

Huerfano County, Colorado

Financial Statements

December 31, 2018

**Huerfano County, Colorado  
Financial Statements  
For The Year Ended December 31, 2018**

**Table of Contents**

**Financial Section**

Report of Independent Certified Public Accountant	1
Management's Discussion and Analysis	iii
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	3
Statement of Activities	4
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
<b>Proprietary Fund Financial Statements:</b>	
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Net Positions - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
<b>Fiduciary Fund Financial Statements:</b>	
Statement of Fiduciary Net Position	12
Notes to the Financial Statements	13
<b>Required Supplementary Information Other Than MD&amp;A:</b>	
<b>Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	
<b>Major Funds:</b>	
General Fund	30
Human Services	31
Road & Bridge	32
Special Projects	33
Emergency Services	34
<b>Other Supplementary Information:</b>	
<b>Combining Statements of Non-major Funds:</b>	
Combining Balance Sheet	35
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	36

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

**Table of Contents  
(Continued)**

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

***r*farmer, llc**  
***a certified public accounting and consulting firm***

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*Independent Auditor's Report*

Board of County Commissioners  
Huerfano County, Colorado

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huerfano County (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information as listed in the table of contents, the Local Highway Finance Report, the Schedule of Due To/From State of Colorado, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents, the Local Highway Finance Report, the Schedule of Due To/From State of Colorado, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, the Local Highway Finance Report, the Schedule of Due To/From State of Colorado, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

***rfarmer, llc***

June 13, 2019

June 14, 2019

## **Management Discussion and Analysis**

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

The annual budget serves as the foundation for the County's financial planning and control. Public hearings are conducted and a final budget is legally enacted no later than December 31, the close of the County's fiscal year. Any revisions that alter total expenditures of any fund require supplemental appropriation, which is subject to public hearing and taxpayer response similar to the original budget. Budget-and-actual comparisons are provided in this report for each individual governmental fund, this comparison is presented on page 30, Road and Bridge Fund page 32 and Department of Human Services Fund on page 31 as part of the basic financial statements for the governmental funds. For all other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund section of this report, which starts on page 35.

### **Factors Affecting Financial Condition**

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

In 2018, Huerfano County experienced the third largest wildfire in Colorado history. As a result, the County will have to adjust to the "New Normal" of post fire mitigation. Flooding is expected over the next decade which could have an unprecedented impact on the budget. The fire also resulted in a heightened awareness of the need for fire mitigation in areas of the County that didn't experience fire directly. That translates into a positive attitude toward resilience that will help reduce wildly fluctuating expenses that can result in financial devastation. The State of Colorado has dedicated financial resources and staff to help Huerfano County prepare for the ancillary effects of both fire and flooding. We believe that we are as prepared as we can be for another fire, or flooding, or both and will continue to develop contingency plans for dealing with issues arising from such an event.

Huerfano County continues to move forward in many other ways towards a responsive and responsible government. The Waste Transfer Station continues to operate in the red and is supplemented through PILT funds. The County is working to see if they can reduce expenses at the Waste Transfer Station by negotiating a contract with a different landfill operator and incorporating more recycling into the operation to reduce the waste stream. Road and Bridge had an increase in HUTF funding which helps continue the equipment replacement program. The Social Services Department continued to provide much needed services for those without the means to provide adequately for themselves even with an increase in case load. Capital

projects included improvements at the airport, continued work on the courthouse, fire mitigation in and around Cuchara and continued work toward a new judicial building. Significant challenging impacts for 2019 continue to be Federal and State rules and regulations, infrastructure maintenance – both in Roads and Bridges and communications, state budget cuts, health and human services, fuel costs, health insurance and various other factors. The overall mill levy for 2019 is 17.160 mills, remaining at the 2005 level. The total county assessed valuation increased from \$118,274,513 in 2018 to 125,413,422 for 2019, a total increase of \$7,137,909, or an increase of about 6%.

The budget for general county operations dropped over \$600,000 from 2017 to 2018 from \$13,672,923 in 2017 to \$12,901,631 for 2018. The 2019 budget will maintain reserves by balancing expenditures and revenues. The fund balance will increase slightly from \$2,882,104 to \$2,904,081, an anticipated increase of \$21,977. The County's ability to maintain revenues is due to the overwhelming passage of a ballot initiative to remove TABOR limits on the county budget in 2007.

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

Huerfano County's decrease in assessed value is primarily the result of a re-assessment of the values by the County Assessor as required by Colorado Statutes, and implementation of the Gallagher Amendment in the Colorado Constitution. Future development in the county is primarily projected to be residential. Additional CO2, natural gas and oil exploration is not expected, however, one new wind farm is being constructed in the County and will help raise the value of the county.

## **Accounting Policies**

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

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

The preceding funds are general County service funds. The County also operates three enterprise funds. The County currently has no enterprise funds. the Gardner P.I.D. fund is funded strictly through fees generated for water and sewer service.

## **Major Sources of General Fund Revenues**

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

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

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

## Budgeted General Fund Financial Information

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

**2017 and 2018 General Fund Budget Comparison.** Set forth hereafter is a comparison of the County's 2017 and 2018 General Fund Budgets.

	2017 Budget	2017 Actual	2018 Budget	2018 Actual
<b>Beginning Fund Balance</b>	\$1,569,778	\$1,431,762	\$1,053,663	\$1,262,911
<b>Revenues</b>				
Taxes	\$2,156,259	\$2,917,134	\$2,847,660	\$2,748,398
Fees	\$600	\$281	\$450	\$283
Licenses & Permits	\$87,360	\$101,865	\$80,260	\$179,668
Intergovernmental	\$35,646	\$76,795	\$135	\$288
Charges for Services	\$1,141,450	\$1,398,911	\$1,226,355	\$1,358,100
Interest	\$4,400	\$8,937	\$7,200	\$23,358
Misc.	\$197,764	\$226,912	\$128,656	\$262,153
<b>Total Revenue</b>	\$4,433,300	\$4,730,835	\$4,290,716	\$4,572,248
<b>Total Revenue + Fund Balance</b>	\$6,003,078	\$6,162,597	\$5,344,379	\$5,835,159
<b>Expenditures</b>				
General Government	\$2,552,119	\$2,491,097	\$2,509,506	\$2,725,481
Public Safety	\$2,056,120	\$1,737,946	\$2,094,016	\$1,972,561
Public Works		\$25,287		\$10,549
Health and Sanitation	\$199,739	\$122,900	\$198,870	\$145,060
Principal		\$39,116		\$33,495
Capital Outlay	\$700	\$227,697	\$57,500	\$22,000
<b>Total Expenditures</b>	\$4,923,363	\$4,644,043	\$4,870,092	\$4,909,146
Excess of revenues over expenditures	(\$490,063)	\$86,792	(\$579,376)	(\$336,898)

## Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the County's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

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

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

**Huerfano County, Colorado**  
**Statement of Net Position**  
**December 31, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Equivalents	\$ 4,949,303	\$ 110,875	\$ 5,060,178
Receivables	2,915,303	5,513	2,920,816
Due from Other Governmental Agencies	117,116	-	117,116
Inventories	34,588	-	34,588
Capital Assets			
Land and infrastructure	1,588,049	-	1,588,049
Construction in progress	2,890,134	-	2,890,134
Building	13,828,255	-	13,828,255
Equipment	8,813,095	613,871	9,426,966
Other capital assets	82,999	1,538,137	1,621,136
Less accumulated depreciation	(17,114,679)	(582,127)	(17,696,806)
Total capital assets	<u>10,087,853</u>	<u>1,569,881</u>	<u>11,657,734</u>
Total assets	<u>18,104,163</u>	<u>1,686,269</u>	<u>19,790,432</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	173,000	3,072	176,072
Long-term liabilities			
Due within one year			
Capital leases	157,619	-	157,619
Unearned revenues	341,118	-	341,118
Due in more than one year			
Capital leases	73,822	-	73,822
Customer deposits	-	120	120
Total liabilities	<u>745,559</u>	<u>3,192</u>	<u>748,751</u>
Deferred Inflows of Resources			
Deferred property taxes	2,662,397	-	2,662,397
Total	<u>3,407,956</u>	<u>3,192</u>	<u>3,411,148</u>
<b>NET POSITION</b>			
Net investment in Capital Assets	9,856,412	1,569,880	11,426,292
Unrestricted	4,839,795	113,197	4,952,992
Total net position	<u>\$ 14,696,207</u>	<u>\$ 1,683,077</u>	<u>\$ 16,379,284</u>

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

**Huerfano County, Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government		Business-type Activities	
	Charges for Services	Program Revenue and Operating Grants Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities</b>				
General Government	\$ 3,266,398	\$ 243,557	\$ 374,529	\$ (1,984,173)
Public Safety	2,758,462	139,861	-	(1,893,158)
Public Works	2,153,888	2,022,318	-	(50,000)
Human Services	2,579,651	2,271,738	-	(307,913)
Health and Sanitation	245,230	16,232	-	(151,464)
Culture and Recreation	161,395	635,164	7,050	564,368
Total governmental activities	11,165,024	5,328,870	381,579	(3,822,340)
<b>Business-type activities:</b>				
Correctional Facility	20,341	-	-	(20,341)
Ambulance	21,225	-	175,798	160,313
Gardner Water and Sewer Improv District	119,179	-	-	(24,440)
Total business-type activities	160,745	-	175,798	115,532
Total primary government	\$ 11,325,769	\$ 5,328,870	\$ 557,377	\$ (3,706,808)
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				2,426,691
Franchise & miscellaneous taxes				30,835
SO and sales tax				1,391,931
Unrestricted investment earnings				23,381
Miscellaneous				33
Special item - gain(loss) on sale/transfer of asset				335
Transfers				(519,869)
Total general revenues, special items, and transfers				4,691,878
Change in net position				(869,538)
Net position - beginning				13,826,669
Net position - ending				\$ 14,696,207
				\$ 1,683,077
				\$ 2,426,691
				30,835
				1,391,931
				23,414
				423,426
				(200,001)
				4,096,296
				389,488
				15,989,796
				\$ 16,379,284

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

Huerfano County, Colorado  
Balance Sheet  
Governmental Funds  
December 31, 2018

	Department of						Total Governmental Funds
	General	Road & Bridge	Human Services	Special Projects	Emergency Services	Other Governmental Funds	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,236,118	\$ 1,013,232	\$ 632,771	\$ 374,935	\$ 732,800	\$ 959,452	\$ 4,949,308
Taxes receivable, net	2,223,967	12,527	313,164	-	-	132,739	2,682,397
Due from other funds	-	-	-	-	-	15,000	15,000
Due from State	-	-	117,116	-	-	-	117,116
Other receivables	107,932	-	14,052	-	110,921	-	232,905
Inventories	-	34,588	-	-	-	-	34,588
Total assets	3,568,017	1,060,347	1,077,103	374,935	843,721	1,107,191	8,031,314

**LIABILITIES AND FUND BALANCES**

Liabilities:							
Accounts payable	81,139	23,202	3,343	31,656	17,206	16,454	173,000
Unearned revenues	-	-	341,118	-	-	-	341,118
Due to other funds	-	-	-	-	-	15,000	15,000
Total liabilities	81,139	23,202	344,461	31,656	17,206	31,454	529,118
Deferred Inflow of Resources							
Deferred property taxes	2,223,967	12,527	313,164	-	-	112,739	2,662,397
Fund balances:							
Unassigned	1,262,911	-	-	-	-	-	1,262,911
Nonspendable-inventories	-	34,588	-	-	-	-	34,588
Committed	-	990,030	419,478	343,279	826,515	962,998	3,542,300
Total fund balances	1,262,911	1,024,618	419,478	343,279	826,515	962,998	4,839,799
Total liabilities and fund balances	\$ 3,568,017	\$ 1,060,347	\$ 1,077,103	\$ 374,935	\$ 843,721	\$ 1,107,191	\$ 8,031,314

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

**Huerfano County, Colorado**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2018**

Total fund balance, governmental funds	\$	4,839,799
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		10,087,853
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(231,441)
Rounding		(4)
Net Assets of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>14,696,207</u>

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

**Huerfano County, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	General	Road & Bridge	Department of Human Services	Special Projects	Emergency Services	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property Taxes	\$ 2,015,091	\$ 11,744	\$ 294,171	\$ -	\$ -	\$ 105,686	\$ 2,426,692
SO Tax	246,782	1,377	-	-	-	12,392	260,551
Sales and miscellaneous taxes	486,525	420	34,423	-	641,267	-	1,162,635
Fees and fines	283	-	-	-	-	-	283
Licenses and permits	179,668	27,578	-	-	-	-	207,246
Intergovernmental	288	2,022,318	2,271,738	534,071	20,721	654,403	5,503,539
Charges for services	1,358,100	30,623	-	-	-	139,618	1,528,341
Investment earnings	23,358	-	-	-	-	23	23,381
Miscellaneous	262,153	53,440	-	-	16,232	10,205	342,030
Total revenues	<u>4,572,248</u>	<u>2,147,500</u>	<u>2,600,332</u>	<u>534,071</u>	<u>678,220</u>	<u>922,327</u>	<u>11,454,698</u>
<b>EXPENDITURES</b>							
Current:							
General government	2,725,481	35,977	-	46,837	-	453,285	3,261,580
Public safety	1,972,561	-	-	-	461,303	-	2,433,864
Public works	10,549	1,890,554	-	-	-	6,729	1,907,832
Health services	145,060	-	-	-	-	78,376	223,436
Culture and recreation	-	-	-	-	-	21,711	21,711
Human Services	-	-	2,579,651	-	-	-	2,579,651
Debt Service:							
Principal	33,495	46,397	-	-	-	-	79,892
Interest	-	4,737	-	-	-	-	4,737
Capital outlay	22,000	29,348	-	320,164	22,863	45,192	439,567
Total Expenditures	<u>4,909,146</u>	<u>2,007,013</u>	<u>2,579,651</u>	<u>367,001</u>	<u>484,166</u>	<u>605,293</u>	<u>10,952,270</u>
Excess (deficiency) of revenues over expenditures	<u>(336,898)</u>	<u>140,487</u>	<u>20,681</u>	<u>167,070</u>	<u>194,054</u>	<u>317,034</u>	<u>502,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	50,000	-	-	-	186,081	40,000	276,081
Transfers out	-	-	(50,000)	-	(110,000)	(40,000)	(200,000)
Total other financing sources and uses	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>76,081</u>	<u>-</u>	<u>76,081</u>
Net change in fund balances	(286,898)	140,487	(29,319)	167,070	270,135	317,034	578,509
Fund balances - beginning	1,549,809	884,131	448,797	176,209	556,380	645,964	4,261,290
Fund balances - ending	<u>\$ 1,262,911</u>	<u>\$ 1,024,618</u>	<u>\$ 419,478</u>	<u>\$ 343,279</u>	<u>\$ 826,515</u>	<u>\$ 962,998</u>	<u>\$ 4,839,799</u>

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

**Huerfano County, Colorado**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2018**

Net change in fund balances - total governmental funds: \$ 578,509

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$439,567 is less than depreciation of \$548,297 in the current period. (108,730)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 79,891

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

Gain on the net value of assets transferred from the Ambulance Fund to General Fixed Assets due to the Ambulance Fund closing as of December 31, 2018. 319,868

Change in net position of governmental activities: \$ 869,538

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

**Huerfano County, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2018**

	<b>Enterprise Funds</b>		
	<b>Correctional Facility</b>	<b>Gardner Water and Sewer Improvement District</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 17,200	\$ 93,674	\$ 110,874
Accounts Receivable, net	-	5,513	5,513
Total current assets	<u>17,200</u>	<u>99,187</u>	<u>116,387</u>
Non-current assets:			
Capital Assets:			
Utility System-distribution assets	-	1,538,137	1,538,137
Equipment and vehicles	274,052	339,819	613,871
Less Accumulated depreciation	(233,009)	(349,118)	(582,127)
Total non-current assets	<u>41,043</u>	<u>1,528,838</u>	<u>1,569,881</u>
Total assets	<u>58,243</u>	<u>1,628,025</u>	<u>1,686,268</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	-	3,071	3,071
Total current liabilities	<u>-</u>	<u>3,071</u>	<u>3,071</u>
Non-current liabilities:			
Claims and judgments	-	120	120
Total non-current liabilities	<u>-</u>	<u>120</u>	<u>120</u>
Total liabilities	<u>-</u>	<u>3,191</u>	<u>3,191</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	41,043	1,528,837	1,569,880
Unrestricted	17,200	95,997	113,197
Total net position	<u>\$ 58,243</u>	<u>\$ 1,624,834</u>	<u>\$ 1,683,077</u>

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

**Huerfano County, Colorado**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	Enterprise Funds			
	Correctional Facility	Ambulance	Gardner Water and Sewer Improvement District	Total
<b>REVENUES</b>				
Charges for services	\$ -	\$ 5,740	\$ 89,739	\$ 95,479
Miscellaneous revenue	-	202	134	336
Operating grants and contributions	-	-	5,000	5,000
Total operating revenues	<u>-</u>	<u>5,942</u>	<u>94,873</u>	<u>100,815</u>
<b>OPERATING EXPENSES</b>				
Monitoring, security services and wages	-	-	25,245	25,245
Contractual services	65	432	32,105	32,602
Utilities	-	1,260	10,633	11,893
Repairs and maintenance	-	-	5,560	5,560
Other supplies and expenses	-	5,457	698	6,155
Professional fees	-	14,019	-	14,019
Miscellaneous expenses	5,241	59	5,651	10,951
Depreciation	15,035	-	39,286	54,321
Total Operating Expenses	<u>20,341</u>	<u>21,227</u>	<u>119,178</u>	<u>160,746</u>
Operating income (loss)	<u>(20,341)</u>	<u>(15,285)</u>	<u>(24,305)</u>	<u>(59,931)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	33	-	-	33
Total non-operating revenue (expenses)	<u>33</u>	<u>-</u>	<u>-</u>	<u>33</u>
Income (loss) before contributions and transfers	(20,308)	(15,285)	(24,305)	(59,898)
Capital grants and contributions	-	175,798	-	175,798
Transfers in	-	110,000	-	110,000
Transfers out	-	(186,081)	-	(186,081)
Special item - loss on transfer of assets	-	(519,869)	-	(519,869)
Change in net position	<u>(20,308)</u>	<u>(435,437)</u>	<u>(24,305)</u>	<u>(480,050)</u>
Total net position - beginning	78,551	435,437	1,649,139	2,163,127
Total net position - ending	<u>\$ 58,243</u>	<u>\$ -</u>	<u>\$ 1,624,834</u>	<u>\$ 1,683,077</u>

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

**Huerfano County, Colorado**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2018**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Correctional Facility</b>	<b>Ambulance</b>	<b>Gardner Water and Sewer Improvement District</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Charges for Services	\$ -	\$ 5,740	\$ 86,264	\$ 92,004
Cash Received from EMS Subsidy and Grants	-	-	5,000	5,000
Cash Received from Miscellaneous	-	202	134	336
Cash Payments to Suppliers for Goods & Services	(5,306)	(27,912)	(52,229)	(85,447)
Cash Payments for Salaries & Benefits	-	-	(25,245)	(25,245)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(5,306)</b>	<b>(21,970)</b>	<b>13,924</b>	<b>(13,352)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers In	-	110,000	-	110,000
Transfers Out	-	(186,081)	-	(186,081)
Customer Deposits	-	-	119	119
Cash Received from Interest Earnings	32	-	-	32
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>32</b>	<b>(76,081)</b>	<b>119</b>	<b>(75,930)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>				
Capital Grants	-	175,798	-	175,798
Loss on transfer of assets	-	(200,001)	-	(200,001)
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(24,203)</b>	<b>-</b>	<b>(24,203)</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(5,274)</b>	<b>(122,254)</b>	<b>14,043</b>	<b>(113,485)</b>
<b>Cash &amp; Cash Equivalents:</b>				
Beginning of Year	22,474	122,254	79,631	224,359
End of Year	17,200	-	93,674	110,874
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating Income	(20,341)	(15,285)	(24,305)	(59,931)
Adjustments to Reconcile Operating Income				
To Net Cash Provided by Operating Activities:				
Depreciation	15,035	-	39,286	54,321
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	-	-	(3,475)	(3,475)
Increase (Decrease) in Accounts Payable	-	(6,685)	2,418	(4,267)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (5,306)</b>	<b>\$ (21,970)</b>	<b>\$ 13,924</b>	<b>\$ (13,352)</b>

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

**Huerfano County, Colorado**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2018**

	<b>TOTAL AGENCY FUNDS</b>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$ 326,818</u>
Total assets	<u>326,818</u>
<b>LIABILITIES:</b>	
Due to other governmental units	<u>326,818</u>
Total Liabilities	<u>\$ 326,818</u>

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

**Huerfano County, Colorado**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1      Reporting Entity**

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

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

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

**Note 2      Summary of Significant Accounting Policies**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segments and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead of *general revenues*.

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

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

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

The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

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

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

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

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

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

The County reports the following major proprietary funds:

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

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

The County reports the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

The County follows the policy of capitalizing all assets that cost more than \$5,000 with an estimated useful life of more than one year. The useful lives of the assets are:

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

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

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

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

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

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

adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

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

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

The budget calendar is as follows:

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

Assessors must certify to all taxing entities and the Division of Local Government the new total assessed valuation and the amounts for the various factors needed to compute the statutory property tax revenue limits.

October 15 Statutory deadline for submission of proposed budget to the local governing body. "Notice of Budget" is to be published when the budget is received.

December 15 Statutory deadline for certification of mill levies to the Board of County Commissioners. Local government levying a property tax must adopt their budget before certifying the levy to the County. Local Governing Body shall enact an ordinance or resolution making appropriations for the ensuring fiscal period.

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

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

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end. Supplemental budgets were not adopted during 2018.

The Waste Transportation Station, Lodging Tax Tourism, General, Correctional Facilities and Gardner Water & Sewer Improvement District Funds over spent their budgets which may be a violation of Colorado Revised Statutes.

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

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

Taxes receivable represent 2018 assessed taxes to be collected in 2019. This receivable has been offset with a charge to Deferred Revenue.

During 2017, all assets of the Ambulance Fund, other than cash with the County Treasurer and the building, were transferred to the Hospital.

During 2018, the remaining cash of the Ambulance Fund was transferred to the Emergency Services Fund and the building was transferred to the general fixed assets.

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

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

**Note 3      Deposits and Investments**

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

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

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

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

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

The County has invested in COLOTRUST in the amount of \$316,488 as of year-end. COLOTRUST PRIME and PLUS+ pools are a 2a7-like

investment pool. The following facts are relevant for 2a7-like investment pools:

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

As of year-end, the County had \$410,275 invested in the Colorado Surplus Asset Fund Trust (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). CSAFE operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. CSAFE is rated AAAM by the Standard & Poor's Corporation. U.S. Bank provides banking services and trust custody for securities held on behalf of the participating governments in CSAFE. The custodian's internal records identify the investments owned by the participating governments.

The County has also invested in government and agency bonds consisting of Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal Farm Credit Bank Bonds. All the investments are rated AAA by Moody's and S&P. The cost at year end was \$3,186,827 and market value was approximately the same. The investments have varying interest rates and maturities.

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

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

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

**Note 4      Changes in Fixed Assets**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental-type activities:</b>				
Capital Assets being depreciated:				
Land and Infrastructure	\$ 1,588,049	\$ -	\$ -	\$ 1,588,049
Buildings	13,338,645	489,610	-	13,828,255
Other Capital Assets	82,999	-	-	82,999
Equipment	8,761,746	51,349	-	8,813,095
Construction in Progress	2,660,627	229,507	-	2,890,134
Total capital assets being depreciated	26,432,066	770,466	-	27,202,532
Total Accumulated Depreciation	(16,555,353)	(559,326)	-	(17,114,679)
<b>Governmental-type activities capital assets, net</b>	<b>\$ 9,876,713</b>	<b>\$ 211,140</b>	<b>\$ -</b>	<b>\$ 10,087,853</b>

The additions to buildings also include the transfer of a building from the Ambulance Fund in the amount of \$330,898 with accumulated depreciation of \$11,030.

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment and Vehicles	\$ 613,871	\$ -	\$ -	\$ 613,871
Building	330,898	-	(290,898)	-
Distribution Assets	1,538,137	-	-	1,538,137
Total capital assets being depreciated	2,482,906	-	(290,898)	2,152,008
Total accumulated depreciation	(538,836)	(54,321)	\$ 11,030	(582,127)
<b>Business-type activities capital assets, net</b>	<b>\$ 1,944,070</b>	<b>\$ (54,321)</b>	<b>\$ (319,868)</b>	<b>\$ 1,569,881</b>

**Note 5 Depreciation Expense**

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

Governmental activities:	
General Government	\$ 155,911
Public Safety	157,295
Public Works	220,713
Culture & Recreation	2,963
Human Services	<u>11,415</u>
Total depreciation expense-governmental activities	<u>\$ 548,297</u>
Business-type activities:	
Correctional Facility	\$ 15,035
Water & Sewer	<u>39,286</u>
Total depreciation expense-business-type activities	<u>\$ 54,321</u>

**Note 6 Joint Ventures**

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

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

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

**Note 7 Pension Plan**

The County provides pension benefits for all of its full-time employees that work at least 35 hours per week for 12 months out of the year through a defined contribution plan administered by CCOERA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate after one year of service. The County rate of contribution is 4%. The employee must contribute 4% and may contribute more at their election. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of service. Plan provisions and contribution requirements are established and may be amended by the Commissioners.

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

During 2018, the employer and employee contributed approximately \$153,452 each to CCOERA. The County had forfeitures of \$2,000 that were used to pay part of their portion. Total salaries for 2018 were \$4,757,676 with qualifying salaries of \$3,468,300.

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

**Note 8 Leases**

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

2019	\$	317,060
2020		116,554
2021		107,074
2022		68,412
2023		41,167
		<u>\$ 609,100</u>

During 2018, the minimum operating lease payments were \$204,852.

**Note 9      Contingent Liabilities**

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

**Note 10      Transfers and Due To/Due From**

Transfers made during 2018 were as follows:

<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>
Ambulance	Emergency Services	\$ 186,080
P.I.L.T.	Waste Transfer Station	\$ 40,000
Human Services	General	\$ 50,000
Emergency Services	Ambulance	\$ 110,000

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

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

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

**Note 11      Fund Balances:**

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

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

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

**Note 12      Risk Management**

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

Colorado Counties Casualty and Property Pool: The County is exposed to various risks of loss related to property and casualty losses. The County joined together with other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

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

**Note 13      Tax, Spending and Debt Limitations**

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

**Note 14      Long Term Debt**

During 2015 the County entered into a lease-purchase agreement for a motor grader. The lease-purchase agreement requires monthly payments of \$4,261 for 59 months plus a 60<sup>th</sup> payment of \$79,136 which includes a

regular payment of \$4,261 and a balloon payment of \$74,875. The interest rate throughout the agreement is 3.2002%.

Principle and interest payments are as follows:

	Principle	Interest	Total
2019	\$ 122,799	\$ 3,226	\$ 126,025

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

Principle and interest payments are as follows:

	Principle	Interest	Total
2019	\$ 34,820	\$ 4,296	\$ 39,116
2020	36,197	2,919	39,116
2021	37,627	1,487	39,114
Total	\$ 108,644	\$ 8,702	\$ 117,346

Changes in long-term debt are as follows:

	Jan 1	Debt	Payments	Dec 31	Current
Long-Term Debt	\$ 311,334	\$ -	\$ (79,891)	\$ 231,443	\$ 157,619

**Note 15      Schedule of EBT Authorizations**

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

**Note 15**

**Huerfano County Department of Human Services  
Schedule of EBT Authorizations, Warrant Expenditures and Total Expenditures  
For the Year Ended December 31, 2018**

<b>Program</b>	<b>County EBT Authorizations</b>	<b>County Share of Authorizations</b>	<b>Expenditures By County Warrant</b>	<b>County EBT Authorizations and Expenditures by County Warrant</b>	<b>Total Expenditures</b>
Eligibility Determination, Adult Protection and Common Support	\$ -	\$ -	\$ 449,761	\$ 449,761	\$ 449,761
Adult Protective Services	-	-	42,278	42,278	42,278
Child Support Enforcement	-	-	110,235	110,235	110,235
Low-Income Energy Assistance	394,325	-	14,155	408,480	14,155
Colorado/Huerfano County Works	348,015	72,455	194,700	542,715	267,155
Aid Needy Disabled/Homework	106,265	17,589	-	106,265	17,589
Old Age Pension	261,112	1,998	-	261,112	1,998
Child Care/Child Care Grant	61,331	9,332	43,455	104,786	52,787
Child Welfare	661,585	219,735	645,838	1,307,423	865,573
Core Services - Child Welfare	48,577	3,960	50,636	99,213	54,596
HB1414, Parental Fees	-	-	7,182	7,182	7,182
IV-E Waiver Grant	-	-	26,745	26,745	26,745
Medicaid Transportation	-	-	79,216	79,216	79,216
Options for Long Term Care	-	-	125,274	125,274	125,274
County Only	-	-	99,797	99,797	99,797
Promoting Safe and Stable Families/Admin.	-	-	44,016	44,016	44,016
Family Resource Center Admin Fund	-	-	41,305	41,305	41,305
Parental Engagement Grant	-	-	98	98	98
Personal Responsibility Education Grant	-	-	149,792	149,792	149,792
HB 1451 Collaborative Management	-	-	91,176	91,176	91,176
Miscellaneous Grants	-	-	67,473	67,473	67,473
Reconnecting Youth	-	-	21,450	21,450	21,450
<b>Sub-Total</b>	<b>1,881,210</b>	<b>325,069</b>	<b>2,304,582</b>	<b>4,185,792</b>	<b>2,629,651</b>
Food Assistance	2,621,155	-	-	2,621,155	-
<b>Grand Total</b>	<b>\$ 4,502,365</b>	<b>\$ 325,069</b>	<b>\$ 2,304,582</b>	<b>\$ 6,806,947</b>	<b>\$ 2,629,651</b>

**Huerfano County, Colorado**  
**Budget and Actual**  
**General**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Property Taxes	\$ 2,048,610	\$ 2,048,610	\$ 2,015,091
SO Taxes	237,000	237,000	246,782
Sales and miscellaneous taxes	562,050	562,050	486,525
Fees and fines	450	450	283
Licenses and permits	80,260	80,260	179,668
Intergovernmental	135	135	288
Charges for services	1,226,355	1,226,355	1,358,100
Investment earnings	7,200	7,200	23,358
Miscellaneous	128,656	128,656	262,153
Total revenues	<u>4,290,716</u>	<u>4,290,716</u>	<u>4,572,248</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,509,506	2,509,506	2,725,481
Public Safety	2,094,016	2,094,016	1,972,561
Highways and roads	10,200	10,200	10,549
Health and sanitation	198,870	198,870	145,060
Debt Service:			
Principal	-	-	33,495
Capital Outlay	57,500	57,500	22,000
Total Expenditures	<u>4,870,092</u>	<u>4,870,092</u>	<u>4,909,146</u>
Excess (deficiency) of revenues over expenditures	<u>(579,376)</u>	<u>(579,376)</u>	<u>(336,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	250,000	250,000	50,000
Total other financing sources and uses	<u>250,000</u>	<u>250,000</u>	<u>50,000</u>
Net change in fund balances	(329,376)	(329,376)	(286,898)
Fund balances - beginning	1,383,039	1,383,039	1,549,809
Fund balances - ending	<u>\$ 1,053,663</u>	<u>\$ 1,053,663</u>	<u>\$ 1,262,911</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Department of Human Services**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Property Taxes	\$ 295,686	\$ 295,686	\$ 294,171
SO Taxes	37,300	37,300	34,423
Intergovernmental	2,124,990	2,124,900	2,271,738
Total revenues	<u>2,457,976</u>	<u>2,457,886</u>	<u>2,600,332</u>
<b>EXPENDITURES</b>			
Current:			
Welfare	2,588,304	2,588,304	2,579,651
Total Expenditures	<u>2,588,304</u>	<u>2,588,304</u>	<u>2,579,651</u>
Excess (deficiency) of revenues over expenditures	<u>(130,328)</u>	<u>(130,418)</u>	<u>20,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(50,000)	(50,000)	(50,000)
Total other financing sources and uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	(180,328)	(180,418)	(29,319)
Fund balances - beginning	290,861	290,861	448,797
Fund balances - ending	<u>\$ 110,533</u>	<u>\$ 110,443</u>	<u>\$ 419,478</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Road & Bridge**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Property Taxes	\$ 13,056	\$ 13,056	\$ 11,744
SO Taxes	1,285	1,285	1,377
Sales and miscellaneous taxes	500	500	420
Licenses and permits	27,000	27,000	27,578
Intergovernmental	1,671,403	1,671,403	2,022,318
Charges for services	32,500	32,500	30,623
Miscellaneous	30,520	30,520	53,440
Total revenues	<u>1,776,264</u>	<u>1,776,264</u>	<u>2,147,500</u>
<b>EXPENDITURES</b>			
Current:			
General government	32,250	32,250	35,977
Public Works	1,974,924	1,974,924	1,890,554
Debt Service:			
Principal	44,939	44,939	46,397
Interest and other charges	6,197	6,197	4,737
Capital Outlay	45,000	45,000	29,348
Total Expenditures	<u>2,103,310</u>	<u>2,103,310</u>	<u>2,007,013</u>
Excess (deficiency) of revenues over expenditures	<u>(327,046)</u>	<u>(327,046)</u>	<u>140,487</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	56,000	56,000	-
Total other financing sources and uses	<u>56,000</u>	<u>56,000</u>	<u>-</u>
Net change in fund balances	(271,046)	(271,046)	140,487
Fund balances - beginning	980,089	980,089	884,131
Fund balances - ending	<u>\$ 709,043</u>	<u>\$ 709,043</u>	<u>\$ 1,024,618</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Special Projects**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 1,053,522	\$ 1,053,522	\$ 534,071
Total revenues	<u>1,053,522</u>	<u>1,053,522</u>	<u>534,071</u>
<b>EXPENDITURES</b>			
Current:			
General government	25,000	25,000	46,837
Capital Outlay	<u>1,254,803</u>	<u>1,254,803</u>	<u>320,164</u>
Total Expenditures	<u>1,279,803</u>	<u>1,279,803</u>	<u>367,001</u>
Excess (deficiency) of revenues over expenditures	<u>(226,281)</u>	<u>(226,281)</u>	<u>167,070</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>162,500</u>	<u>162,500</u>	-
Total other financing sources and uses	<u>162,500</u>	<u>162,500</u>	-
Net change in fund balances	(63,781)	(63,781)	167,070
Fund balances - beginning	250,413	250,413	176,209
Fund balances - ending	<u>\$ 186,632</u>	<u>\$ 186,632</u>	<u>\$ 343,279</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Emergency Services**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Sales and miscellaneous taxes	\$ 575,000	\$ 575,000	\$ 641,267
Intergovernmental	32,000	32,000	20,721
Miscellaneous	-	-	16,232
Total revenues	<u>607,000</u>	<u>607,000</u>	<u>678,220</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	518,648	518,648	461,303
Capital Outlay	145,000	145,000	22,863
Total Expenditures	<u>663,648</u>	<u>663,648</u>	<u>484,166</u>
Excess (deficiency) of revenues over expenditures	<u>(56,648)</u>	<u>(56,648)</u>	<u>194,054</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	95,772	95,772	186,081
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(110,000)</u>
Total other financing sources and uses	<u>55,772</u>	<u>55,772</u>	<u>76,081</u>
Net change in fund balances	(876)	(876)	270,135
Fund balances - beginning	407,768	407,768	556,380
Fund balances - ending	<u>\$ 406,892</u>	<u>\$ 406,892</u>	<u>\$ 826,515</u>

Huerfano County, Colorado  
Balance Sheet  
Other Governmental Funds  
December 31, 2018

ASSETS	P.L.L.T.	Conservation Trust	Waste Transfer Station	Retirement	Federal Forest Project	Lodging Tax Tourism	Total Governmental Funds
Cash and cash equivalents	\$ 668,218	\$ 7,235	\$ 29,711	\$ 124,683	\$ 47,187	\$ 82,418	\$ 959,452
Taxes receivable, net	20,000	-	-	112,739	-	-	132,739
Due from other funds	15,000	-	-	-	-	-	15,000
Total assets	<u>703,218</u>	<u>7,235</u>	<u>29,711</u>	<u>237,422</u>	<u>47,187</u>	<u>82,418</u>	<u>1,107,191</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:							
Accounts payable	-	-	4,388	-	-	12,066	16,454
Due to other funds	-	-	-	-	-	15,000	15,000
Total liabilities	<u>-</u>	<u>-</u>	<u>4,388</u>	<u>-</u>	<u>-</u>	<u>27,066</u>	<u>31,454</u>
Deferred Inflow of Resources							
Deferred property taxes	-	-	-	112,739	-	-	112,739
Fund balances:							
Committed	703,218	7,235	25,323	124,683	47,187	55,352	962,998
Total fund balances	<u>703,218</u>	<u>7,235</u>	<u>25,323</u>	<u>124,683</u>	<u>47,187</u>	<u>55,352</u>	<u>962,998</u>
Total liabilities and fund balances	<u>\$ 703,218</u>	<u>\$ 7,235</u>	<u>\$ 29,711</u>	<u>\$ 237,422</u>	<u>\$ 47,187</u>	<u>\$ 82,418</u>	<u>\$ 1,107,191</u>

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

For the Year Ended December 31, 2018

	P.I.L.L.T.	Conservation Trust	Waste Transfer Station	Retirement	Federal Forest Project	Lodging Tax Tourism	Total-Other Governmental Funds
<b>REVENUES</b>							
Property Taxes	\$ -	\$ -	\$ -	\$ 105,686	\$ -	\$ -	\$ 105,686
SO Taxes	-	-	-	12,392	-	-	12,392
Intergovernmental	560,523	14,641	-	-	19,239	60,000	654,403
Lodging Taxes	-	-	77,296	-	-	62,322	139,618
Investment earnings	-	23	-	-	-	-	23
Miscellaneous	7,050	-	1,940	215	-	1,000	10,205
Total revenues	<u>567,573</u>	<u>14,664</u>	<u>79,236</u>	<u>118,293</u>	<u>19,239</u>	<u>123,322</u>	<u>922,327</u>
<b>EXPENDITURES</b>							
Current:							
General government	197,826	-	3,133	115,604	-	136,722	453,285
Highways and roads	6,729	-	-	-	-	-	6,729
Health services	-	-	78,376	-	-	-	78,376
Culture and recreation	5,850	15,861	-	-	-	-	21,711
Capital outlay	24,795	-	20,397	-	-	-	45,192
Total Expenditures	<u>235,200</u>	<u>15,861</u>	<u>101,906</u>	<u>115,604</u>	<u>-</u>	<u>136,722</u>	<u>605,293</u>
Excess (deficiency) of revenues over expenditures	332,373	(1,197)	(22,670)	2,689	19,239	(13,400)	317,034
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	40,000	-	-	-	40,000
Transfers out	(40,000)	-	-	-	-	-	(40,000)
Total other financing sources and uses	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>							
Net change in fund balances	292,373	(1,197)	17,330	2,689	19,239	(13,400)	317,034
Fund balances - beginning	410,845	8,432	7,993	121,994	27,948	68,752	645,964
Fund balances - ending	<u>\$ 703,218</u>	<u>\$ 7,235</u>	<u>\$ 25,323</u>	<u>\$ 124,683</u>	<u>\$ 47,187</u>	<u>\$ 55,352</u>	<u>\$ 962,998</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Correctional Facility**  
**For the year ended December 31, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Investment earnings	\$ 20	\$ 20	\$ 33
Total revenues	<u>20</u>	<u>20</u>	<u>33</u>
<b>EXPENDITURES</b>			
Contractual services	-	-	65
Miscellaneous	-	-	5,241
Depreciation	18,693	18,693	15,035
Total Operating Expenses	<u>18,693</u>	<u>18,693</u>	<u>20,341</u>
Operating income (loss)	<u>(18,673)</u>	<u>(18,673)</u>	<u>(20,308)</u>
Net change in net position	(18,673)	(18,673)	(20,308)
Net position - beginning	18,673	18,673	78,551
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,243</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Ambulance**  
**For the year ended December 31, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ 5,740
Operating grants and contributions	175,000	175,000	175,798
Miscellaneous	-	-	202
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>181,740</u>
<b>EXPENDITURES</b>			
Contractual services	-	-	432
Utilities	5,000	5,000	1,260
Other supplies and expenses	192,500	192,500	5,457
Miscellaneous	95,772	95,772	59
Insurance claims and expenses	-	-	14,019
Total Operating Expenses	<u>293,272</u>	<u>293,272</u>	<u>21,227</u>
Operating income (loss)	<u>(118,272)</u>	<u>(118,272)</u>	<u>160,513</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	110,000
Transfers out	-	-	(186,081)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(76,081)</u>
<b>SPECIAL ITEM</b>			
Loss on transfer of assets	-	-	(519,869)
Net change in net position	<u>(118,272)</u>	<u>(118,272)</u>	<u>(435,437)</u>
Net position - beginning	118,272	118,272	435,437
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Gardner Water and Sewer Improvement District**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Charges for services	\$ 73,375	\$ 73,375	\$ 89,739
Operating grants and contributions	-	-	5,000
Miscellaneous	-	-	134
Total revenues	<u>73,375</u>	<u>73,375</u>	<u>94,873</u>
<b>EXPENDITURES</b>			
Personal services	25,000	25,000	25,245
Contractual services	34,141	34,141	32,105
Utilities	6,433	6,433	10,633
Repairs and maintenance	11,310	11,310	5,560
Other supplies and expenses	500	500	698
Miscellaneous	8,210	8,210	5,651
Insurance claims and expenses	1,617	1,617	-
Depreciation	15,000	15,000	39,286
Total Operating Expenses	<u>102,211</u>	<u>102,211</u>	<u>119,178</u>
Operating income (loss)	<u>(28,836)</u>	<u>(28,836)</u>	<u>(24,305)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	-
Total other financing sources and uses	<u>(6,000)</u>	<u>(6,000)</u>	-
Net change in net position	(34,836)	(34,836)	(24,305)
Net position - beginning	61,245	61,245	1,649,139
Net position - ending	<u>\$ 26,409</u>	<u>\$ 26,409</u>	<u>\$ 1,624,834</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Conservation Trust**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 12,500	\$ 26,554	\$ 14,641
Investment earnings	35	35	23
Total revenues	<u>12,535</u>	<u>26,589</u>	<u>14,664</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	16,794	30,848	15,861
Total Expenditures	<u>16,794</u>	<u>30,848</u>	<u>15,861</u>
Excess (deficiency) of revenues over expenditures	<u>(4,259)</u>	<u>(4,259)</u>	<u>(1,197)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,000	5,000	-
Total other financing sources and uses	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	741	741	(1,197)
Fund balances - beginning	2,546	2,546	8,432
Fund balances - ending	<u>\$ 3,287</u>	<u>\$ 3,287</u>	<u>\$ 7,235</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**P.I.L.T.**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 425,000	\$ 425,000	\$ 560,523
Miscellaneous	-	-	7,050
Total revenues	<u>425,000</u>	<u>425,000</u>	<u>567,573</u>
<b>EXPENDITURES</b>			
Current:			
General government	35,000	35,000	197,826
Highways and roads	50,359	50,359	6,729
Culture and recreation	10,000	10,000	5,850
Capital Outlay	<u>80,000</u>	<u>80,000</u>	<u>24,795</u>
Total Expenditures	<u>175,359</u>	<u>175,359</u>	<u>235,200</u>
Excess (deficiency) of revenues over expenditures	<u>249,641</u>	<u>249,641</u>	<u>332,373</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(447,500)</u>	<u>(447,500)</u>	<u>(40,000)</u>
Total other financing sources and uses	<u>(447,500)</u>	<u>(447,500)</u>	<u>(40,000)</u>
Net change in fund balances	(197,859)	(197,859)	292,373
Fund balances - beginning	<u>380,545</u>	<u>380,545</u>	<u>410,845</u>
Fund balances - ending	<u>\$ 182,686</u>	<u>\$ 182,686</u>	<u>\$ 703,218</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Retirement**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Property Taxes	\$ 107,107	\$ 107,107	\$ 105,686
SO Taxes	11,650	11,650	12,392
Miscellaneous	34,725	34,725	215
Total revenues	<u>153,482</u>	<u>153,482</u>	<u>118,293</u>
<b>EXPENDITURES</b>			
Current:			
General government	<u>153,193</u>	<u>153,193</u>	<u>115,604</u>
Total Expenditures	<u>153,193</u>	<u>153,193</u>	<u>115,604</u>
Excess (deficiency) of revenues over expenditures	<u>289</u>	<u>289</u>	<u>2,689</u>
Net change in fund balances	289	289	2,689
Fund balances - beginning	107,777	107,777	121,994
Fund balances - ending	<u>\$ 108,066</u>	<u>\$ 108,066</u>	<u>\$ 124,683</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Federal Forest Project**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 19,239
Total revenues	<u>-</u>	<u>-</u>	<u>19,239</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	28,317	28,317	-
Total Expenditures	<u>28,317</u>	<u>28,317</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(28,317)</u>	<u>(28,317)</u>	<u>19,239</u>
Net change in fund balances	(28,317)	(28,317)	19,239
Fund balances - beginning	<u>28,317</u>	<u>28,317</u>	<u>27,948</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,187</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Lodging Tax Tourism**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Lodging taxes	\$ 45,500	\$ 45,500	\$ 62,322
Intergovernmental	50,000	50,000	60,000
Miscellaneous	-	-	1,000
Total revenues	<u>95,500</u>	<u>95,500</u>	<u>123,322</u>
<b>EXPENDITURES</b>			
Current:			
General government	<u>83,204</u>	<u>83,204</u>	<u>136,722</u>
Total Expenditures	<u>83,204</u>	<u>83,204</u>	<u>136,722</u>
Excess (deficiency) of revenues over expenditures	<u>12,296</u>	<u>12,296</u>	<u>(13,400)</u>
<b>SPECIAL ITEM</b>			
Principal payment on due to other fund	-	-	15,000
Net change in fund balances	12,296	12,296	1,600
Fund balances - beginning	87,839	87,839	68,752
Fund balances - ending	<u>\$ 100,135</u>	<u>\$ 100,135</u>	<u>\$ 70,352</u>

**Huerfano County, Colorado**  
**Budget and Actual**  
**Waste Transfer Station**  
**For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Charges for services	\$ 54,000	\$ 54,000	\$ 77,296
Miscellaneous	-	-	1,940
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>79,236</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,140	2,140	3,133
Health and sanitation	80,140	80,140	78,376
Capital Outlay	<u>12,000</u>	<u>12,000</u>	<u>20,397</u>
Total Expenditures	<u>94,280</u>	<u>94,280</u>	<u>101,906</u>
Excess (deficiency) of revenues over expenditures	<u>(40,280)</u>	<u>(40,280)</u>	<u>(22,670)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total other financing sources and uses	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Net change in fund balances	(280)	(280)	17,330
Fund balances - beginning	<u>18,245</u>	<u>18,245</u>	<u>7,993</u>
Fund balances - ending	<u>\$ 17,965</u>	<u>\$ 17,965</u>	<u>\$ 25,323</u>

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: Huerfano
		YEAR ENDING : December 2018
This Information From The Records Of Huerfano County:	Prepared By: Phone:	John Galusha 719 738-3000, ext. 110

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

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

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,930,785
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	13,121	c. Other	
4. Miscellaneous local receipts (from page 2)	80,771	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	25,094
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,955,879
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)	93,892	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	2,051,522	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	2,086	a. Interest	4,737
<b>E. Total receipts (A.7 + B + C + D)</b>	2,147,500	b. Redemption	46,397
		c. Total (a. + b.)	
		3. Total (1.c + 2.c)	51,134
		<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>	2,007,013

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

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance
	884,131	2,147,500	2,007,013	1,024,618
				0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2018

**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	11,744	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	0	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens	0	e. Sale of Surplus Property	1,794
4. Licenses		f. Charges for Services	41,335
5. Specific Ownership &/or Other	1,377	g. Other Misc. Receipts	28,272
6. Total (1. through 5.)	1,377	h. Other Permits	9,370
c. Total (a. + b.)	13,121	i. Total (a. through h.)	80,771
	(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	2,020,488	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	256
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	18,208	d. Federal Transit Admin	
d. Other (Specify) Grant	12,826	e. U.S. Corps of Engineers	
e. Other (Specify) Energy Impact	0	f. Other Federal Taylor Grazing	1,830
f. Total (a. through e.)	31,034	g. Total (a. through f.)	2,086
4. Total (1. + 2. + 3.f)	2,051,522	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

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

Notes and Comments:

**Huerfano County, Colorado**  
**Schedule of Due From/ Due To the State of Colorado**  
**Public Welfare Fund**  
**December 31, 2018**

Due From/Due To State of Colorado:	<u>Due From</u>	<u>Due To</u>
Colorado Works	\$ 12,453	\$ -
Child Care	2,720	-
Child Welfare Allocation	18,583	-
Sub Adopt and Relative Guardian	-	523
County Administration CDHS	15,947	-
County Administration HCPF	6,533	-
County Administration HCPF Enhanced	7,233	-
Personal Responsibility Education Program	13,165	-
EBT Administration	-	216
Core Services	3,581	-
Child Support Enforcement	3,725	-
LEAP	2,970	-
Adult Protective Services	3,131	-
Aid to Needy Disabled	-	2,031
Home Care Allowance	-	330
SSI Home Care Allowance	-	277
Old Age Pension	1,231	-
Child Support Grants	105	-
IV-E Waiver	1,557	-
Food Assistance Benefits and Collection	-	45
Child Welfare Discretionary Grants	5,340	-
Promoting Safe & Stable Families	3,675	-
County Wide Cost Allocation Plan	9,002	-
State & Federal Incentives	991	-
County Tax Base Relief	8,378	-
IV-D Retained	218	-
Total Due From/Due To State of Colorado	<u>120,538</u>	<u>3,422</u>
 Net Due From/Due To all Sources	 <u>\$ 120,538</u>	 <u>\$ 3,422</u>
 Net Due from State	 \$ 117,116	
Miscellaneous Grants	-	
Total Due From/Due To	<u>\$ 117,116</u>	

**Huerfano County, Colorado**  
**Schedule of Findings and Questioned Costs**  
**(Uniform Guidance)**  
**For the Year ended December 31, 2018**

**Section I: Summary of Auditor's Results**

***Financial Statements***

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

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major federal programs:

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

**Section II: Financial Statement Findings**

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

**Section III: Federal Awards Findings**

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

**Huerfano County, Colorado**  
**Schedule of Federal Awards Expended**  
**for the year ended December 31, 2018**

GRANT TITLE	PASS-THRU AGENCY	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
<b>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>				
IV-D Administration	Colo. Dept of Human Services	93.563	\$ 76,039	
IV-D 1115 Grant	Colo. Dept of Human Services	93.564	36	
LEAP	Colo. Dept of Human Services	93.568	401,998	*
Title IV-E-FC	Colo. Dept of Human Services	93.658	259,238	
Block Grant- Title XX	Colo. Dept of Human Services	93.667	55,378	
Title IV-E Guard As	Colo. Dept of Human Services	93.090	863	
IV-B Child Care	Colo. Dept of Human Services	93.645	12,373	
CO Works- TANF	Colo. Dept of Human Services	93.558	526,328	*
Child Care Development Funds	Colo. Dept of Human Services	93.596	19,060	
Family Preservation-PSSF	Colo. Dept of Human Services	93.556	39,024	
CCDF Disc.	Colo. Dept of Human Services	93.575	55,086	
PREP	Colo. Dept of Human Services	93.092	164,831	
IV-E Adoption	Colo. Dept of Human Services	93.659	<u>24,388</u>	1,634,642
<b>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>				
Medicaid Title XIX	Colo. Dept of Health Care Policy & Fin.	93.778	<u>163,857</u>	163,857
<b>DEPARTMENT OF PUBLIC HEALTH &amp; ENVIRONMENT</b>				
Safe Drinking Water Program	Colo. Dept of Public Health & Environ	66.468	<u>5,000</u>	5,000
<b>DEPARTMENT OF AGRICULTURE:</b>				
Food Stamp Admin.	Colo. Dept of Human Services	10.561	<u>103,839</u>	103,839
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Airport Improvement Program	Federal Aviation Administration	20.106	<u>95,448</u>	95,448
<b>DEPARTMENT OF LOCAL AFFAIRS:</b>				
Community Development Block Grant	Colo. Dept of Local Affairs	14.228	<u>184,076</u>	** 184,076
<b>DEPARTMENT OF HOMELAND SECURITY:</b>				
Emergency Management		97.039	119,140	
Emergency Management		97.042	<u>20,720</u>	139,860
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<u>\$ 2,326,722</u>	

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1: BASIS OF PRESENTATION**

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

The County does not use the minimum indirect cost rate.

\* Major Programs

\*\* Pass-Thru Grant, with one sub-recipient during the year

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

*Independent Auditor's Report*

The Governing Body  
Board of County Commissioners  
Huerfano County, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huerfano County (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 13, 2019.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*rfarmer, Uc*

June 13, 2019

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

*Independent Auditor's Report*

Board of County Commissioners  
Huerfano County, Colorado

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

We have audited Huerfano County's, (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, Prowers County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## Report on Internal Control over Compliance

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

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

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

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

*rfarmer, Uc*

June 13, 2019