<b>CONSERVATION TRUST FUND</b>	<b>TOURISM FUND</b>	<b>RIO GRANDE COUNTY WEED CONTROL DISTRICT</b>	<b>CAPITAL PROJECTS FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL</b>
<b>ASSETS</b>							
Cash and Investments	\$ 196,272	\$ 226,474	\$ 392,048	\$ 248,253	\$ 207,803	\$ 8,180	\$ 1,279,030
Accounts Receivable	-	1,849	-	-	2,829	-	4,678
Property Taxes Receivable	64,317	-	-	-	78,881	-	143,198
Due From Other Governments	199,940	-	-	-	-	-	199,940
<b>TOTAL ASSETS</b>	<b>\$ 460,529</b>	<b>\$ 228,323</b>	<b>\$ 392,048</b>	<b>\$ 248,253</b>	<b>\$ 289,513</b>	<b>\$ 8,180</b>	<b>\$ 1,626,846</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 17,199	\$ 2,794	\$ -	\$ -	\$ -	\$ -	\$ 19,993
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Revenue - Property Tax	64,317	-	-	-	78,881	-	143,198
<b>FUND BALANCE</b>							
Restricted for:							
Tabor Amendment Reserve	8,000	1,000	200	2,600	5,000	-	16,800
Culture and Recreation	-	-	391,848	245,653	-	-	637,501
Committed to:							
Capital Projects	-	-	-	-	-	8,180	8,180
Health and Welfare	371,013	-	-	-	-	-	371,013
Weed Control	-	-	-	-	205,632	-	205,632
Astronaut Rominger Airport	-	224,529	-	-	-	-	224,529
<b>TOTAL FUND BALANCE</b>	<b>379,013</b>	<b>225,529</b>	<b>392,048</b>	<b>248,253</b>	<b>210,632</b>	<b>8,180</b>	<b>1,463,655</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 460,529</b>	<b>\$ 228,323</b>	<b>\$ 392,048</b>	<b>\$ 248,253</b>	<b>\$ 289,513</b>	<b>\$ 8,180</b>	<b>\$ 1,626,846</b>

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

**SPECIAL REVENUE FUNDS**

	<b>PUBLIC HEALTH FUND</b>	<b>AIRPORT FUND</b>	<b>CONSERVATION TRUST FUND</b>	<b>TOURISM FUND</b>	<b>RIO GRANDE COUNTY WEED CONTROL DISTRICT</b>	<b>CAPITAL PROJECTS FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL</b>
<b>REVENUES</b>							
Taxes	\$ 71,793	\$ -	\$ -	\$ 160,822	\$ 89,452	\$ -	\$ 322,067
Intergovernmental Revenue	790,413	38,804	59,837	-	52	-	889,106
Investment Income	358	124	-	-	91	-	573
Charges For Services	14,974	57,664	-	-	88,387	-	161,025
Miscellaneous	8,112	7,790	-	-	325	-	16,227
<b>TOTAL REVENUES</b>	<b>885,650</b>	<b>104,382</b>	<b>59,837</b>	<b>160,822</b>	<b>178,307</b>	<b>-</b>	<b>1,388,998</b>
<b>EXPENDITURES</b>							
Current Expenditures:							
General Government	-	99,656	-	-	-	-	99,656
Health and Welfare	836,268	-	-	-	170,954	-	1,007,222
Culture and Recreation	-	-	18,300	110,250	-	-	128,550
Capital Outlay	-	15,000	-	-	-	-	15,000
<b>TOTAL EXPENDITURES</b>	<b>836,268</b>	<b>114,656</b>	<b>18,300</b>	<b>110,250</b>	<b>170,954</b>	<b>-</b>	<b>1,250,428</b>
Net Change in Fund Balance	49,382	(10,274)	41,537	50,572	7,353	-	138,570
<b>Fund Balance at beginning of year</b>	<b>329,631</b>	<b>235,803</b>	<b>350,511</b>	<b>197,681</b>	<b>203,279</b>	<b>8,180</b>	<b>1,325,085</b>
<b>Fund Balance at end of year</b>	<b>\$ 379,013</b>	<b>\$ 225,529</b>	<b>\$ 392,048</b>	<b>\$ 248,253</b>	<b>\$ 210,632</b>	<b>\$ 8,180</b>	<b>\$ 1,463,655</b>

**RIO GRANDE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS OUT**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>REPORTED ON</u> <u>THE GAAP</u> <u>BASIS</u>	<u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<b>Governmental Funds</b>				
Non-major Governmental Funds				
Special Revenue Funds				
Public Health Agency Fund	\$ 806,505	\$ 806,505	\$ 836,268	\$ (29,763)
Airport Fund	92,425	131,925	114,656	17,269
Conservation Trust Fund	39,875	39,875	18,300	21,575
Tourism Fund	131,250	131,250	110,250	21,000
Pest & Weed Control District	164,489	194,166	170,954	23,212
	<u>1,234,544</u>	<u>1,303,721</u>	<u>1,250,428</u>	<u>53,293</u>
Total Non-major Governmental Funds	<u>\$ 1,234,544</u>	<u>\$ 1,303,721</u>	<u>\$ 1,250,428</u>	<u>\$ 53,293</u>

**RIO GRANDE COUNTY, COLORADO**

**OTHER SCHEDULES AND REPORTS**

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

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b>CCDF Cluster</b>			
Department of Health and Human Services			
Child Care and Development Block Grant	93.575	Colorado Department of Human Services,N/A	\$ 124,802
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Colorado Department of Human Services,N/A	41,897
<i>Total Department of Health and Human Services</i>			<u>166,699</u>
<b>Total CCDF Cluster</b>			<u>166,699</u>
<b>Food Distribution Cluster</b>			
Department of Agriculture			
Emergency Food Assistance Program (Food Commodities)	10.569	Colorado Department of Human Services and Care and Share Food Bank,N/A	43,942
<i>Total Department of Agriculture</i>			<u>43,942</u>
<b>Total Food Distribution Cluster</b>			<u>43,942</u>
<b>TANF Cluster</b>			
Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Colorado Department of Human Services,N/A	559,109
<i>Total Department of Health and Human Services</i>			<u>559,109</u>
<b>Total TANF Cluster</b>			<u>559,109</u>
<b>Medical Assistance Program (Medicaid Cluster)</b>			
Department of Health and Human Services			
Medical Assistance Program	93.778	Colorado Department of Human Services,N/A	211,349
Medical Assistance Program	93.778	Colorado Department of Human Services,N/A	16,433
Medical Assistance Program	93.778	Colorado Department of Health Care Policy and Financing,14-55375OL4	115,106
Medical Assistance Program	93.778	Colorado Department of Health Care Policy and Financing,UGAGP0196	57,540
<i>Total Department of Health and Human Services</i>			<u>400,428</u>
<b>Total Medical Assistance Program (Medicaid Cluster)</b>			<u>400,428</u>
<b>SNAP Cluster</b>			
Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Colorado Department of Human Services,N/A	145,946
<i>Total Department of Agriculture</i>			<u>145,946</u>
<b>Total SNAP Cluster</b>			<u>145,946</u>

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

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b><i>Forest Service Schools and Roads Cluster</i></b>			
Department of Agriculture			
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury,N/A	1,260
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury,N/A	26,264
Total Department of Agriculture			27,524
<b><i>Total Forest Service Schools and Roads Cluster</i></b>			27,524
<b><i>Total All Clusters</i></b>			
			1,343,648
<b><i>Other Programs</i></b>			
Department of Homeland Security			
Homeland Security Grant Program			
Homeland Security Grant Program	97.067	Governor's Office of Homeland Security,N/A	98,225
Homeland Security Grant Program	97.067	Governor's Office of Homeland Security,N/A	51,905
Total Homeland Security Grant Program			150,130
<b><i>Total Department of Homeland Security</i></b>			150,130
Department of the Interior			
National Wildlife Refuge Fund			
National Wildlife Refuge Fund	15.659		27,632
<b><i>Total Department of the Interior</i></b>			27,632
Department of Public Safety			
Juvenile Accountability Block Grants			
Juvenile Accountability Block Grants	16.523		46,389
<b><i>Total Department of Public Safety</i></b>			46,389
Department of Health and Human Services			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Colorado Department of Public Health and Environment, HF15J/HI17J/HJ18J/HN17J/HW17J	51,458
Guardianship Assistance			
Guardianship Assistance	93.090	Colorado Department of Human Services,N/A	6,176
Immunization Cooperative Agreements			
Immunization Cooperative Agreements	93.268	Colorado Department of Public Health and Environment, KA16H/KA17H	4,576
Promoting Safe and Stable Families			
Promoting Safe and Stable Families	93.556	Colorado Department of Human Services,N/A	93,934

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

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Support Enforcement			
Child Support Enforcement	93.563	Colorado Department of Human Services,N/A	201,217
Low-Income Home Energy Assistance			
Low-Income Home Energy Assistance	93.568	Colorado Department of Human Services,N/A	443,271
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance			
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	Colorado Department of Public Health and Environment,ZM16L/ZM17L	111,776
Stephanie Tubbs Jones Child Welfare Services Program			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Colorado Department of Human Services,N/A	12,228
Foster Care_Title IV-E			
Foster Care_Title IV-E	93.658	Colorado Department of Human Services,N/A	305,875
Adoption Assistance			
Adoption Assistance	93.659	Colorado Department of Human Services,N/A	60,073
Social Services Block Grant			
Social Services Block Grant	93.667	Colorado Department of Human Services,N/A	86,147
Children's Health Insurance Program			
Children's Health Insurance Program	93.767	Colorado Department of Health Care Policy and Financing,UCCBB0330	13,700
Maternal and Child Health Services Block Grant to the States			
Maternal and Child Health Services Block Grant to the States	93.994	Colorado Department of Public Health and Environment,ND17L	13,423
<i>Total Department of Health and Human Services</i>			1,403,854
<b><i>Total Other Programs</i></b>			1,628,005
<b><i>Total Expenditures of Federal Awards</i></b>			\$ 2,971,653

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

**NOTE 1 BASIS OF PRESENTATION**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 FOOD DISTRIBUTION**

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

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



Wall,  
Smith,  
Bateman Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande County, Colorado (the County), as of and for the year ended December 31, 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 August 09, 2018.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. Finding 2017-001.

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

## **Compliance and Other Matters**

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

## **Rio Grande County's Response to Findings**

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

## **Purpose of this Report**

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 09, 2018

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



**Wall,  
Smith,  
Bateman Inc.**

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

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

## Report on Internal Control Over Compliance

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

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

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

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 09, 2018

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

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

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	TANF Cluster
93.568	Low-Income Home Energy Assistance
93.778	Medicaid Cluster

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

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

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

**Section II – Financial Statement Findings**

**Finding 2017-001: Internal Control Over Financial Reporting**  
**(Repeat of finding 2016-001 and 2015-001)**

*Type of Finding: Internal Control (material weakness)*

*Condition:* The County has not implemented a complete system of internal control to prevent and detect financial misstatements.

*Cause:* Due to the timing of prior year audit finding, implementation of adopting policies and procedures was not expected until December 31, 2018. However, the control structure has been evaluated in response to Finding 2016-001 as recommended in the prior year.

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

*Effect:* Audit adjustments were proposed to properly state the financial statements as of December 31, 2017, in accordance with generally accepted accounting principles.

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

*Management's Response:* See Corrective Action Plan

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

None

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

**Section II – Financial Statement Findings**

**Finding 2016-001: Internal Control over Financial Reporting and on Compliance  
(Repeat of Finding 2015-001 and 2016-001)**

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

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

*Status: Partially Implemented. See finding 2017-001.*

# RIO GRANDE COUNTY

## BOARD OF COUNTY COMMISSIONERS

www.riograndecounty.org

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

### CORRECTIVE ACTION PLAN

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

BOARD OF  
COMMISSIONERS

Gene W. Glover  
Chairman

Suzanne Bothell  
Vice Chairman

Karla L. Shriver  
Commissioner

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

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

Audit period: Year ended December 31, 2017

ADMINISTRATION OFFICE:

Administrator  
Roni K. Wisdom

Human Resources/Payroll Administrator  
Kristy Dennis

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

### Section II – Financial Statement Findings

#### **Finding 2017-001: Internal Control Over Financial Reporting**

*Type of finding: Internal Control (material weakness)*

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

*Action taken:* As pointed out above, the implementation of adopting policies and procedures was not expected until December 31, 2018 for a complete internal control system.

While we have been very conscientious of our duties, we have not been able to address every need. However, we have executed the following steps as we move toward the implementation of a comprehensive system of internal controls.

1. We identified and documented necessary internal controls needed as set forth in the 2016 Corrective Action Plan by December 31, 2017.

2. We employed a staff accountant who will be responsible for monitoring accounts payable and payroll activity, monitoring department budgets, balancing receipts, balancing the software banking system, and working closely with the County Administrator on a monthly basis to make sure entries are correct.
3. The Staff accountant will also provide comprehensive grants management for Administration and Public Health.
4. We purchased, installed, and implemented a fixed asset system to allow for entering, monitoring, depreciating, and disposing County assets.
5. After an extended medical leave, the HR/Payroll clerk returned. Her leave allowed other staff members to learn and create procedures for Payroll that had not been completed.
6. The internal control policy and procedures will be completed before December 31, 2018.

We will continue to use a team approach to develop, document and monitor internal controls. These policies and procedures will allow the County to review and identify concerns within the accounting system which may allow for misstatements in the financial statements.

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

Sincerely yours,



Roni Wisdom  
County Administrator  
Rio Grande County, Colorado

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: Rio Grande County
		YEAR ENDING : December 31, 2017
This Information From The Records Of Rio Grande County	Prepared By: Phone:	Roni Wisdom 719-657-4215

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,952,353
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	462,772
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	35,358
2. General fund appropriations		b. Snow and ice removal	366,045
3. Other local imposts (from page 2)	262,428	c. Other	16,473
4. Miscellaneous local receipts (from page 2)	33,145	d. Total (a. through c.)	417,876
5. Transfers from toll facilities		4. General administration & miscellaneous	66,791
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,899,792
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	295,573	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	2,450,779	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	26,264	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,772,616	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,899,792

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

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	5,581,316	2,772,616	2,899,792	5,454,140	0

**Notes and Comments:**  
Beginning balance does not agree to prior year report due to a change in accounting from cash to accrual basis.

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 31, 2017

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	225,812	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	428
4. Licenses		f. Charges for Services	600
5. Specific Ownership &/or Other	36,616	g. Other Misc. Receipts	32,117
6. Total (1. through 5.)	36,616	h. Other	0
c. Total (a. + b.)	262,428	i. Total (a. through h.)	33,145
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	2,412,275	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	26,264
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	38,504	d. Federal Transit Admin	
d. Other (Specify) - DOLA Mineral	0	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	38,504	g. Total (a. through f.)	26,264
4. Total (1. + 2. + 3.f)	2,450,779	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs		0	0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		1,952,353	1,952,353
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,952,353	1,952,353
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,952,353	1,952,353
			(Carry forward to page 1)

Notes and Comments: