

FINANCIAL & COMPLIANCE

December 31, 2018

REPORT



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Steamboat Springs, CO 80477

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ROUTT COUNTY, COLORADO
FINANCIAL AND COMPLIANCE REPORT
For the Year Ended December 31, 2018

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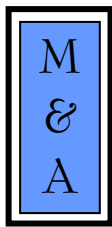
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INDEPENDENT AUDITOR'S REPORT

**To the Board of County Commissioners
Routt 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 Routt County, Colorado (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 an opinion 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 includes 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 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado

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 Routt County, Colorado 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 36 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.

The budgetary comparison schedules on pages 70 through 73 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. These budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements taken as a whole. The combining fund financial statements, individual fund budgetary schedules, and the Local Highway Finance Report, on pages 74 through 94, as listed in the accompanying Table of Contents, are presented for purposes of additional analysis and are not a required part of the County's financial statements. The combining fund financial statements, the individual fund budgetary information, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Other Matters (continued)

Additionally, the Schedule of Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards are presented for the purpose of additional analysis, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and are not a required part of the County's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "McMahon and Associates, L.L.C.".

**McMahan and Associates, L.L.C.
August 22, 2019**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Routt County's annual financial report presents the discussion and analysis of the County's financial performance during the year ended December 31, 2018. Please read this in conjunction with the County's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Property Tax revenue increased \$1.0 million or 5% to \$20.6 million from the prior year. Base property taxes (General Fund, Road and Bridge, Human Services and E911 Communications) increased \$.8 million or 5% to \$17.3 million from the prior year due to the Taxpayers Bill of Rights (TABOR) property tax revenue limitation of 4.3% and abatement/refunds. The 4.3% TABOR property tax revenue limitation is composed of a 1.2% increase from new construction and a 3.1% increase from inflation. The County's assessed valuation increased \$45.1 million or 4.4% to \$1.1 billion from the prior year. Voter approved property taxes (Purchase of Development Rights, Developmental Disabilities and Museums) increased \$.2 million or 6% to \$3.3 million from the prior year primarily as a result of the 4.4% increase in assessed valuation.

Sales Tax revenue increased \$.3 million or 4% to \$7.6 million from the prior year. Sales tax is collected on goods sold at retail, except for, food and pharmaceuticals and includes building and auto use taxes. Sales tax collected on retail sales increased \$.4 million or 7% to \$6.3 million related to increases in tourist spending. Building use tax collected on construction materials decreased \$.1 million or 13% to \$.7 million from the prior year. In 2018, a new energy efficiency building code became effective, which results in a higher cost of construction. As a result of the energy efficiency building code change, builders desired to purchase their building permits and the associated payment of building use tax in 2017 to avoid the higher cost of construction, which resulted in a "spike" in building use tax in 2017. Auto use tax collected on vehicles purchased outside of the County is \$.6 million and remained unchanged from the prior year.

Construction of the Combined Law Enforcement Facility (CLEF) commenced in 2018. The purpose of the CLEF is to cooperatively expand administrative square footage and to reduce the overall cost of administration for the Routt County Sheriff's office and the City of Steamboat Springs (City) Police department. The total cost of the facility is split approximately 60% to the City and 40% to the County. The County's portion of the CLEF is anticipated to be \$7.5 million in total. During 2018, the County spent \$4.0 million for construction of the CLEF. The total cost of the CLEF is being funded from the \$.9 million sale of land to City, \$.4 million of a \$1.0 million State grant sponsored by the City and the remainder is from reserves generated from several years of favorable budget variances. The project is scheduled for completion in June 2019.

Yampa Valley Regional Airport completed construction of an additional airplane parking apron for commercial airline service with the goal of reducing congestion and the potential

for additional airline development. The new parking apron cost \$4.2 million of which \$3.9 million and \$.1 million was funded by federal and state grants, respectively.



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management’s discussion and analysis, the basic financial statements, required supplementary information and a supplementary section presenting combining statements for nonmajor proprietary funds and for internal service funds, actual to budget comparisons schedules for various funds, the statement of changes in assets and liabilities for agency funds and the local highway finance report.

The basic financial statements include two types of statements that present different views of the County’s financial information. The two types of statements are Government-wide financial statements and Fund financial statements. They are described below:

- 1) Government-wide statements include two statements that provide both long-term and short-term information about the County’s overall financial status.
- 2) Fund financial statements focus on individual parts of the County government, reporting the County’s operations in more detail than the government-wide statements.
 - The governmental funds statements illustrate how general government services such as public safety, road and bridge, human services and communications are financed in the short-term as well as what remains for future spending.

- Proprietary funds statements include short and long-term financial information about the activities the County operates like businesses such as the Yampa Valley Regional Airport, the Regional Building Department, the Phippsburg Water and Sanitation System, the Milner Sanitation System and the Internal Service Funds which provide services to other departments in the County on a cost-reimbursement basis. The Internal Service Funds predominantly provide governmental benefits rather than business-type functions and therefore have largely been included within governmental activities in the government-wide financial statements.
- Fiduciary fund statements provide information about the Agency Fund assets and liabilities and the Retirement Plans for the County's employees. The County acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The notes to the financial statements explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides actual to budget comparisons for the General Fund and the following major special revenue funds: Road and Bridge, Human Services and Communications. In addition to these required components, a section called supplemental information includes combining statements providing further detail about the County's nonmajor proprietary funds and internal service funds (each of which are added together and presented in single columns in each of the basic proprietary fund financial statements), proprietary and internal service funds budget to actual comparisons, combining fiduciary funds for the retirement fund and changes in assets and liabilities for the Agency Fund.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities, and deferred inflows/outflows of resources, as well as capital assets and road and bridge infrastructure. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the County's net position and how it has changed. Net position (the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the County's financial health or current financial position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to additional non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The government-wide financial statements of the County are divided into two categories as follows:

- 1) **Governmental Activities**—Most of the County’s basic services such as public safety, road and bridge, human services, etc. are included here. Property tax, sales tax and state and federal revenues finance most of these activities.
- 2) **Business-type Activities**—The County charges fees to customers to help cover the costs of providing certain services. The County’s Yampa Valley Regional Airport, Regional Building Department, Phippsburg Water and Sanitation System and Milner Sanitation System are included in these financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the County’s most significant funds—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law (Road and Bridge and Human Services) and other funds are established by the Board of County Commissioners to control and manage money for particular purposes (Communications and Airport). The County uses three types of funds as follows:

Governmental Funds

Most of the County’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided after the Governmental Funds Balance Sheet that explains the relationship (or differences) between the government-wide Statement of Net Position and the Statement of Activities compared with the Governmental Funds statements.

Proprietary Funds

Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary Funds, like the government-wide statements, provide both short and long-term financial information. A reconciliation is provided after the Proprietary Funds Statement of Net Position that explains the relationship (or differences) between the government-wide Statement of Net Position and the Statement of Activities compared with the Proprietary – Enterprise Funds statements.

- The County’s Proprietary Funds are the same as its business-type activities, but more detailed information is provided in the Proprietary Fund statements, such as cash flow statements.

- The County's Internal Service Funds are used to report activities that provide supplies and services for the County's other programs and activities, such as information systems, emergency communication system, fleet services, building and plant and a partially self-funded employee health insurance plan.

Fiduciary Funds

The County is the trustee or fiduciary for the property tax revenues collected and distributed to County funds and other governmental entities by statute, for special assessment revenues collected and distributed to bondholders and for its employees' retirement plans. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in the separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.



FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's net position is \$206.2 million as of December 31, 2018 an increase of \$7.2 million or 4% from the prior year. The following table provides a summary of the County's governmental and business-type net position for 2018 and 2017.

Routt County, Colorado
Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 62.3	\$ 59.7	\$ 9.5	\$ 6.7	\$ 71.8	\$ 66.4
Capital assets	117.9	114.4	53.9	52.4	171.8	166.8
Total assets	180.2	174.1	63.4	59.1	243.6	233.2
Deferred Outflows of Resources						
Deferred charge on refunding	0.3	0.4	-	-	0.3	0.4
Total assets and deferred outflows of resources	180.5	174.5	63.4	59.1	243.9	233.6
Liabilities						
Current and other liabilities	5.0	3.2	3.7	2.0	8.7	5.2
Long-term liabilities	9.0	10.0	0.4	0.4	9.4	10.4
Total liabilities	14.0	13.2	4.1	2.4	18.1	15.6
Deferred Inflows of Resources						
Unavailable revenue - property taxes	19.6	19.0	-	-	19.6	19.0
Net Position						
Net investment in capital assets	110.6	106.2	52.2	50.9	162.8	157.1
Restricted	4.2	4.0	0.2	0.2	4.4	4.2
Unrestricted	32.1	32.1	6.9	5.6	39.0	37.7
Total net position	146.9	142.3	59.3	56.7	206.2	199.0
Total liabilities, deferred inflows of resources and net position	\$ 180.5	\$ 174.5	\$ 63.4	\$ 59.1	\$ 243.9	\$ 233.6

Net Investment in Capital

The largest portion of net position is net investment in capital assets of \$162.8 million, which increased \$5.7 million or 4% from the prior year. Net investment in capital includes land, buildings and improvements, equipment and all road and bridge infrastructure less depreciation and associated debt. Although the net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used in a short period of time to liquidate these liabilities. The cost of these capital assets funded by capital grants and contributions does not offset these revenue sources as an expense in the government-wide Statement of Net Activities. Instead, these costs are capitalized and then depreciated over the useful life of the asset. The major capital projects are summarized in the section entitled “CAPITAL ASSETS AND DEBT ADMINISTRATION”.

Unrestricted Net Position

The second largest portion of net position is unrestricted of \$39.0 million, which increased \$1.3 million or 3% from the prior year. This portion of net position is available to provide funds for capital asset replacements and additions, cash flow for ongoing operations and cash flow for fluctuations between planned and actual resources and emergencies.

Governmental activities unrestricted net position is \$32.1 million and is unchanged from the prior year.

Governmental activities generated \$6.6 million in operating income an increase of \$.1 million or 2% from the prior year. The \$6.6 million of operating income was used to purchase \$7.3 million of capital additions and replacements and for debt service of \$1.1 million. Non-operating revenue generated \$.1.8 million from \$.7 million in interest revenue and \$1.1 million in proceeds from the sale of assets and resulted in a \$0.0 million change in unrestricted net position. Additional information relating to the fund financial statements can be found in the “FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS” sections.

Additional information for governmental activities revenue and expense is available in the following section entitled “Governmental Activities”.

Business-type activities unrestricted net position increased \$1.3 million or 23% to \$6.9 million from the prior year. The increase is primarily attributed to Yampa Valley Regional Airport with a \$1.2 million increase and a \$.1 million increase for the Regional Building Department, which is described in more detail in the following section entitled “Business-type Activities”.

Restricted Net Position

The remaining portion of the County’s net position is restricted net position of \$4.4 million which increased \$.2 million or 5% from the prior year.

Governmental activities restricted net position increased \$.2 million or 5% to \$4.2 million from the prior year. The change in governmental activities restricted net position is primarily due to the Purchase of Development Rights (PDR) restricted fund balance increase of \$.1 million or 4% to \$2.7 million after several 2018 purchase of development rights transactions were delayed due to complexity and moved to 2019. The County's TABOR Reserve increased in 2018 by \$.1 million or 10% to \$1.1 million.

Business activities restricted net position remained unchanged at \$.2 million from the prior year due to minimal change in the Taxpayer Bill of Rights (TABOR) reserve requirement for Yampa Valley Regional Airport.

Changes in Net Position

Net position in 2018 increased \$1.4 million or 24% to \$7.2 million from the prior year. Governmental activities decreased \$.2 million or 4% and business-type activities increased \$1.6 million or 160% from the prior year. The following financial statement summarizes the change in net position.



Routt County, Colorado
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 3.8	\$ 3.8	\$ 6.4	\$ 6.7	\$ 10.2	\$ 10.5
Operating grants and contributions	10.3	9.5	0.2	0.1	10.5	9.6
Capital grants and contributions	0.7	1.6	4.6	2.5	5.3	4.1
General revenues						
Property tax	20.6	19.6	-	-	20.6	19.6
Sales tax	7.6	7.3	-	-	7.6	7.3
Interest earnings	0.7	0.4	-	-	0.7	0.4
Gain on disposal of capital assets	1.0	-	-	-	1.0	-
Total revenues	44.7	42.2	11.2	9.3	55.9	51.5
Expenses						
Administration	7.7	6.8	-	-	7.7	6.8
Community services	6.9	5.6	-	-	6.9	5.6
Property tax administration	2.4	2.1	-	-	2.4	2.1
Public safety	8.9	8.7	-	-	8.9	8.7
Road and bridge	9.4	9.1	-	-	9.4	9.1
Human services	4.5	4.7	-	-	4.5	4.7
Interest expense on long-term debt	0.3	0.4	-	-	0.3	0.4
Airport	-	-	7.2	7.1	7.2	7.1
Building department	-	-	1.2	1.0	1.2	1.0
Water and sanitation	-	-	0.2	0.2	0.2	0.2
Total expenses	40.1	37.4	8.6	8.3	48.7	45.7
Increase in net position	4.6	4.8	2.6	1.0	7.2	5.8
Net position - beginning	142.3	137.5	56.7	55.7	199.0	193.2
Net position - ending	<u>\$ 146.9</u>	<u>\$ 142.3</u>	<u>\$ 59.3</u>	<u>\$ 56.7</u>	<u>\$ 206.2</u>	<u>\$ 199.0</u>

Governmental Activities

Total net position from governmental activities increased \$4.6 million or 3% to \$146.9 million from the prior year. The following are explanations of significant changes in revenue and expense from 2017 to 2018.

Revenues

Operating Grants and Contributions increased \$.8 million or 8% to \$10.3 million from the prior year and is primarily from the following items.

Federal Payment in Lieu of Taxes (PILT) funds increased \$.2 million or 14% to \$1.6 million. The PILT formula in 2018 offset a decrease in 2017 federal mineral lease (FML) funds. The decrease in FML funds are the result of the coal mine mining in nonfederal land.

Highway Users Tax Funds (HUTF) increased \$.5 million or 16% to \$3.6 million due to State legislation increasing the allocation of HUTF funds to Counties with the intent of improving and repairing roads and bridges throughout Colorado.

State mineral severance tax increased \$.2 million or 100% to \$.4 million. The increase in severance taxes reflect a slight increase in commodity prices and a reduction in refunds filed relating to a Colorado Supreme Court ruling. Severance taxes are overall low because of a Colorado Supreme Court's ruling allowing extraction activities additional tax deductions, which resulted in significant refunds for the past several years.

Capital Grants and Contributions decreased \$.9 million or 56% to \$.7 million from the prior year. Capital grants and contributions decreased \$1.2 million due to completion of a \$.6 million Recreation Vehicle (RV) Park for the Routt County Fair funded in part by a \$.4 million Great Outdoors Colorado grant and completion of a \$1.7 million Broadband Fiber Optic project funded from a \$.4 million state Energy Mineral Impact Assistance grant and \$.4 million from various local and private partner's in the County. The RV Park was constructed to improve camping facilities during the annual fair and the Broadband Fiber Optic project was installed to improve broadband services through a City-wide fiber optic trunk line and lateral connections to community anchor institutions.

Capital grants and contributions related to Road and Bridge projects increased \$.3 million or 47% to \$.7 million from the prior year. Replacement of the Butler Creek Bridge is ongoing with a project to date cost of \$1.2 million and Federal Highway Department grants of \$.7 million in 2018 and \$.2 million in 2017 for an increase in Federal Highway Department Funds of \$.5 million. The following item offset the previous item. County Road (CR) 51 is the main access to the Airport and a portion of the road is within the Town of Hayden's town limits. Overlay work of \$.2 million on CR 51 was completed by the County and the Town of Hayden contributed \$.2 million for the CR 51 overlay in 2017.

Property Tax revenue increased \$1.0 million or 5% to \$20.6 million from the prior year. Base property taxes (General Fund, Road and Bridge, Human Services and E911 Communications) increased \$.8 million or 5% to \$17.3 million from the prior year due to

the Taxpayers Bill of Rights (TABOR) property tax revenue limitation of 4.3% and abatement/refunds. The 4.3% TABOR property tax revenue limitation is composed of a 1.2% increase from new construction and a 3.1% increase from inflation. The County's assessed valuation increased \$45.1 million or 4.4% to \$1.1 billion from the prior year. Voter approved property taxes increased \$.2 million or 6% to \$3.3 million from the prior year as a result of the 4.4% increase in assessed valuation.

Sales Tax revenue increased \$.3 million or 4% to \$7.6 million from the prior year. Sales tax is collected on goods sold at retail, except for, food and pharmaceuticals and includes building and auto use taxes. Sales tax collected on retail sales increased \$.4 million or 7% to \$6.3 million on increases in tourist spending. Building use tax collected on construction materials decreased \$.1 million or 13% to \$.7 million from the prior year. Building use tax collected on construction materials decreased \$.1 million or 13% to \$.7 million from the prior year. In 2018, a new energy efficiency building code became effective, which results in a higher cost of construction. As a result of the energy efficiency building code change builders desired to purchase their building permits and the associated payment of building use tax in 2017 to avoid the higher cost of construction, which resulted in a "spike" in building use tax in 2017. Auto use tax collected on vehicles purchased outside of the County is \$.6 million and is unchanged from the prior year.

Interest Earnings increased \$.3 million or 75% to \$.7 million because of increases in interest rates offset by a decrease in funds available for investment.

Gain on Disposal of Capital Assets increased \$1.0 million or 100% to \$1.0 million from the prior year. The increase is from the sale of land to the City of Steamboat Springs for the Combined Law Enforcement Facility.

Expenses

Administration expenses increased \$.9 million or 13% to \$7.7 million from the prior year. In 2018, the County completed the installation of a fiber optic project that increased broadband services and resulted in a \$.2 million increase in depreciation expense. In addition, the County completed implementation of a portion of the Enterprise Resource Planning (ERP) software. Core financial accounting functionality implementation included the general ledger, financial statements, purchasing, accounts payable, receipts, accounts receivable, time entry and payroll. The ERP implementation increased depreciation expense \$.1 million. The remainder of the change is primarily related to \$.3 million increase in compensation and benefits to remain competitive in the market and a \$.1 million increase in operations from several different departments.

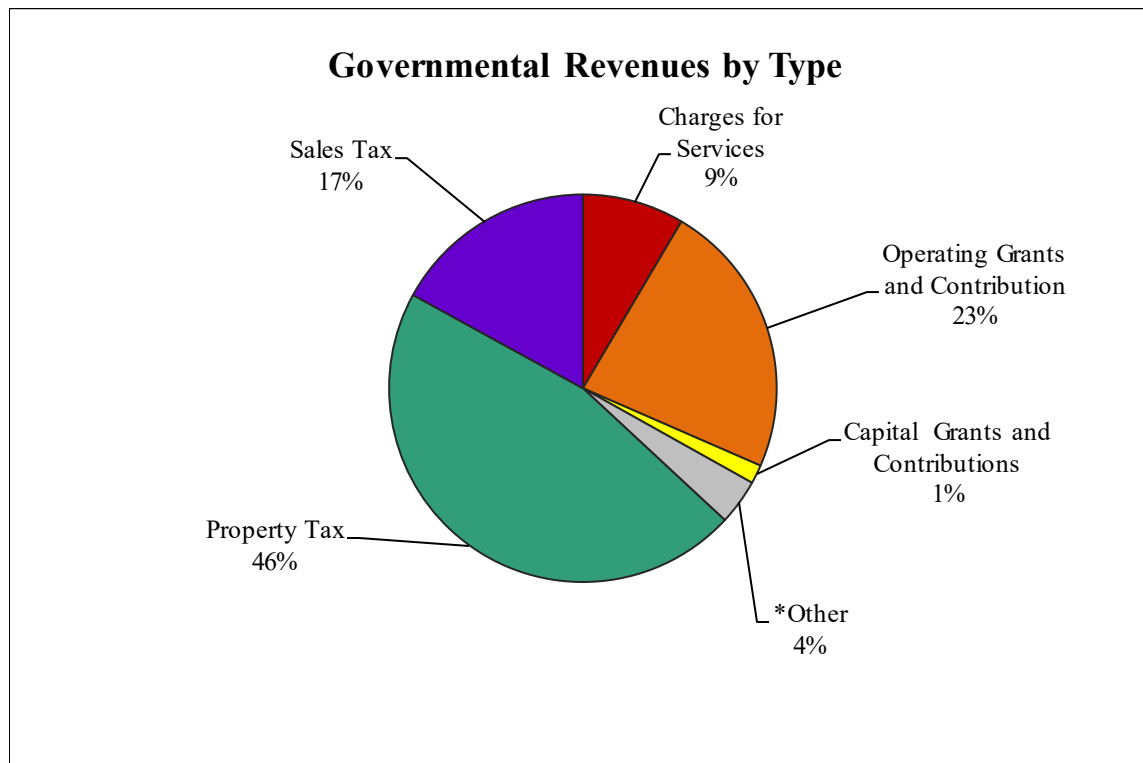
Community Services expenses increased \$1.3 million or 23% to \$6.9 million from the prior year. The increase is primarily attributable the \$1.1 million or 166% increase from the Purchase of Development Rights program. Several projects started in the prior year were completed in 2018.

Property Tax Management expenses increased \$.3 million or 14% to \$2.4 million from the prior year. A significant portion of the increase is attributable to the County's former

Treasurer spending \$.1 million on professional services to a third party law firm for numerous matters. The remainder of the change is primarily related to an increase in compensation and benefits to remain competitive in the market.

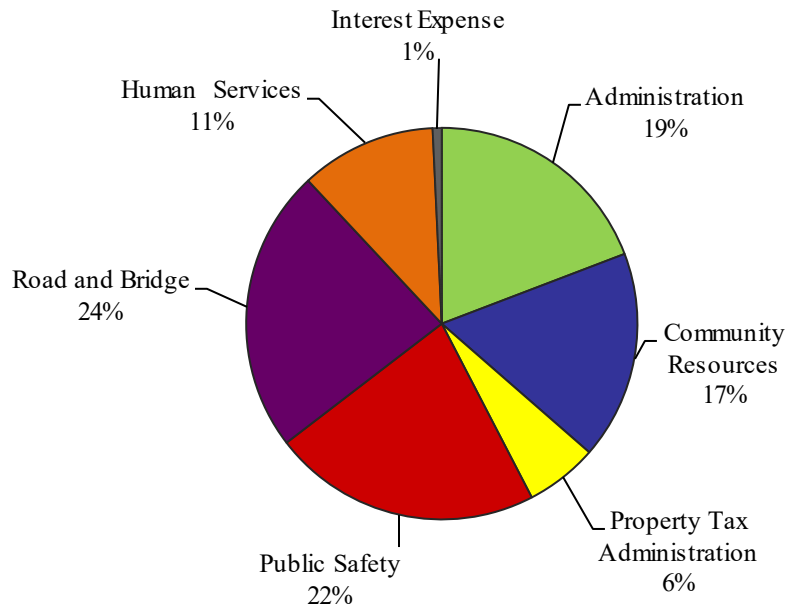
Road and Bridge expenses increased \$.3 million or 3% to \$9.4 million from the prior year. The \$.3 million change is primarily related to an increase in compensation and benefits to remain competitive in the market.

The following graphs show governmental revenues and expenses by type and a comparison of governmental program revenue versus expense.

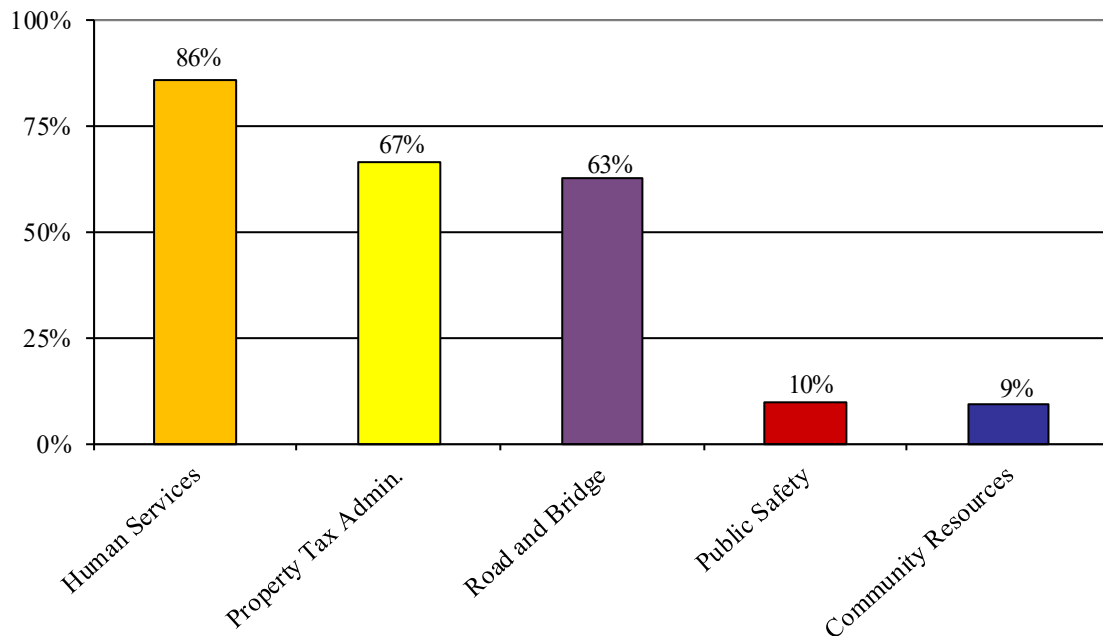


*Other: Unrestricted investment earnings and gain on sale of capital assets.

Governmental Expenses by Type



Governmental Programs Percentage of Program Expense Covered by Program Revenue



Note: The program revenue shown in the above graph does not include capital grants and contributions related to capital totaling \$.7 million. The costs related to capital acquisitions are capitalized as assets and depreciated over the useful lives of the assets. Only depreciation on those assets is included above.

Business-type Activities

Total net position from business-type activities increased \$2.6 or 5% to \$59.3 million from the prior year. The key factors related to this increase follow.

Net investment in capital assets increased \$1.3 million or 3% to \$52.2 million from the prior year. The increase was primarily due to Yampa Valley Regional Airport capital asset activity. The major business-type capital projects are summarized in the section entitled "CAPITAL ASSETS AND DEBT ADMINISTRATION".

Restricted net position remained unchanged at \$.2 million from the prior year.

Unrestricted net position increased \$1.3 million or 23% to \$6.9 million from the prior year and is described below in more detail.

Yampa Valley Regional Airport (YVRA)

Total net position increased \$2.5 million or 5% to \$56.0 million from the prior year and consists of \$51.8 million in net investment in capital assets, \$4.0 million in unrestricted net position and \$.2 million in restricted net position.

Net investment in capital assets increased \$1.3 million or 3% to \$51.8 million from the prior year. The increase consists of \$4.7 million of capital purchases and \$.1 million principal payment on the interfund loan with Road and Bridge offset by \$3.0 million of depreciation, \$.3 million for retainage and \$.2 million of capital deletions net of accumulated depreciation.

Unrestricted net position increased \$1.2 million or 43% to \$4.0 million from the prior year.

The following is an explanation of significant revenue and expense changes from the prior year.

The Airport operating loss decreased \$.2 million or 9% to \$2.0 million from the prior year. The operating loss is primarily generated from depreciation on federal and state funded capital items. The Airport relies on federal and state grants as opposed to fees to fund the replacement of a significant portion of capital.

Charges for Services increased \$.2 million or 4% to \$5.0 million from the prior year. The increase is primarily due to an increase in enplanements of 4,039 or 4% to 103,410.

Personnel costs increased \$.1 million or 4% to \$2.8 million from the prior year and is the result of an increase in compensation and health insurance to remain competitive in the market.

Operations costs decreased \$.1 million or 7% to \$1.4 million from the prior year. The decrease is primarily the result of airport management focusing on cost reduction and

efficiencies in their operations. Depreciation expense remained consistent with the prior year at \$3.0 million.

Capital grants and contributions increased \$2.1 million or 84% to \$4.6 million from the prior year. The increase is primarily due to an increase in federal and state grants associated with an additional airplane parking apron for commercial airline service. The goal of the additional parking apron is to reduce congestion and provide the potential for further airline development.

Regional Building Department

Unrestricted net position for the Regional Building Department (RBD) increased \$.1 million or 4% to \$2.5 million compared to the prior year.

Operating income decreased \$.6 million or 86% to \$.1 million compared to the prior year. Significant changes in revenues and expenses are as follows.

Building permit fees decreased \$.4 million or 24% to \$1.3 million. The RBD allows building permits to exist for a period of three years from the date of issuance and after that time the building permit expires. In certain circumstances a one year extension was allowed in the past. In 2017, as a result of a change in management a significant effort was made to have the building permits completed within the three year time period and not to provide an extension of the building permit after the three year time period ended. In addition, an effort was made to improve the timeliness of building permits completion. This management action in 2017 resulted in a “spike” in building permit revenue. Building permit revenue increased \$.1 million or 8% between 2016 and 2018.

Personnel costs for the Regional Building Department increased \$.2 million or 33% to \$.8 million from the prior year and is the result of an increase in compensation and health insurance to remain competitive in the market. Operating expenses remained flat at \$.4 million.





FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The analysis of the County's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. This information is useful in assessing the County's financing requirements.

Governmental Funds

The fund balance for governmental funds is \$20.3 million, an increase of \$.3 million or 2% from the prior year. A description of the types and changes in fund balance follows.

Nonspendable fund balance decreased \$.1 million or 7% to \$1.3 million. Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance increased \$.2 million or 5% to \$4.2 million from the prior year. Restricted fund balances include amounts that are restricted for specific purposes pursuant to constraints either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance increased \$.2 million or 2% to \$14.7 million from the prior year. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by an adopted resolution of the Board of County Commissioners.

The key factors related to these changes are as follows.

General Fund

The total fund balance of the General Fund increased \$.3 million or 5% to \$6.4 million from the prior year.

Nonspendable fund balance had no change from 2017 to 2018 and has a balance of \$.1 million.

Restricted fund balance increased \$.2 million or 5% to \$4.2 million from the prior year. The increase is primarily due to the Purchase of Development Rights (PDR) restricted fund balance increase of \$.1 million or 4% to \$2.7 million after several 2018 purchase of development rights transactions were delayed to 2019 because of the complexity of the transaction. The County's TABOR Reserve increased in 2018 by \$.1 million to \$1.1 million.

The committed fund balance of the General Fund increased \$.1 million or 5% to \$2.1 million from the prior year maintaining compliance with the General Fund Committed Reserve Policy. The General Fund Committed Reserve Policy was approved by a resolution of the Board of County Commissioners and establishes the year end committed fund balance of the General Fund to be no less than 10% of General Fund expenditures of the prior year and shall exclude expenditures from voter approved mill levies such as the Purchase of Development Rights, Developmental Disabilities, the Museum and Heritage Fund and future voter approved mill levies restricted for a specific purpose and transfers.

Road and Bridge Fund

The Road and Bridge total fund balance decreased \$.1 million or 1% to \$11.7 million from the prior year.

The Road and Bridge Nonspendable fund balance decreased \$.1 million or 8% to \$1.2 million. The decrease is primarily due to the decrease of the interfund loan of \$1.3 million in 2017 to \$1.2 million in 2018.

The Road and Bridge committed fund balance remained unchanged at \$10.5 million from the prior year. The Road and Bridge budget anticipated a \$3.7 million decrease in committed fund balance. The following items explain the primary reasons for the change between the budgeted committed fund balance and the actual ending fund balance

Sales tax revenue had a 100% or \$1.9 million positive budget variance. Sales tax was planned to be allocated 100% to the General Fund to fund a portion of the construction of the Combined Law Enforcement Facility (CLEF). The sales tax favorable budget variance was due to various favorable revenue and expenditure budget variances in the General Fund.

Sales tax for the County in total had a positive \$1.0 million or 14% variance compared to the final budget of \$7.0 million. Sales tax is composed of the following items. Total County retail sales tax had a favorable budget variance of \$.4 million or 6% from the final budget of \$6.2 million. Total building use tax had a favorable budget variance of \$.5 million or 250% from the final budget of \$.2 million. The County has historically budgeted building use tax conservatively using 2010 actual collections because of the volatile nature of the construction industry. Total County auto use tax had a favorable budget variance of \$.1 million or 17% from the final budget of \$.6 million.

Intergovernmental revenues had a \$.9 million positive budget variance. State Highway User Tax Fund (HUTF) revenue had a positive budget variance of \$.5 million due to the State increasing the allocation of HUTF funds to Counties with the intent of improving and repairing roads and bridges throughout Colorado. State severance tax revenue from mineral extraction had a \$.3 million positive budget variance and is budgeted conservatively because of the volatility of mineral prices. Town of Hayden revenue had a positive budget variance of \$.2 million. County Road (CR) 51 is the main access to the Airport and a portion of the road is within the Town of Hayden's town limits. Overlay work of \$.2 million on CR 51 was completed by the County in 2017 and the Town of Hayden contributed \$.2 million for the CR 51 overlay in 2018. The payment from the Town of Hayden was received 60 days after the 2017 year end and is considered 2018 revenue per accounting policy. City of Steamboat Spring's revenue had a favorable budget variance of \$.1 million. The County Treasurer over disbursed the "Distribution to Towns" to the City of Steamboat Springs for several years. The Treasurer used an incorrect assessed valuation amount in the formula. Federal bridge revenue was lower than budgeted by \$.1 million due to estimates related to the amount completed in 2017 and 2018 for the Butler Creek Bridge. Federal mineral lease revenue had a negative \$.1 million variance due to coal being mined in nonfederal property. The decrease in federal mineral lease funds will be "back filled" or increase the Federal Payment in Lieu Taxes (PILT) revenue in 2019 as part of the program's formula.

Salaries and benefits had a \$.1 million positive budget variance due to turn over in staff.

Operations had a positive \$.6 million budget variance. The positive variance in operations is primarily due to the following items. Because of turnover in staff at the Director position the Assistant Director took over the responsibilities of the Director and as a result was not able to complete the design engineering on several small bridges (span less than 20 feet) and resulted in a \$.2 million favorable variance. The replacement of the Cottonwood Creek and Calf Creek bridges were completed in house instead of being replaced by a third party vendor and resulted in a \$.2 million favorable variance. Chip and seal had a \$.1 million positive budget variance as a result of favorable price and quantity variances. The asphalt road patching budget had a positive \$.1 million variance due to the condition of the asphalt roads being in good condition and requiring little maintenance in 2018.

Infrastructure had a favorable \$.1 million favorable variance. The primary reason for the favorable variance was due to estimates related to the amount to be completed in 2017 and 2018 for the Butler Creek Bridge.

Proprietary Funds

Enterprise Funds

Please refer to the previous section “FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE - Business-type Activities” above.

Internal Service Funds

The Internal Service Funds’ net position increased \$5.0 million or 11% to \$50.8 million. Unrestricted net position increased \$.6 million or 4% to \$17.4 million from the prior year. Net investment in capital assets increased \$4.4 million or 15% to \$33.4 million from the prior year.

Equipment Pool

Unrestricted net position, which can be used for the future replacement of capital, is \$15.4 million and unchanged from the prior year. Equipment Pool operations provided \$2.6 million to unrestricted net position. Capital purchases in 2018 totaled \$6.5 million. Capital additions in 2018 were funded by \$3.7 million of transfers in from other funds. As planned, \$3.1 million was transferred from the General Fund for construction of the Combined Law Enforcement Facility (CLEF) and \$.3 million from reserves of the Equipment Pool funded construction of the E911 Communications Center relocated in the CLEF. The Equipment Pool reserves became available because the State became responsible for the future replacement of E911 microwave system, which means the County is no longer responsible for setting aside funds for the future replacement of the E911 microwave system. Sale of assets provided \$1.1 million in proceeds primarily from the \$935,000 sale of 1.43 acres to the City of Steamboat Springs for the CLEF. Capital additions included the partial completion of the CLEF, the relocation of the Communications Center into the CLEF, pedestrian walkways, volleyball court and new bridge at the Fairgrounds. Other capital additions include completion the first two phases (Core Financials and Payroll) of a County-wide enterprise resource planning system, installation of a virtual server environment, purchase of a utility task vehicle for Communications and a piece of equipment to condition the soil for equestrian events at the Fairgrounds. Capital replacements included the replacement of two boilers at the Justice Center, E911 Communications Farwell Mountain site batteries, E911 computer aided dispatch servers with a virtual server, fire alarm system at the Detention Center, 8 vehicles, a bucket truck, a mini excavator, a semi-tractor truck, two graders and an equipment trailer. Interest earnings provided \$.2 million in 2018 and debt service of \$1.2 million on the Refunding Certificates of Participation Series 2012 was paid as planned.

Net investment in capital increased \$4.4 million or 15% to \$33.4 million from the prior year. Capital purchases of \$6.5 million and a principal payment of \$1.0 million on capital related debt contributed to an increase of \$7.5 million. Depreciation of \$2.9 million and capital deletions net of depreciation of \$.1 million decreased net investment in capital. Deferred cash outflows related to the 2012 Series Certificates of Participation (COPs) used

to refinance the 2006 Series COPs to construct the Justice Center resulted in a \$.1 million decrease.

See “CAPITAL ASSETS AND DEBT ADMINISTRATION” for more details about significant capital and debt projects.

Insurance Pool

The Insurance Pool’s unrestricted net position increased \$.6 million or 43% to \$2.0 million from the prior year. Unrestricted net position can be used to fund future health insurance claims for the County’s partially self-funded health insurance plan for employees.

In 2018, the County increased its contribution and the employee contribution to the pool each by 9% in order to build the pool’s reserves and improve the pool’s sustainability while continuing to offer a competitive health insurance benefit to employees. The increase is based on a 16-year historical actual average increase of 9% and data supplied by the County’s health insurance consultant indicating 2018 medical claims costs are anticipated to increase 9%. Actual 2018 County and employee contributions to the Insurance Pool were right on plan at \$4.8 million.

Claims expense in 2018 was budgeted at \$4.3 million or 8% over the prior year based on historical and current claims expense. Total actual claims in 2018 were \$4.5 million, over budget by \$.2 million. In 2018, there were 33 large claims over \$35,000 totaling \$3.2 million or 71% of total claims. In 2017, there were 24 large claims totaling \$1.9 million or 55% of total claims.

The County purchases individual and aggregate stop loss insurance to limit its exposure during years with high large claim expense. Total receipts from stop loss insurance in 2018 were \$.9 million or \$.3 million over the original budget. Stop loss insurance reimbursements are received for individual claims greater than the County’s \$75,000 deductible.

The County budgeted a \$.5 million increase in reserves in 2018 and the actual reserve increase was \$.6 million resulting from stop loss insurance proceeds in excess of budget offset by slightly higher claims expense than budgeted. See the following “NEXT YEAR’S BUDGET AND ECONOMIC FACTORS” section for additional detail related to medical insurance.



General Fund Budgetary Highlights

Budget Amendments

Revenue Budget Amendments

The variance between the original revenue budget of \$28.9 million and the final amended revenue budget of \$29.2 million was a positive variance of \$.3 million or 1%.

The primary General Fund revenue budget amendment was from a \$.3 million use of unanticipated sales tax revenue. The unanticipated sales tax revenue was used to fund unanticipated personnel, legal and wildland fire expenses.

Expenditure Budget Amendments

The variance between the original expense budget of \$26.0 million and the \$26.1 million final amended expense budget was a positive variance of \$.1 million or 0%. The significant expenditure budget amendments are as follows.

The Wildfire Control budget amendment increased Wildfire Control expenditures \$.1 million or 155%. The 2018 wildfire suppression budget was increased for the Murphy and Irwin wildfires and was funded from sales tax.

The Treasurer budget amendment increased Treasurer expenditures \$.1 million or 20%. The Treasurer engaged a third party law firm to represent the Treasurer on numerous matters that were claimed to be related to Treasurer duties and responsibilities. The amendment was funded from unanticipated sales tax.

The \$3 million Emergency Management budget was moved from the General fund to the Communications fund as part of a reorganization effort.

Budget Variances

Revenue Variances

Total actual revenues had a negative \$.6 million or 2% variance from the final budget of \$29.2 million. The significant revenue budget variances are discussed as follows.

Sales tax had a negative variance of \$1.0 million or 14% with the final budget in the General Fund. In the original General Fund budget the County anticipated allocating 100% of sales tax to fund the construction of the Combined Law Enforcement Facility (CLEF) through the General Fund; however, due to various 2018 positive revenue and expenses budget variances in the General Fund and Road and Bridge Fund and the amount of funding set aside in 2017 for the construction of the CLEF, \$1.9 million of sales tax was allocated to the Road and Bridge fund. In addition, the County was able to maintain the 10% General Fund Committed Reserve policy.

Sales tax for the County in total had a positive \$1.0 million or 14% variance compared to the final budget of \$7.0 million. Sales tax is composed of the following items. Total County retail sales tax had a favorable budget variance of \$.4 million or 6% from the final budget of \$6.2 million. Total building use tax had a favorable budget variance of \$.5 million or 250% from the final budget of \$.2 million. The County has historically budgeted building use conservatively using 2010 actual collections because of the volatile nature of the construction industry. Total County auto use tax had a favorable budget variance of \$.1 million or 17% from the final budget of \$.6 million.

Intergovernmental revenues have a \$.2 million or 40% positive variance. This positive variance is primarily from the \$.1 million positive revenue budget variance related to the Broadband Fiber Optic Project (Project) sponsored by the County. The County along with various other governmental and nonprofits funded the Project. The Project's positive revenue budget variance was due to the county receiving final reimbursement in 2018 for the project.

Interest income had a positive variance of \$.2 million or 100% above the final budget of \$.2 million. The positive variance is due to an increase in interest rates and offset by a decrease in funds available for investment.

Expenditure Variances

Total actual expenditures had a positive \$1.8 million or 7% variance compared to the final budget of \$26.1 million. The significant budget variances are discussed as follows.

Information Technology (IT) expenditures had a positive \$.2 million or 9% variance compared to the final budget of \$2.2 million. IT personnel had a \$.1 million favorable budget variance primarily due to not needing the amount of overtime budgeted for the Enterprise Resource Planning (ERP) implementation and turnover in staff. IT controllable assets (desk tops, laptops, printers, copiers) had a favorable budget variance of \$.1 million. Various controllable assets are continuing to function well and did not need to be replaced, thereby extending their useful life.

Purchase of Development Rights (PDR) expenditures had a positive budget variance of \$.9 million or 35% compared to the \$2.6 million final budget as a result of various PDR projects not coming to fruition due to the complexity of the transactions.

The remaining budget variances are relatively small per department.

Transfer Variances

Transfers in had a negative \$.7 million or 100% budget variance with the final budget. The original General Fund budget anticipated a \$.7 million transfer from the Equipment Pool to fund a portion of the Combined Law Enforcement Facility (CLEF) construction, but due to favorable revenue and expense variance in the General Fund and Road and Bridge Fund and the amount of funding set aside for the construction of the CLEF in 2017, the County was able to fund the CLEF construction, maintain the 10% committed reserve requirement of the General Fund and did not need the transfer from the Equipment Pool.

Transfers out had a positive \$.5 million or 11% budget variance the final budget of \$4.5 million due to several Information Technology projects not being completed and scheduled for completion in 2018 budget.





CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2018, the County's capital assets increased \$10.1 million or 4% to \$257.6 million. Capital assets include heavy equipment, motor vehicles, E-911 communication equipment, buildings, road and bridge infrastructure, airport infrastructure, equipment and facilities and water and sewer systems. Governmental Activities capital increased \$6.4 million or 4% to \$174.0 million. Business-type Activities capital increased \$3.7 million or 5% to \$83.6.

The following table summarizes the components of the County's capital assets.

Routt County, Colorado
Capital Assets
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 4.6	\$ 4.7	\$ 44.4	\$ 44.4	\$ 49.0	\$ 49.1
Buildings and improvements	36.8	36.7	19.7	19.4	56.5	56.1
Equipment	29.7	28.5	11.0	11.1	40.7	39.6
Infrastructure	96.4	95.9	-	-	96.4	95.9
Water system	-	-	2.0	2.0	2.0	2.0
Sewer system	-	-	1.8	1.8	1.8	1.8
Construction in progress	6.5	1.8	4.7	1.2	11.2	3.0
Total capital assets	174.0	167.6	83.6	79.9	257.6	247.5
Accumulated depreciation	(56.1)	(53.2)	(29.7)	(27.5)	(85.8)	(80.7)
Total	\$ 117.9	\$ 114.4	\$ 53.9	\$ 52.4	\$ 171.8	\$ 166.8

Major Governmental Capital Asset Projects

During 2018, 3.8 miles of County Road 129 were overlaid for \$.6 million and replacement work was completed on the Butler Creek Bridge for a cost of \$.8 million. Butler Creek Bridge is the second of three bridges on CR 67 to be replaced during the years 2015-2018. The replacement cost of all three bridges on CR 67 is estimated to be \$3.2 million. The \$3.2 million cost of the bridges is anticipated to be offset with \$2.2 million of Federal Highway Department grants for a net cost of \$1.0 million. Additionally, \$.6 million of Heavy Equipment Pool replacement purchases were completed. The purchases included a semi-tractor and two graders along with other smaller pieces of equipment.

Construction of the Combined Law Enforcement Facility (CLEF) commenced in 2018. The purpose of the CLEF is to cooperatively expand administrative square footage and to reduce the overall cost of administration for the Routt County Sheriff's office and the City of Steamboat Springs (City) Police department. The total cost of the facility is split approximately 60% to the City and 40% to the County. The County's portion of the CLEF is anticipated to be \$7.5 million in total. During 2018, the County spent \$4.0 million for construction of the CLEF. The total cost of the CLEF is being funded from the \$.9 million sale of land to City, \$.4 million of a \$1.0 million state grant sponsored by the City and the remainder is from reserves generated from several years of favorable budget variances. The project is scheduled for completion in June 2019.

In 2018, a system upgrade was implemented that virtualized the computer aided dispatch and records management system (CAD/RMS) servers at a cost of \$.2 million. Additionally,

the batteries and charging system were replaced at the Farwell Mountain tower sight at a cost of \$.1 million.

Major Business-type Capital Asset Projects

Yampa Valley Regional Airport completed construction of an additional airplane parking apron for commercial airline service with the goal of reducing congestion and the potential for additional airline development. The new parking apron cost \$4.2 million of which \$3.9 million and \$.1 million was funded by federal and state grants, respectively.

Long-term Debt

After making a principal payment of \$1.0 million in 2018 on the Series 2012 Refunding Certificates of Participation, the outstanding balance for Governmental Activities long-term debt is \$7.7 million.

On March 3, 2017 Standard Poor's assigned an AA rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA+. Standard and Poor's outlook is stable and the rationale for these ratings again was the County's strong reserve levels, above national average per capita market value and buying income, low debt level and very strong liquidity.

Long-term debt for Business-type Activities is \$.1 million for Phippsburg Water and Sanitation System to finance a portion of the water filtration and waste water systems, which consists of three loans with the State of Colorado under the Energy and Mineral Assistance program.

Routt County, Colorado **Outstanding Debt** (in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of participation	\$ 7.7	\$ 8.7	\$ -	\$ -	\$ 7.7	\$ 8.7
Revenue loans	-	-	0.1	0.1	0.1	0.1
Total	\$ 7.7	\$ 8.7	\$ 0.1	\$ 0.1	\$ 7.8	\$ 8.8



NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The 2019 Routt County budget projects \$67,625,000 in revenues and \$76,115,000 in expenses resulting in \$8,490,000 of expenses over revenues, and after removing \$524,000 of noncash expenses such as depreciation, the use of reserves is \$7,966,000. The 2019 budget as compared to the 2018 budget includes an \$11,241,000 or 20% increase in revenues and a \$15,031,000 or 25% increase in expenses. The 2019 budget is separated into Governmental Activities and Business Activities as follows.

Governmental Activities include the County's basic services such as Property Tax Administration, Public Safety, Human Services, Community Services, Road and Bridge and Administration. Revenues are anticipated to increase \$1,571,000 or 4% to \$46,137,000, expenses are anticipated to increase \$4,480,000 or 9% to \$53,329,000 and results in expenses over revenues of \$7,192,000. The decrease in reserves is primarily the result of funding \$4.0 million of the \$7.5 million Combined Law Enforcement Facility (CLEF), the \$1.1 million relocation of the E 911 Communication Center to the CLEF, and \$2.0 million for the planned replacement of capital and infrastructure.

The County's base property tax revenue, which funds governmental activities, is anticipated to increase \$672,000 or 4% and is limited to this increase by the Taxpayers Bill of Rights (TABOR).

Sales tax from all sources is anticipated to increase \$425,000 or 6% based on 2018 actual collections.

The modest growth experienced in the County's two largest revenue sources, property tax and sales tax, remains tentative given the continued degree of uncertainty in the economy.

Total personnel expense for governmental activities increased \$1,264,000 or 6% above the 2018 budget. The increase in personnel expense is primarily due to the following items.

Full time equivalents (FTEs) are anticipated to increase .07 FTE or 0% to 240.57 from the prior year. The primary changes in FTEs follow. Human Resources (HR) increased 1.00 FTE or 33% to 4.00 FTEs. A consultant was hired in March 2018 to perform an assessment of the Human Resources Department. The final recommendation of the consultant was to add an HR technician. The HR technician will be responsible for technical and administrative transaction tasks and serve as a backup for the administrative technician. This HR technician was funded by a reorganization of the HR Department resulting from staff turnover. The cost of the HR technician is \$58,000.

Information Technology (IT) increased 1.00 or 11% to 10.00 FTEs. The addition of a System Analyst position was justified by the significant increase in the complexity and quantity of IT infrastructure at the Combined Law Enforcement Facility and the reorganization of the Facility Management Department transferring the responsibility of the phone system, copiers and printers to IT. The cost of the System Analyst position is \$83,000.

Temporary Enterprise Resource Planning (ERP) software implementation FTEs decreased by 2.22 FTEs. The financial and payroll portions of the ERP implementation was primarily completed in 2018. The Accounting Department retained 2.44 temporary FTEs in order to restore the timely completion of various periodic financial statements, complete various remaining portions of the financial implementation and to plan for the next phases of the ERP implementation. The reduction in temporary ERP positions decreases costs by \$159,000.

The 2019 compensation plan's cost is \$690,000 or 4% above the 2018 budget. In 2019, the countywide compensation plan includes a 3% across the board market adjustment and eligible employees will receive an anniversary step.

In 2015, the State approved through legislation a change in the classification of the Routt County elected official compensation from a Category III to a Category II and also provided the boards of all counties across the state three options to increase the compensation of county elected officials. The legislation also provides for an annual increase for inflation. County elected officials have not had an increase in compensation since 2007. The compensation increases become effective primarily when county Elected Officials are sworn in for a new term starting in 2017 and 2019. Compensation for one Commissioner, Treasurer, Assessor and Clerk increased \$41,559 or 71% to \$100,059 each, the Sheriff increased \$45,037 or 59% to \$121,037, the Coroner increased \$27,901 or 84% to \$61,001 and the Surveyor increased \$2,773 or 84% to \$6,073. The total annual increase in elected officials compensation and associated benefits such as FICA is \$261,000.

Health Insurance increased \$353,000 or 9% to \$4,378,000 over the 2018 budget. The health insurance increase is based on a 17-year historical actual average increase of 9% and data supplied by the County's health insurance consultant indicating 2019 medical claims costs are anticipated to increase 9%. The employer and employee contribution to health

insurance cost both increased by the 9%. The goal is to fund the medical costs of County staff in a consistent and sustainable manner, while continuing to offer a competitive health insurance benefit to employees.

The compensation and health insurance increases for Governmental Activities are primarily being funded by anticipated increases in property tax and sales tax.

The County has entered into a \$30,000 agreement to conduct a business process review of the Accounting, Treasurer, and Purchasing Departments with the underlying goal of helping the County achieve high performance in financial management. The engagement will be approached from two interdependent perspectives. The first perspective is organizational efficiency - Is the County doing things right? The second perspective is strategic – Is the County doing the right things? Key processes to be evaluated include, but are not limited to procure to pay, contract management, project and grant accounting, financial reporting, capital asset tracking, budget preparation and internal controls.

The County has entered into a \$70,000 engagement to establish a Priority Based Budget (PBB) system. A \$35,000 or 50% State grant was awarded in 2018 to partially fund the PBB system. The PBB cost is anticipated to be \$40,000 in 2018 and \$30,000 in 2019. PBB will enable the County to assess priorities in order to make sound, long-term funding decisions. PBB will help the County assess their “picture of fiscal health”, objectively determine how to match available resources with community priorities, provide decision makers with clearly presented information that leads to better informed decisions and meaningfully engage citizens in the budget process.

The Human Resources (HR) Department budget includes \$65,000 for a consultant specializing in public sector HR solutions to deliver a job classification study to re-write/update all of the County’s current job descriptions, to reduce the total number of job descriptions when similar job descriptions can be combined together and to create progressive career paths (i.e. entry, journey, expert level position development). The new job descriptions can then be used by the County to do salary surveys more easily and effectively and to administer a classification and compensation program on an ongoing basis. The job classification study was one of the recommendations from an outside consultant who completed the Department’s assessment in 2018. The Human Resources budget also includes \$18,700 for follow-up consulting services to help the HR Department implement other recommendations from the 2018 assessment.

In 2018, Routt County became partners with a communications firm in an effort to improve communication with the citizens and vendors of Routt County. A Communications assessment and recommendations were completed as part of the process. A new County logo and brand was implemented along with staff training to improve and standardize communication internally and externally. Updates were made to the County’s website, business cards, recruiting materials and more. In addition, a standardized advertising agreement was established with the local newspaper. In 2019, spending with the communications firm increases \$18,000 from \$32,000 to \$50,000 or 44%. The 2019 costs include \$12,000 for strategy support of the items implemented in 2018, \$8,500 for ongoing training and \$29,500 for implementation of new items including the creation of a weekly

newspaper advertisement, a monthly e-newsletter, management of an editorial calendar and the creation of a central photography and videography site.

Human Services Family Preservation operating expenses are anticipated to increase \$205,000 in 2019 over the 2018 budget. This change is due primarily to Routt County taking over the role of fiscal agent for the regional core contracts that provides mental health and substance abuse services to the five regional counties which include Routt, Moffat, Rio Blanco, Grand, and Jackson. Moffat County was the fiscal agent for this program in prior years. Regional core contracts are 100% funded through the State.

The County has worked with the United States Forest Service (USFS) to update their site management plan to include a co-location policy, which will allow private entities to place equipment at the Farwell Mountain site. When the site management plan is finalized, it will be the first step in improving internet coverage for the residents of North Routt.

The 2019 capital budget includes costs for the Combined Law Enforcement Facility (CLEF). The purpose of the CLEF is to cooperatively expand administrative square footage and to reduce the overall cost of administration for the Routt County Sheriff's office and the City of Steamboat Springs (City) Police department. The total cost of the facility is split approximately 60% to the City and 40% to the County. The County's portion of the 2019 CLEF budget is \$4.0 million and the total cost of the County's portion is \$7.5 million. The County funded its portion of the CLEF with \$.9 million from the sale of land adjacent to the Detention Center to the City, \$.4 million or 40% of a \$1.0 million state grant sponsored by the City and the remaining \$6.2 million from several years of favorable budget variances. The annual operating cost of the CLEF without replacement of capital is approximately \$120,000. Construction of the CLEF started in 2018 and is anticipated to be completed in 2019.

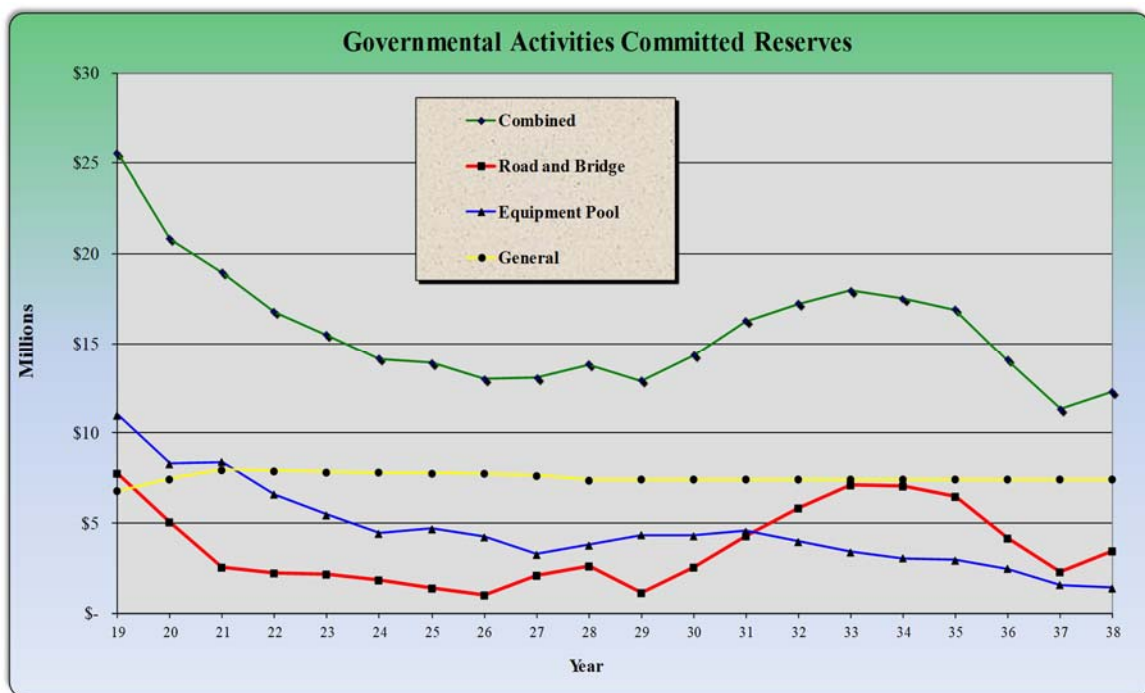
The E 911 Communication Center is being relocated to the CLEF in order to provide additional E911 dispatch work areas and future expansion. The cost to relocate the E911 Communication Center is \$1.1 million. The County and the State entered into an agreement where the State will become responsible for the future replacement of the E911 microwave system, which means the County is no longer responsible for setting aside funds for the future replacement of the microwave system and also made reserve balances available to fund the relocation of the E 911 Communication Center. In addition, the City and the County entered into a cooperative agreement whereby the City will transfer the Emerald Mountain site to the County to be included as part of the microwave system that will fall under the State's responsibility. After acceptance of the microwave system by the State, the County will still be responsible for the towers, buildings and access to the various sites in addition to the County's connection to the microwave system from the Dispatch Center.

Two remote E 911 communication dispatch stations have been included in the budget to provide for a fifth and sixth dispatch station in the CLEF E 911 Communication Center. The two remote E 911 dispatch stations will also function remotely in the mobile communication vehicle or anywhere an acceptable internet connection is available. The remote dispatch stations allow for additional dispatchers to dispatch during a major E 911 incident, provide for continuity of operations if the CLEF E 911 Communication Center is

not available and for potential growth in the department. The cost of the two remote E911 communication dispatch stations is \$93,000.

The County anticipates overlaying 5.6 miles of road for \$850,000, chip and sealing 14 miles of road for \$337,000 and the replacement of the Green Truss Bridge on County Road 67 for \$861,000 as part of the Road and Bridge maintenance plan. The overlay and chip and seal projects represent approximately 12% of the Road and Bridge paved road system.

The long-term forecast projects a balanced budget as seen in the following Governmental Activities Committed reserves graph; however, changes in levels of service, the cost of petroleum products, health insurance, etc. may cause the following graph to change positively or negatively.



Business Activities include the Yampa Valley Regional Airport (YVRA), the Regional Building Department, the Phippsburg Water and Sanitation System and the Milner Sanitation System. Revenues are anticipated to increase \$9,770,000 or 79% to \$22,088,000, expenses are anticipated to increase \$10,651,000 or 84% to \$23,386,000 and results in expenses over revenues of \$1,298,000. After removing \$524,000 of noncash expenses such as depreciation, reserves decrease \$774,000. The decrease in reserves is primarily associated with the implementation of new land management software. The business type activities are fundamentally financially self-sufficient by charging fees for services and receiving grants.

Yampa Valley Regional Airport federal revenue is budgeted to increase \$2,278,000 or 46% to \$7,249,000 above the 2018 budget. Federal revenue for 2019 of \$7,429,000 consists of Federal Aviation Administration (FAA) Airport Improvement Program (AIP) funding of \$6,852,000. The AIP revenue funds 90% of the cost for the construction of a budgeted \$6.5

million terminal addition to relieve congestion and allow for additional airline development and also funds a loader replacement of \$.5 million and an apron fog seal of \$.5 million. Other federal revenue for 2018 includes \$340,000 in Passenger Facility Charges (PFC), which typically provides 5% of the match on AIP projects. Budgeted federal revenue for 2019 is offset by 2018 federal capital projects.

Yampa Valley Regional Airport (YVRA) other revenue increased \$7,564,000 or 25,214% to \$7,567,000 above the 2018 budget. The Fixed Base Operator (FBO) is anticipated to make \$7.0 million in improvements in 2019 and based on generally accepted accounting principles some or all of the improvements will be capitalized by YVRA.

Total personnel expense for business type activities increased \$104,000 or 3% above the 2018 budget. The increase in personnel expense is primarily due to the following items. The 2019 employee compensation plan includes a 3% across the board market adjustment and eligible employees will receive an anniversary step. The compensation plan's cost is \$110,000 or 4% above the 2018 budget. Health insurance expense charged to Business Activities to finance the County's partially self-insured medical plans increased \$51,000 or 9% above the 2018 budget.

Capital expense for business type activities increased \$10,447,000 or 185% to \$16,103,000 above the 2018 budget. The increase in capital and infrastructure expense is primarily due to the following items and is offset by projects completed in the previous year.

The Yampa Valley Regional Airport (YVRA) terminal expansion is anticipated to be \$6.5 million and is funded with federal and state grants. The terminal expansion is being constructed to reduce congestion and allow for additional airline development. The terminal expansion is contingent upon the approval of federal and state grants.

The YVRA Fix Based Operator (FBO) is anticipated to fund and make \$7.0 million of improvements and based on generally accepted accounting principles some or all of the improvements will be capitalized by YVRA. The improvements include but are not limited to buildings, hangers, ramps, automobile parking and roads.

The Regional Building Department, Planning, Environmental Health, and Road and Bridge Departments are working with similar departments at the City of Steamboat Springs in a cooperative effort to implement new land management software. The focus is on customer service and quality to improve processes related to the Planning, Regional Building, Environmental Health, and Road and Bridge Departments. The County portion of the land management software implementation is anticipated to cost approximately \$600,000 for the Regional Building Department and \$100,000 for the Planning, Environmental Health, and Road and Bridge Departments. The funding for the land management software will come from reserves. The land management software implementation is anticipated to start in 2019 and be available for the 2020 building season.

Conclusion

The County continues to analyze the budget wherever possible to effectively increase revenues and decrease costs.

Right now, the long-term forecast projects a balanced budget. The 2019 budget is a snapshot in time based on both known factors and certain assumptions. This financial plan will need to be revised by the County to respond to changing economic conditions. As new financial information becomes available, management will respond in an appropriate manner to maintain the County's overall financial well-being.



CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Routt County Finance Office, 136 6th Street, Steamboat Springs, CO 80477 or by phone at 970-870-5313 or on the website at co.routt.co.us.

Routt County, Colorado
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 38,766,245	\$ 7,881,438	\$ 46,647,683
Receivables (net of allowance for uncollectibles)	408,005	446,787	854,792
Due from other governments	2,367,457	2,136,537	4,503,994
Internal balances	1,013,663	(1,013,663)	-
Prepays and inventories	115,751	68,334	184,085
Property tax receivable	19,628,004	-	19,628,004
Noncurrent assets			
Nondepreciable capital assets	59,319,695	25,485,263	84,804,958
Depreciable capital assets, net of accumulated depreciation	58,593,607	28,428,872	87,022,479
Total assets	180,212,427	63,433,568	243,645,995
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	316,580	-	316,580
Total assets and deferred outflows of resources	180,529,007	63,433,568	243,962,575
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities	3,716,778	2,282,705	5,999,483
Unearned revenue	1,193,015	1,449,041	2,642,056
Noncurrent liabilities			
Due within one year	1,721,040	124,972	1,846,012
Due in more than one year	7,351,466	266,081	7,617,547
Total liabilities	13,982,299	4,122,799	18,105,098
DEFERRED INFLOWS OF RESOURCES			
Property taxes	19,628,004	-	19,628,004
Total liabilities and deferred inflows of resources	33,610,303	4,122,799	37,733,102
NET POSITION			
Net investment in capital assets	110,586,100	52,206,710	162,792,810
Restricted	4,241,654	162,032	4,403,686
Unrestricted	32,090,950	6,942,027	39,032,977
Total net position	<u>\$ 146,918,704</u>	<u>\$ 59,310,769</u>	<u>\$ 206,229,473</u>

The notes to financial statements are an integral part of this statement.

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

Functions/Programs	Program Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities:							
Administration	\$ 7,690,776	\$ 901,251	\$ 255,145	\$ 34,450	\$ (6,499,930)	\$ -	\$ (6,499,930)
Community resources	6,852,881	452,636	172,407	12,351	(6,215,487)	-	(6,215,487)
Property tax administration	2,367,590	1,575,544	-	-	(792,046)	-	(792,046)
Public safety	8,929,694	691,095	189,045	-	(8,049,554)	-	(8,049,554)
Road and bridge	9,379,169	132,747	5,757,385	657,475	(2,831,562)	-	(2,831,562)
Human services	4,582,394	-	3,939,177	-	(643,217)	-	(643,217)
Interest expense on long-term debt	326,500	-	-	-	(326,500)	-	(326,500)
Total governmental activities	40,129,004	3,753,273	10,313,159	704,276	(25,358,296)	-	(25,358,296)
Business-type activities:							
Airport	7,191,846	4,957,274	171,114	4,611,755	-	2,548,297	2,548,297
Regional building department	1,196,416	1,326,565	-	-	-	130,149	130,149
Water and sewer	196,343	164,246	-	20,493	-	(11,604)	(11,604)
Total business-type activities	8,584,605	6,448,085	171,114	4,632,248	-	2,666,842	2,666,842
Total government	\$ 48,713,609	\$ 10,201,358	\$ 10,484,273	\$ 5,336,524	(25,358,296)	2,666,842	(22,691,454)
General revenues:							
Property taxes					20,585,358	-	20,585,358
Sales taxes					7,643,851	69,542	7,713,393
Unrestricted investment earnings					686,976	65,475	752,451
Gain (loss) on disposal of capital assets					999,450	(166,073)	833,377
Total general revenues					29,915,635	(31,056)	29,884,579
Change in net position					4,557,339	2,635,786	7,193,125
Net position - beginning					142,361,365	56,674,983	199,036,348
Net position - ending					\$ 146,918,704	\$ 59,310,769	\$ 206,229,473

The notes to financial statements are an integral part of this statement.

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

	General Fund	Road & Bridge	Human Services	Communications	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,945,060	\$ 10,921,282	\$ 785,097	\$ 1,499,102	\$ 19,150,541
Accounts receivable (net allowance for uncollectibles)	90,139	1,781	18,720	66,738	177,378
Property taxes receivable	16,423,965	812,981	563,754	1,827,304	19,628,004
Due from other governments	1,509,934	201,475	294,339	1,198	2,006,946
Due from other funds	-	100,364	-	-	100,364
Prepaid expenses	52,058	-	2,143	42,260	96,461
Inventory	-	19,290	-	-	19,290
Interfund loan	-	1,157,164	-	-	1,157,164
Total assets	<u>24,021,156</u>	<u>13,214,337</u>	<u>1,664,053</u>	<u>3,436,602</u>	<u>42,336,148</u>
LIABILITIES					
Accounts payable	659,921	189,987	76,426	38,006	964,340
Due to other governments	235,809	-	35,301	-	271,110
Retainage payable	-	51,831	-	-	51,831
Unearned revenue	316,322	502,359	337,570	2,000	1,158,251
Total liabilities	<u>1,212,052</u>	<u>744,177</u>	<u>449,297</u>	<u>40,006</u>	<u>2,445,532</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	16,423,965	812,981	563,754	1,827,304	19,628,004
Total deferred inflow of resources	<u>16,423,965</u>	<u>812,981</u>	<u>563,754</u>	<u>1,827,304</u>	<u>19,628,004</u>
Total liabilities and deferred inflows of resources	<u>17,636,017</u>	<u>1,557,158</u>	<u>1,013,051</u>	<u>1,867,310</u>	<u>22,073,536</u>
FUND BALANCES					
Nonspendable	66,758	1,176,454	2,143	42,260	1,287,615
Restricted	4,241,654	-	-	-	4,241,654
Committed					
General fund	2,076,727	-	-	-	2,076,727
Special revenue funds	-	10,480,725	648,859	1,527,032	12,656,616
Total fund balances	<u>6,385,139</u>	<u>11,657,179</u>	<u>651,002</u>	<u>1,569,292</u>	<u>20,262,612</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,021,156</u>	<u>\$ 13,214,337</u>	<u>\$ 1,664,053</u>	<u>\$ 3,436,602</u>	<u>\$ 42,336,148</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
December 31, 2018

Total governmental fund balances	\$	20,262,612
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Internal service funds are used by management to charge the cost of fleet management, information systems, emergency communications, building and plant and employee health insurance to individual funds. In addition, internal service funds provide a systematic method to replace capital assets and to finance a partially self-insured health insurance program. The assets and liabilities of the internal service funds are included in governmental activities statement of net position, except for the cross over adjustment required for the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.

50,581,401

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.

(1,410,099)

Road and bridge infrastructure used in governmental activities is not a financial resource and therefore, is not reported in the funds.

77,128,047

Current asset not collected within 60 days of December 31, 2018 and not available as a current period resource, therefore, not included in governmental funds.

356,743

Net position of governmental activities

\$ 146,918,704

ROUTT COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

Net change in fund balance - total governmental funds	\$	294,705
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The internal service funds are used by management to charge the cost of fleet management, information systems, emergency communications, building and plant and employee health insurance to individual funds. In addition, the internal service funds provide a systematic method to replace capital assets and to finance a partially self-insured health insurance program.

4,877,968

Change in compensated absences, which do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(109,954)

The Road and Bridge fund reports infrastructure capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,541,683 were less than depreciation of \$1,568,823 in the current period.

(27,240)

Revenue reported in governmental activities, which is not a current financial resource and therefore, not reported in the funds.

(478,140)

Change in net position of governmental activities

\$ 4,557,339

The notes to financial statements are an integral part of this statement.

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

	General Fund	Road & Bridge	Human Services	Communications	Total Governmental Funds
REVENUES					
Property taxes	\$ 17,594,810	\$ 881,393	\$ 559,042	\$ 1,550,113	\$ 20,585,358
Sales taxes	6,055,581	1,920,294	-	-	7,975,875
Intergovernmental	712,349	6,438,175	3,765,805	39,400	10,955,729
Charges for sales and services	3,836,790	110,189	-	480,462	4,427,441
Investment earnings	431,597	41,956	-	-	473,553
Operating grants	-	-	173,372	-	173,372
Total revenues	<u>28,631,127</u>	<u>9,392,007</u>	<u>4,498,219</u>	<u>2,069,975</u>	<u>44,591,328</u>
EXPENDITURES					
Current:					
Administration	8,227,702	-	-	-	8,227,702
Community resources	6,891,216	-	-	-	6,891,216
Property tax administration	2,417,883	-	-	-	2,417,883
Public safety	6,760,574	-	-	2,249,771	9,010,345
Road and bridge	-	9,470,522	-	-	9,470,522
Human services	-	-	4,608,452	-	4,608,452
Total expenditures	<u>24,297,375</u>	<u>9,470,522</u>	<u>4,608,452</u>	<u>2,249,771</u>	<u>40,626,120</u>
Excess (deficiency) of revenues over expenditures	<u>4,333,752</u>	<u>(78,515)</u>	<u>(110,233)</u>	<u>(179,796)</u>	<u>3,965,208</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	174,189	214,955	389,144
Transfers out	(4,027,102)	(22,686)	-	(25,808)	(4,075,596)
Gain (loss) on disposal of capital assets	-	15,949	-	-	15,949
Total other financing sources (uses)	<u>(4,027,102)</u>	<u>(6,737)</u>	<u>174,189</u>	<u>189,147</u>	<u>(3,670,503)</u>
Net change in fund balances	306,650	(85,252)	63,956	9,351	294,705
Fund balances - beginning	6,078,489	11,742,431	587,046	1,559,941	19,967,907
Fund balances - ending	<u>\$ 6,385,139</u>	<u>\$ 11,657,179</u>	<u>\$ 651,002</u>	<u>\$ 1,569,292</u>	<u>\$ 20,262,612</u>

The notes to financial statements are an integral part of this statement.

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

	Business-type Activities				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 4,766,642	\$ 2,905,322	\$ 209,474	\$ 7,881,438	\$ 19,615,704
Accounts receivable (net allowance for uncollectibles)	413,499	-	33,288	446,787	230,627
Due from other governments	2,133,035	-	3,502	2,136,537	3,768
Inventory	68,334	-	-	68,334	-
Total current assets	7,381,510	2,905,322	246,264	10,533,096	19,850,099
Noncurrent assets:					
Land and improvements (non-depreciable)	20,723,001	-	39,894	20,762,895	3,060,866
Land improvements (depreciable)	23,612,398	-	-	23,612,398	1,587,601
Buildings	19,755,168	-	-	19,755,168	36,770,225
Equipment	11,014,977	-	-	11,014,977	29,748,791
Water system	974,618	-	977,962	1,952,580	-
Sewer system	436,842	-	1,311,645	1,748,487	-
Construction in progress	4,684,515	-	37,853	4,722,368	5,050,413
Accumulated depreciation	(27,888,573)	-	(1,766,165)	(29,654,738)	(35,432,641)
Total noncurrent assets	53,312,946	-	601,189	53,914,135	40,785,255
Total assets	60,694,456	2,905,322	847,453	64,447,231	60,635,354
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	-	-	-	316,580
Total deferred outflows of resources	-	-	-	-	316,580
Total assets and deferred outflows of resources	\$ 60,694,456	\$ 2,905,322	\$ 847,453	\$ 64,447,231	\$ 60,951,934
LIABILITIES					
Current liabilities:					
Accounts payable	1,927,237	12,080	9,927	1,949,244	2,088,129
Compensated absences	83,851	22,900	-	106,751	18,625
Claims liability	-	-	-	-	133,574
Accrued interest	-	-	2,050	2,050	19,125
Due to other funds	94,881	-	5,483	100,364	-
Retainage payable	331,411	-	-	331,411	188,669
Unearned revenue	1,061,270	387,771	-	1,449,041	34,764
Current portion of long-term debt (net of unamortized discount)	-	-	18,221	18,221	1,001,061
Total current liabilities	3,498,650	422,751	35,681	3,957,082	3,483,947
Noncurrent liabilities:					
Compensated absences - noncurrent	138,835	22,495	-	161,330	-
Loans payable	-	-	104,751	104,751	-
Interfund loan payable	1,071,819	-	85,345	1,157,164	-
Certificates of participation (net of unamortized discount)	-	-	-	-	6,642,721
Total noncurrent liabilities	1,210,654	22,495	190,096	1,423,245	6,642,721
Total liabilities	4,709,304	445,246	225,777	5,380,327	10,126,668
NET POSITION					
Net investment in capital assets	51,818,944	-	387,766	52,206,710	33,458,053
Restricted	162,032	-	-	162,032	-
Unrestricted	4,004,176	2,460,076	233,910	6,698,162	17,367,213
Total net position	\$ 55,985,152	\$ 2,460,076	\$ 621,676	\$ 59,066,904	\$ 50,825,266

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF NET POSITION
TO BUSINESS-TYPE ACTIVITIES STATEMENT OF NET POSITION
December 31, 2018

Total enterprise funds net position	\$ 59,066,904
Cross over adjustment to reflect the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.	<u>243,865</u>
Net position of business-type activities	<u><u>\$ 59,310,769</u></u>

ROUTT COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE BUSINESS -TYPE STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

Change in net position - total enterprise funds	\$ 2,564,448
Cross over adjustment to reflect the consolidation of the insurance pool, an internal service fund for employee health insurance, to the business-type activities.	<u>71,338</u>
Change in net position of business-type activities	<u><u>\$ 2,635,786</u></u>

The notes to financial statements are an integral part of this statement.

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

	Business-type Activities				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Sales taxes	\$ 69,542	\$ -	\$ -	\$ 69,542	\$ -
Charges for sales and services	4,957,274	1,326,565	164,246	6,448,085	-
Operating grants	171,114	-	-	171,114	-
Internal service fees	-	-	-	-	8,882,836
Insurance proceeds	-	-	-	-	907,202
Total operating revenues	<u>5,197,930</u>	<u>1,326,565</u>	<u>164,246</u>	<u>6,688,741</u>	<u>9,790,038</u>
OPERATING EXPENSES					
Salary and benefits	2,806,061	827,593	27,607	3,661,261	393,072
Depreciation	2,951,028	-	75,333	3,026,361	2,856,119
Claims	-	-	-	-	4,519,623
Repairs and maintenance	295,307	-	5,319	300,626	1,022,927
Purchased services and supplies	1,154,882	387,519	76,612	1,619,013	626,546
Total operating expenses	<u>7,207,278</u>	<u>1,215,112</u>	<u>184,871</u>	<u>8,607,261</u>	<u>9,418,287</u>
Operating income (loss)	<u>(2,009,348)</u>	<u>111,453</u>	<u>(20,625)</u>	<u>(1,918,520)</u>	<u>371,751</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	63,242	-	2,233	65,475	213,423
Interest expense	-	-	(6,727)	(6,727)	(326,500)
Interest expense - interfund	(37,210)	-	(4,745)	(41,955)	-
Amortization of refunding debt insurance	-	-	-	-	(13,771)
Gain (loss) on disposal of capital assets	(160,990)	-	(5,083)	(166,073)	983,501
Total nonoperating revenues (expenses)	<u>(134,958)</u>	<u>-</u>	<u>(14,322)</u>	<u>(149,280)</u>	<u>856,653</u>
Income (loss) before contributions and transfers	<u>(2,144,306)</u>	<u>111,453</u>	<u>(34,947)</u>	<u>(2,067,800)</u>	<u>1,228,404</u>
Transfers in	-	-	-	-	3,686,452
Grants and donations	4,611,755	-	8,493	4,620,248	34,450
Tap fees	-	-	12,000	12,000	-
Change in net position	<u>2,467,449</u>	<u>111,453</u>	<u>(14,454)</u>	<u>2,564,448</u>	<u>4,949,306</u>
Total net position - beginning	<u>53,517,703</u>	<u>2,348,623</u>	<u>636,130</u>	<u>56,502,456</u>	<u>45,875,960</u>
Total net position - ending	<u>\$ 55,985,152</u>	<u>\$ 2,460,076</u>	<u>\$ 621,676</u>	<u>\$ 59,066,904</u>	<u>\$ 50,825,266</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Totals	Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 5,381,898	\$ 1,464,675	\$ 149,984	\$ 6,996,557	\$ -
Receipts from interfund services provided	-	-	-	-	8,907,886
Receipts from insurance	-	-	-	-	840,495
Payments to suppliers	(1,490,699)	(384,929)	(77,252)	(1,952,880)	(1,727,538)
Payments to employees	(2,801,573)	(825,748)	(27,523)	(3,654,844)	(389,062)
Payments to claims	-	-	-	-	(4,733,773)
Net cash provided (used) by operating activities	<u>1,089,626</u>	<u>253,998</u>	<u>45,209</u>	<u>1,388,833</u>	<u>2,898,008</u>
Cash flows from noncapital financing activities					
Collections for other governments	-	341,867	-	341,867	-
Payments to other governments for collections	-	(411,334)	-	(411,334)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(69,467)</u>	<u>-</u>	<u>(69,467)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	17,037	-	-	17,037	1,047,183
Capital grants	2,789,071	-	16,152	2,805,223	-
Capital charges	184,526	-	-	184,526	-
Acquisition and construction of capital assets	(3,329,224)	-	(17,943)	(3,347,167)	(4,578,993)
Principal paid on capital debt	(88,128)	-	(22,217)	(110,345)	(985,000)
Interest paid on capital debt	(37,521)	-	(11,781)	(49,302)	(242,693)
Tap fees	-	-	12,000	12,000	-
Transfers in	-	-	-	-	3,686,452
Net cash provided (used) by capital and related financing activities	<u>(464,239)</u>	<u>-</u>	<u>(23,789)</u>	<u>(488,028)</u>	<u>(1,073,051)</u>
Cash flows from investing activities					
Earnings on investments	63,242	-	2,233	65,475	213,423
Net purchases and sales of investments	(487,500)	(194,804)	(18,444)	(700,748)	(1,652,309)
Net cash provided (used) by investing activities	<u>(424,258)</u>	<u>(194,804)</u>	<u>(16,211)</u>	<u>(635,273)</u>	<u>(1,438,886)</u>
Net increase (decrease) in cash and cash equivalents	201,129	(10,273)	5,209	196,065	386,071
Cash and cash equivalents	<u>2,354,471</u>	<u>1,570,868</u>	<u>107,286</u>	<u>4,032,625</u>	<u>10,150,515</u>
Cash and cash equivalents, ending	2,555,600	1,560,595	112,495	4,228,690	10,536,586
Investments	<u>2,211,042</u>	<u>1,344,727</u>	<u>96,979</u>	<u>3,652,748</u>	<u>9,079,118</u>
Cash and investments, ending	<u>\$ 4,766,642</u>	<u>\$ 2,905,322</u>	<u>\$ 209,474</u>	<u>\$ 7,881,438</u>	<u>\$ 19,615,704</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Yampa Valley Regional Airport	Regional Building Department	Other Enterprise Funds	All Enterprise Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ (2,009,348)</u>	<u>\$ 111,453</u>	<u>\$ (20,625)</u>	<u>\$ (1,918,520)</u>	<u>\$ 371,751</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,951,028	-	75,333	3,026,361	2,856,119
Noncapital financing activities					
Collections for other governments					
Due to other governments	-	69,467	-	69,467	-
Capital financing activities					
Capital grants and transfers					
Accounts receivable	11,408	-	-	11,408	-
Due from other governments	1,811,275	-	(7,659)	1,803,616	-
Due to other funds	(2,332)	-	-	(2,332)	-
Capital assets					
Accounts payable	(1,044,102)	-	12,027	(1,032,075)	(1,664,683)
Retainage payable	(307,016)	-	-	(307,016)	(188,669)
Deferred revenue	(184,526)	-	-	(184,526)	-
Due to other funds	-	-	(223)	(223)	-
Interest expense					
Accrued interest	-	-	289	289	1,641
Proceeds from disposal of capital assets					
Accounts receivable	-	-	-	-	5,050
Change in assets and liabilities:					
(Increase) decrease					
Accounts receivable	24,181	-	(10,591)	13,590	(48,178)
Due from other governments	(1,805,411)	-	7,659	(1,797,752)	(1,077)
Prepaid expenses	(40,948)	-	-	(40,948)	-
Increase (decrease)					
Accounts payable	1,195,695	2,590	(10,935)	1,187,350	1,590,738
Accrued interest	-	-	(289)	(289)	(1,641)
Compensated absences	(4,152)	1,845	-	(2,307)	967
Claims liability	-	-	-	-	(214,150)
Unearned revenue	184,526	138,110	-	322,636	1,471
Retainage payable	307,016	-	-	307,016	188,669
Due to other funds	2,332	-	223	2,555	-
Due to other governments	-	(69,467)	-	(69,467)	-
Total adjustments	<u>3,098,974</u>	<u>142,545</u>	<u>65,834</u>	<u>3,307,353</u>	<u>2,526,257</u>
Net cash provided (used) by operating activities	<u>\$ 1,089,626</u>	<u>\$ 253,998</u>	<u>\$ 45,209</u>	<u>\$ 1,388,833</u>	<u>\$ 2,898,008</u>
Noncash investing, capital, and financing activities:					
Increase (decrease) in fair value of investments	\$ 1,760	\$ 1,070	\$ 77	\$ 2,907	\$ 7,229
Capital asset trade-ins	39,123	-	-	39,123	-
Amortization related to refunding debt issue	-	-	-	-	(91,219)
In-kind donations of capital assets from local vocational education center	-	-	-	-	34,450

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018

	Employee Retirement Plans	Agency	Total
ASSETS			
Cash and investments	\$ -	\$ 986,589	\$ 986,589
Due from other governments	-	282,368	282,368
Investments held for pension benefits	<u>33,332,853</u>	<u>-</u>	<u>33,332,853</u>
Total assets	<u><u>33,332,853</u></u>	<u><u>1,268,957</u></u>	<u><u>34,601,810</u></u>
LIABILITIES			
Due to other governments	-	789,551	789,551
Advanced tax collections	-	419,861	419,861
Funds held in trust	<u>-</u>	<u>59,545</u>	<u>59,545</u>
Total liabilities	<u>-</u>	<u><u>1,268,957</u></u>	<u><u>1,268,957</u></u>
NET POSITION			
Net position held in trust for pension benefits	<u>33,332,853</u>	<u>-</u>	<u>33,332,853</u>
Total liabilities and net position	<u><u>\$ 33,332,853</u></u>	<u><u>\$ 1,268,957</u></u>	<u><u>\$ 34,601,810</u></u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2018

	Employee Retirement Plans
Additions	
Employee contributions	\$ 1,187,019
Employer contributions	<u>796,892</u>
Total contributions	1,983,911
Net investment losses	(1,462,096)
Transfers from other plans	<u>286,889</u>
Total additions	<u>808,704</u>
Deductions	
Benefits	<u>2,091,604</u>
Total deductions	<u>2,091,604</u>
Change in net position	(1,282,900)
Plan net position, beginning	<u>34,615,753</u>
Plan net position, ending	<u><u>\$ 33,332,853</u></u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Routt County is a body corporate and politic created by the Constitution of the State of Colorado, Article XIV and the Colorado State Legislature. Routt County exists as a political subdivision of the state to provide for the convenient administration of state government. The powers of the County, as enumerated in C.R.S. 30-11-101, shall be exercised by a Board of County Commissioners and such officers as may be required by statute or appointed by the Board.

The criteria used to determine the agencies or entities that comprise the County for financial reporting purposes include those entities for which the County is considered financially accountable. These financial statements present all the government and its component units. Blended component units, although legally separate entities, are in substance, part of the County's operations. The County does not have a discretely presented component unit.

Blended Component Units

The following component entities are blended because there is financial accountability by the County and the entities exclusively benefit the County.

The Routt County Public Building Authority (Authority) is made up of three members including one of the County Commissioners, the Finance Director of the County, and a person appointed by the County Commissioners. The purpose of the Authority is to acquire real estate for public purposes, and to facilitate the financing of certain facilities within the County, which will inure to the benefit of the residents of the County. The Authority leases the Routt County Justice Center to the County under an annual lease purchase agreement dated April 1, 2012. The operations of the Authority are recorded in the General Fund. The Justice Center capital asset and related certificates of participation long-term debt are recorded in the Internal Service funds.

The following provides specific reasons for excluding agencies where there is financial accountability by the County.

The County issued \$750,000 of general obligation library bonds on December 15, 1998 for the West Routt Library District. The outstanding principal balance of the West Routt Library District bonds has been reduced to zero as of December 31, 2018; therefore, in the future, this disclosure will not be provided. The County did not have oversight responsibility because the payment of principal and interest on the bonds is made by a levy of ad valorem taxes on all taxable property within the Library District. The bonds were not subject to the County's limitation on indebtedness. The nature of this transaction emphasizes that the debt and revenues are, in substance, the debt and revenues of the Library District. The County does not appoint a majority of the governing authority. Instead, the County, along with the Town of Hayden and the Hayden School District, ratifies the appointment of the board of trustees. The County is not able to impose its will on the governing authority and none of the other criteria for inclusion in the oversight entity have been met. The separately issued financial statements for the West Routt Library District can be obtained from the Library District.

On March 18, 2004, the County issued Meadowgreen at Stagecoach Local Improvement District No. 2002-1 special assessment bonds in the amount of \$1,375,000 and taxable assessment bonds in the amount of \$195,000 for a total amount of \$1,570,000. As of December 31, 2018, there is \$273,000 of outstanding bonds. The bonds have an interest rate of 6.50% through August 1, 2024 and are payable by the property owners within the Local Improvement District through special assessments levied on assessable land. The bonds do not constitute a debt of the County, are not a general obligation of the County, and the County is not obligated in any manner for the debt.

The County is only acting as a paying agent for the property owners in the Local Improvement District by collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, as applicable. As of December 31, 2018 a reserve totaling \$87,086 is available to prevent a default in the payment of interest and the estimated redemption of the bonds. The bonds were issued for construction within the District to include grading and paving streets, water and sewer lines, and the extension of electrical and telephone utilities. There are no separately issued financial statements for the Meadowgreen at Stagecoach Local Improvement District.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The District Attorney is an elected official and represents the 14th Judicial District, a separate political subdivision of the state providing criminal justice services to three counties: Routt, Grand, and Moffat. The District Attorney's Office is subject to the budget and audit laws of the state; however, funding for the District Attorney's operations is basically provided by the three counties in proportion to census population. Therefore, the counties have a substantive influence on the District Attorney's budget in that the District Attorney must apply to the counties for funds and must limit expenditures to the amount the counties are willing to budget and appropriate within their own operational budgets plus any other revenues the District Attorney's office may generate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The government-wide focus shows the sustainability of the County as an entity and the change in overall financial position for the period.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information on the County as a whole. The government-wide Statement of Net Position displays both the governmental and business-type activities on a consolidated basis, by column. These statements include all financial activities of the government with the exception of fiduciary activities. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on charges for services for support. In general, the effect of interfund activity has been removed from these statements. Any net residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The government-wide Statement of Activities presents both the functional expenses and net cost of each function of the County's governmental and business-type activity, illustrating the degree to which the functional expenses of a given function are offset by program revenues. Functional expenses are those that are clearly identifiable with a specific function of a segment. Program revenues include charges paid by the recipient of the goods or services provided by the program, grants, contributions, and interest restricted to the use of the particular program. There are no related expenses shown for capital grants because the asset is included with capital assets on the Statement of Net Position.

Revenues not classified as program revenues are presented as general revenues of the County. The difference between program revenues and functional expenses shows the amount of subsidy, if any, required from the general revenues of the County.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts made up of assets, liabilities, fund balance/net position, revenues and expenses or expenditures, as appropriate. Fund categories include governmental, proprietary and fiduciary. Separate statements for each fund category are presented. The focus of fund financial statements is on major governmental and enterprise funds, each shown in a separate column. All remaining governmental and enterprise funds are combined and shown as nonmajor funds.

The County reports the following major governmental funds:

General Fund - The General Fund is used to account for financial resources and transactions not properly accounted for in other funds. County operations such as public safety, property valuation, tax collection and distribution, planning and zoning, vehicle licensing and administration are financed from taxes and general revenues accounted for in this fund.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The County's special revenue funds and their purposes are:

Road and Bridge - to account for the maintenance and improvement of roads and bridges. Financing is provided by property taxes, sales taxes, state highway user fees, and other revenue sources.

Human Services - to account for the operations of social services programs such as Child Care, Old Age Pension, and Foster Care. Financing is provided by state and federal grants, allotments, and property tax revenue.

Communications - to account for the operation of the communications system. The Communications Center provides dispatch services to local law enforcement, fire protection and ambulance agencies, as well as monitoring certain alarm systems and the emergency 911 (E-911) phone system. Financing is provided by property tax revenue and an E-911 surcharge fee.

Proprietary fund operating revenues, such as charges for services, are a product of exchange transactions resulting from the primary activity of the fund. Exchange transactions occur when each party gives and receives products of essentially equal value. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for airlines, taxis, rental car companies, and building permits, etc. Nonoperating revenues, for example subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. There are no related expenses shown for capital grants because the asset is included with capital assets on the Statement of Net Position. Revenues not classified as operating revenues are presented as general revenues of the County. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund.

The County reports the following major proprietary funds:

Yampa Valley Regional Airport (YVRA) - to account for the operations of the regional airport. Financing is provided by user fees and federal and state grants. Yampa Valley Regional Airport is a major enterprise fund.

Regional Building Department – to account for the operations of the Regional Building Department. Financing is provided by user fees from building permits. The Regional Building Department is a major enterprise fund.

Internal Service funds account for the financing of goods or services provided to other departments of the County on a cost-reimbursement basis.

Equipment Pool – to account for the financing of buildings, vehicles, heavy equipment, computer equipment, communications equipment, and office equipment purchases. Fees are charged for usage of the capital assets to each department/fund. The fund accounts for the operation and maintenance of the vehicles and heavy equipment.

Insurance Pool – to account for the partially self-funded health insurance coverage of County employees. Fees are charged to each department/fund to provide funding for administration, claims and commercial health insurance.

Fiduciary Funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

The County reports the following fiduciary funds:

Agency – to primarily account for the collection and distribution of property taxes. Disbursements from this fund are made in accordance with legislative requirements.

Employee Retirement Plans – to account for the IRS section 401(a) and 457 defined contribution plans.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Measurement Focus and Basis of Accounting

The government-wide financial statements, proprietary fund statements, and the employee retirement plans (one of the two fiduciary funds) statements report government activities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, transactions that do not involve the receipt of revenue for financial or capital resources of approximately equal value, include property taxes, grants, and donations. Grant and donation revenue is recognized in the fiscal year in which all eligibility requirements have been met. Further, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenue. The Agency Fund does not have a measurement focus because it does not present an operating statement.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period.

For this purpose, Routt County considers revenues to be available if they are collected within 60 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.

Property taxes are levied in December and attached as a lien on the property in January. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills and collects its own property taxes as well as those for other taxing districts in the County. Collections for other districts are accounted for in the Agency Fund. Property taxes are reported as a receivable and a deferred inflow of resources when levied, and as a revenue when due for collection in the following year. During November, the County holds a tax sale for delinquent property taxes. The property tax base is primarily dependent on businesses in the tourism industry.

Routt County levied a 1% sales tax effective July 1, 1988, with approval from the electorate. The Colorado Department of Revenue collects the tax during the month following sales. Sales tax is recorded as revenue and a receivable at the time of sale, although it is not remitted to the County until later. Sales taxes are primarily dependent on the tourism industry. As approved by the electorate, 20% of sales tax revenues has been restricted for capital improvements.

Since government activities in the government-wide financial statements and government fund statements use a different measurement focus and accrual basis, there can be significant differences in the total columns between these two reports. A reconciliation is presented when such differences occur. 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 expenses 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".

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The operating cash of all governmental funds is pooled, except as required by trust agreements or statute. Investment earnings from the pool are allocated to the general and proprietary funds. Cash in excess of operating requirements is typically invested in time certificates of deposit, governmental pooled funds, repurchase agreements, or guaranteed funding agreements. Investments are reported at fair value.

Restricted cash and investments associated with legally mandated debt service are used only after the depletion of unrestricted resources. In the case of grants, restricted cash and investments are used first followed by unrestricted resources. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The County's allowance for uncollectible accounts is \$279,560 in the Human Services Fund.

Prepaid Items

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

Capital Assets and Depreciation

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 to \$30,000 depending on the type of capital asset. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. However, interest incurred during the construction phase in the Internal Service Funds that are closed to governmental activities is not capitalized as part of the cost of the asset constructed. The cost of normal maintenance and repairs that does not add value to the asset or materially extend asset lives is not capitalized.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation on these assets is computed using the straight-line method based on estimated useful lives as follows:

Assets	Years
Land Improvements	5 - 30
Buildings	5 - 30
Sewer and Water Transmission and Distribution Lines	10 - 30
Equipment	4 - 30
Roads	10 - 20
Bridges	50

Compensated Absences

County employees earn annual vacation leave at a rate of ten days per year for the first five years and up to a maximum of twenty days per year after ten years of service. Accumulation of any unused vacation after year-end is subject to the approval of the elected officials.

Annual sick leave is earned at a rate of twelve days per year. A maximum of forty-five days is payable upon termination to the employee after a minimum of five years of service.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Premiums and discounts are deferred and amortized in a systematic and rationale basis over the life of the debt based on the debt outstanding at the beginning of each calendar year. Liabilities are reported net of the applicable premium or discount.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Fund Balance

Non-spendable fund balance – amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are restricted for specific purposes pursuant to constraints either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by an adopted resolution of the Board of County Commissioners; therefore, to modify or rescind a fund balance commitment, the Board of County Commissioners must adopt a resolution for the change.

Assigned fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by an official who has been delegated the responsibility by the Board of County Commissioners. The County does not have an assigned fund balance.

Unassigned fund balance – is the residual fund balance classification that has not been restricted, committed or assigned for specific purposes. The County does not have an unassigned fund balance.

The County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. In addition for unrestricted amounts, the County considers committed amounts to have been spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance is available.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is the deferred charges on refunding for its certificates of participation and reported in the government-wide statement of net position and the proprietary funds statement of net position. The deferred charges on refunding item is comprised of (1) an amount equal to the difference in the carrying value of old or refunded certificates of participation and the reacquisition price of the new or refunding certificates of participation and (2) prepaid insurance for the refunding certificates of participation. The total amount of the deferred charges on refunding is being amortized over the remaining life of the refunding certificates of participation in a systematic and rationale basis based on the debt outstanding at the beginning of each calendar year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. It is unavailable revenue on property taxes reported in the government-wide statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that it becomes available.

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, reduced by accumulated depreciation and any outstanding related debt, plus deferred outflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The County considers restricted net position to have been depleted before unrestricted net position is applied.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. The County believes that the techniques and assumptions used in establishing these estimates are appropriate.

Basis of Budgeting

The County uses the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are required by state law for all governmental funds. During October, the Budget Officer submits to the Board of County Commissioners a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the Commissioners to obtain taxpayer comments. On or prior to December 15, the budget is adopted by formal resolution.

Expenditures may not legally exceed appropriations for personnel, operations, capital, debt service or transfers at the department level. Changes in the total budget of any department must be approved by the Board of County Commissioners and accompanied by a public hearing for taxpayer comments. Final budgeted amounts included in the financial statements are based on the final, legally amended budget. During 2018, no department exceeded its budget. All budget amounts presented in the Required Supplementary Information and Supplementary Information reflect the original budget and the final amended budget.

Budget appropriations lapse at the end of the year.

Budgets for the General Fund, the Human Services Fund, and the Communications Fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriation budgets for the Road and Bridge Fund, as well as all enterprise and internal service funds, are adopted on a non-GAAP budget basis, and are reconciled to GAAP basis in schedules within the required supplementary information and supplementary information, as applicable.

The County does not record encumbrances as a restriction of fund balance, and encumbrance accounting is not used in any of the funds.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE 2. DEPOSITS AND INVESTMENTS

Investment Type	Investment Maturities			
	Fair Market Value	Up to 120 days	120 Days up to 1 year	More than 1 year and less than 3 years
U.S. Treasuries	\$ 7,576,278	\$ 4,803,842	\$ 2,772,436	\$ -
U.S. Instrumentalities	12,743,355	-	8,716,273	4,027,082
Total	\$ 20,319,633	\$ 4,803,842	\$ 11,488,709	\$ 4,027,082

Deposits and Other Investments:

Cash on Hand	\$ 134,822
Demand Deposits	12,104,076
Certificates of Deposit	1,727,864
Government Investment Pools	13,347,877
Retirement Plan	33,332,853
Total Deposits and Investments	<u>\$ 80,967,125</u>

Investments

The County's investment policy, which is described in the next sections, requires that County funds shall only be invested in instruments as allowed by Colorado state statutes. Investments are valued using fair value measurements and interest income is accrued as realized. The County categorizes its fair value measurements based on the valuation inputs used to measure the fair value of the asset using the following hierarchy: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of December 31, 2018 the County has U.S. Treasury securities and U.S. Instrumentalities of \$7,576,278 and \$12,743,355 respectively with recurring fair value measurements valued using quoted market prices (Level 1 inputs). Certificates of Deposit total \$1,727,864 with recurring fair value measurements valued using quoted market prices (Level 2 inputs).

Retirement Plan investments are determined according to a contract with a third party administrator. The Retirement Plan currently contains a wide range of money market and mutual funds.

Interest Rate Risk

Colorado Revised Statutes and the County's investment policy limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to changes in fair market values arising from changes in interest rates.

Credit Risk

The County's investment policy defines rating and risk criteria in which the County may invest and includes the following types of investments: obligations of the United States, certain U.S. government agency securities, general obligation and revenue bonds of the U.S. and/or local government entities, bankers' acceptances of certain banks, prime commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools. The County's U.S. Instrumentalities and U.S. Treasury investments are rated AA+ and Aaa by Standard & Poor's and Moody's, respectively.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Government investment pools are reported at net asset value or amortized cost with each share valued at \$1.00. COLOTRUST reports its underlying investments of \$9,520,373 at fair value. CSAFE reports its underlying investments of \$3,827,504 at amortized cost. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U.S. Treasury Notes and other similar investments. Financial statements for the County's government investment pools are available at www.colotrust.com and www.csafe.org.

As of December 31, 2018, the local government investment pools in which the County participates, CSAFE and COLOTRUST, were both rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The County investments are concentrated in U.S. Treasury investments (34%), U.S. Instrumentalities (58%) and certificates of deposit (8%). More than 5% of the County's investments are in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank and Federal National Mortgage Association representing 17%, 14%, 14% and 14%, respectively of the County's total investments.

Custodial Credit Risk - Investments

The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. All securities owned by each pooled investment are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by each pool investor.

Custodial Credit Risk – Deposits

The carrying amount of the County's deposits as of December 31, 2018 was \$13,831,940. The bank balances were \$13,972,985 of which \$1,269,724 was covered by federal deposit insurance and the remainder is collateralized according to Colorado state statutes. The Colorado Public Deposit Protection Act for banks and savings and loans requires the state regulators to certify eligible depositories for public deposits. The Act requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments, and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair market value of the assets in the pool must be in excess of one hundred and two percent of the financial institutions total uninsured public deposits.

NOTE 3. INTERFUND TRANSACTIONS

Interfund Loans

Milner Sanitation System (Milner) anticipated receiving a loan from the Colorado Department of Local Affairs (DOLA) to finance sewer line modifications to meet state and federal discharge guidelines. Due to state budget constraints the DOLA loan program had been discontinued at the time when Milner needed the funding. In addition, the County evaluated a state/federal loan program, which resulted in prohibitive administrative costs. As a result of the aforementioned attempts to finance the sewer project, the County decided to loan funds from the Road and Bridge Fund in 2011. The \$120,000 interfund loan terms are 20 years, annual payments of \$9,629, 5% interest and a maturity in 2031. The loan payment will be paid from sanitation fees. The current portion of the loan is classified as a due to/due from other funds.

Yampa Valley Regional Airport was issued a loan from the Road and Bridge Fund which has been used to fund a portion of the 2015 Runway Rehabilitation Project. The \$1,500,000 interfund loan terms are 15 years, annual payments of \$125,650, 3% interest and a maturity in 2029. The loan was issued in two parts: \$705,000 on December 31, 2014 and \$795,000 on October 31, 2015. The loan payment will be funded from cash flows from operations at Yampa Valley Regional Airport. The current portion of the loan is classified as a due to/due from other funds.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The long term portion of the interfund loan receivable/payable at December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Road & Bridge	Milner Sanitation System	\$ 85,345
	Yampa Valley Regional Airport	1,071,819
Total		\$ 1,157,164

Transfers

Transfers are primarily made for additions and replacements of capital assets in the Internal Service funds.

	Transfers In			
	Human Services	Communications	Internal Service Funds	Total
Transfers Out				
General Fund	\$ 174,189	\$ 214,955	\$ 3,637,958	\$ 4,027,102
Road & Bridge	-	-	22,686	22,686
Communications	-	-	25,808	25,808
Total	\$ 174,189	\$ 214,955	\$ 3,686,452	\$ 4,075,596

NOTE 4. CAPITAL ASSETS

The following is a summary of the changes in governmental activities capital assets:

	Balances January 1, 2018	2018 Additions	2018 Deletions	2018 Reclasses	Balances December 31, 2018
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 3,102,766	\$ -	\$ (41,900)	\$ -	\$ 3,060,866
Infrastructure	49,755,646	45,657	-	-	49,801,303
Construction in progress	1,845,848	7,640,612	(3,028,934)	-	6,457,526
Total capital assets, not being depreciated	54,704,260	7,686,269	(3,070,834)	-	59,319,695
Capital assets, being depreciated:					
Land improvements	1,567,982	19,619	-	-	1,587,601
Buildings	36,730,192	40,033	-	-	36,770,225
Equipment	28,472,988	2,685,583	(1,409,780)	-	29,748,791
Infrastructure	46,169,552	593,425	(170,987)	-	46,591,990
Total capital assets being depreciated	112,940,714	3,338,660	(1,580,767)	-	114,698,607
Less accumulated depreciation for:					
Land improvements	(401,972)	(50,906)	-	-	(452,878)
Buildings	(15,993,041)	(947,536)	-	-	(16,940,577)
Equipment	(17,572,606)	(1,857,677)	1,391,097	-	(18,039,186)
Infrastructure	(19,274,423)	(1,568,923)	170,987	-	(20,672,359)
Total accumulated depreciation	(53,242,042)	(4,425,042)	1,562,084	-	(56,105,000)
Total capital assets being depreciated, net	59,698,672	(1,086,382)	(18,683)	-	58,593,607
Governmental activities capital assets, net	\$ 114,402,932	\$ 6,599,887	\$ (3,089,517)	\$ -	\$ 117,913,302

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The following is a summary of the changes in business-type capital assets:

	Balances January 1, 2018	2018 Additions	2018 Deletions	2018 Reclasses	Balances December 31, 2018
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 20,850,686	\$ -	\$ (87,791)	\$ -	\$ 20,762,895
Construction in progress	1,240,483	4,725,381	(5,083)	(1,238,413)	4,722,368
Total capital assets, not being depreciated	22,091,169	4,725,381	(92,874)	(1,238,413)	25,485,263
Capital assets, being depreciated:					
Land improvements	23,563,540	-	(93,653)	142,511	23,612,398
Buildings	19,439,608	-	(569,749)	885,309	19,755,168
Equipment	11,101,872	-	(297,488)	210,593	11,014,977
Water system	2,022,132	-	(69,552)	-	1,952,580
Sewer system	1,755,012	-	(6,525)	-	1,748,487
Total capital assets being depreciated	57,882,164	-	(1,036,967)	1,238,413	58,083,610
Less accumulated depreciation for:					
Land improvements	(11,613,000)	(1,585,950)	47,290	-	(13,151,660)
Buildings	(8,169,722)	(676,164)	533,990	-	(8,311,896)
Equipment	(5,370,803)	(636,250)	256,363	-	(5,750,690)
Water system	(1,059,079)	(60,656)	64,055	-	(1,055,680)
Sewer system	(1,323,380)	(67,341)	5,909	-	(1,384,812)
Total accumulated depreciation	(27,535,984)	(3,026,361)	907,607	-	(29,654,738)
Total capital assets being depreciated, net	30,346,180	(3,026,361)	(129,360)	1,238,413	28,428,872
Business activities capital assets, net	\$ 52,437,349	\$ 1,699,020	\$ (222,234)	\$ -	\$ 53,914,135

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

Governmental activities:	
Administration	\$ 1,667,411
Community Resources	21,184
Public Safety	369,436
Road and Bridge	2,363,985
Human Services	3,026
Total depreciation expense - governmental activities	\$ 4,425,042
Business-type activities:	
Yampa Valley Regional Airport	\$ 2,951,028
Phippsburg Water and Sanitation System	55,736
Milner Sanitation System	19,597
Total depreciation expense - business-type activities	\$ 3,026,361

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE 5. LONG-TERM OBLIGATIONS

Certificates of Participation

In April 2012, the Routt County Public Building Authority (the Corporation), a nonprofit corporation, issued Refunding Certificates of Participation, Series 2012 to advance refund the Certificates of Participation, Series 2006 issued to finance the cost of construction of the Justice Center. The Refunding Certificates of Participation, Series 2012 were issued in the amount of \$13,290,000, with a discount at issue of \$50,148, representing assignments of proportionate interest in rights to receive certain payments under the Lease Purchase Agreement (the Lease) dated April 1, 2012 between the Corporation and Routt County due semi-annually in various amounts through December 1, 2025. Under the lease, the Corporation is leasing the Justice Center facility to the County over a lease term and a payment schedule consistent with the term and payment schedule of the Refunding Certificates of Participation. The Lease allows the County to purchase the Justice Center prior to the end of the lease term by paying the amounts necessary to discharge the Refunding Certificates of Participation, all rental payments, and all fees and expenses as agreed upon to the Trustee. The Trustee holds a mortgage and Indenture Trust with the Corporation on behalf of the Certificates of Participation owners, which represents a mortgage on the Justice Center and the administration of lease rental payments to such owners. The Series 2012 refunding certificates are subject to redemption on any date at the option of the County at the principal amount plus accrued interest without any premium. Interest at 2.0% to 3.25% is payable semi-annually. Neither the Refunding Certificates nor the Lease nor the Indenture constitute a general obligation or other indebtedness of the County and the lease will terminate if the County does not appropriate funds to make the payments in any fiscal year. Repayment of the Refunding Certificates is secured only by moneys, if any, held by the Trustee. The Refunding Certificates are insured for payment of principal and interest by a non-cancelable insurance policy and a surety bond in lieu of a reserve fund. Under the surety bond, the County is required to reimburse the issuer of the surety bond for any draws with any such reimbursement by the County being subordinate to its obligations with respect to the certificates. The insurance policy and surety bond are held with Assured Guaranty Municipal Corporation. A summary of the annual requirements to repay this obligation is as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 1,005,000	\$ 229,494	\$ 1,234,494
2020	1,030,000	204,369	1,234,369
2021	1,055,000	176,044	1,231,044
2022	1,090,000	144,394	1,234,394
2023	1,125,000	111,694	1,236,694
2024-2025	2,355,000	115,373	2,470,373
	\$ 7,660,000	\$ 981,368	\$ 8,641,368

Advance Refunding

The County issued \$13,290,000 in Refunding Certificates of Participation, Series 2012 with interest rates ranging from 2.0% to 3.25%. The proceeds were used to advance refund \$13,435,000 of outstanding Certificates of Participation, Series 2006, which had interest rates ranging from 3.75% to 4.50%, to purchase a surety bond and an insurance policy and to pay the costs of issuance of the certificates. The net proceeds of the issue of \$12,916,620 and \$1,078,002 in funds from the County for a total of \$13,994,622 were deposited in an irrevocable trust with an escrow agent and used to redeem the Series 2006 certificates of participation on December 1, 2012 at a price equal to 100% of par and accrued interest. As a result the Certificates of Participation, Series 2006, originally issued to fund the cost of construction of the Justice Center, are defeased and the liability for these certificates has been removed from the statement of net position.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The acquisition price of the new refunding certificates exceeded the net carrying amount of the old certificates by \$823,554. This amount is shown as a deferred charge on refunding and amortized over the remaining life of the refunding debt or 13 years. In 2018, a total of \$73,003 was amortized and the unamortized refunding cost as of December 31, 2018 is \$266,341. The County advance refunded the Certificates of Participation, Series 2006 to reduce its total debt service payments over 13 years by \$852,164 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new certificates) of \$674,430.

The prepaid insurance policy premium and cost of the surety bond for the refunding certificates of participation totaled \$155,347. This amount is shown as a deferred charge on refunding and amortized over the remaining life of the refunding debt or 13 years. In 2018, a total of \$13,771 was amortized and the unamortized refunding cost as of December 31, 2018 is \$50,239. Total deferred charges are reported as a deferred outflow of resources and the total unamortized balance as of December 31, 2018 is \$316,580.

On March 3, 2017 Standard and Poor's assigned an AA rating to the Refunding Certificates of Participation, Series 2012 and affirmed an issuer credit rating of AA+ with Standard and Poor's outlook stable and the rationale for these ratings again being the County's strong reserve levels, above national average per capita market value and buying income, low debt level and very strong liquidity.

Loans - Phippsburg Water and Sanitation System

On November 15, 2006, the State of Colorado under the Energy and Mineral Impact Assistance program, issued a twenty-year loan to the County for \$116,000 at an interest rate of 5% to fund a portion of the upgrades to the wastewater treatment lagoons. Annual principal and interest payments amounting to \$9,231 began in 2007 and will continue through 2026. This loan represents debt to Phippsburg Water and Sanitation System (an enterprise fund) and is not a general obligation to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

December 31,	Principal	Interest	Total
2019	\$ 6,247	\$ 2,984	\$ 9,231
2020	6,561	2,670	9,231
2021	6,888	2,343	9,231
2022	7,233	1,998	9,231
2023	7,594	1,637	9,231
2024 - 2026	25,137	2,552	27,689
	\$ 59,660	\$ 14,184	\$ 73,844

On September 2, 2002, the State of Colorado, under the Energy and Mineral Impact Assistance program, issued a loan to the County for \$38,500 at an interest rate of 5% to fund a portion of a water filtration facility in Phippsburg Water and Sanitation System through 2022. On September 1, 2003, the State increased the loan by \$92,500 to \$131,000, providing for interest only payments on the total loan through 2008, and principal and interest payments from 2009 through 2022. The increase in the loan was necessary after construction bids exceeded the original bid projections. This loan represents debt to Phippsburg Water and Sanitation System (an enterprise fund) and is not a general obligation to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Year Ending December 31,	Principal	Interest	Total
2019	\$ 10,791	\$ 2,326	\$ 13,117
2020	11,331	1,786	13,117
2021	11,897	1,219	13,116
2022	12,491	624	13,115
	\$ 46,510	\$ 5,955	\$ 52,465

On September 1, 2009, the State of Colorado, under the Energy and Mineral Impact Assistance program, issued a twenty-year loan to the County for \$25,000 at an interest rate of 5% to fund a portion of a water filtration upgrade in the Phippsburg Water and Sanitation System through 2029. The water filter upgrade was required to comply with State of Colorado Drinking Water regulations. This loan represents debt to Phippsburg Water and Sanitation System (an enterprise fund) and is not a general obligation to the County. The water and sanitation system shall establish rates and charges sufficient to include the annual repayment of the debt. A summary of the annual requirements to repay this loan is as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 1,183	\$ 840	\$ 2,023
2020	1,242	781	2,023
2021	1,304	719	2,023
2022	1,369	654	2,023
2023	1,438	585	2,023
2024-2028	8,340	1,774	10,114
2029	1,926	96	2,022
	\$ 16,802	\$ 5,449	\$ 22,251

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Long-Term Obligations

	Balance December 31, 2017			Balance December 31, 2018			Due Within One Year
		Additions	Deletions				
Governmental activities:							
Certificates of participation	\$ 8,645,000	\$ -	\$ (985,000)	\$ 7,660,000	\$ 1,005,000		
Unamortized discount, certificates of participation	(20,663)	-	4,445	(16,218)	(3,939)		
Total certificates of participation	8,624,337	-	(980,555)	7,643,782	1,001,061		
Compensated absences	1,317,803	2,486,475	(2,375,554)	1,428,724	719,979		
Total governmental	9,942,140	2,486,475	(3,356,109)	9,072,506	1,721,040		
Business-type activities:							
Loans payable:							
Revenue loans	140,326	-	(17,354)	122,972	18,221		
Compensated absences	270,388	430,028	(432,335)	268,081	106,751		
Total business-type	410,714	430,028	(449,689)	391,053	124,972		
Total long-term obligations	\$ 10,352,854	\$ 2,916,503	\$ (3,805,798)	\$ 9,463,559	\$ 1,846,012		

Compensated absences for governmental activities are liquidated by the respective governmental funds or internal service funds and for business-type activities by the respective proprietary funds.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE 6. FUND BALANCE AND NET POSITION

	Fund Balance				Net Position	
	General Fund	Road & Bridge	Human Services	Communi-cations	Governmental Activities	Business Activities
Nonspendable						
Prepays/Interfund loans/						
Inventory/Deposit	\$ 66,758	\$ 1,176,454	\$ 2,143	\$ 42,260	\$ -	\$ -
Restricted						
Museums	115,020	-	-	-	115,020	-
Purchase of Development Rights	2,659,361	-	-	-	2,659,361	-
Public Trustee	72,217	-	-	-	72,217	-
Recycling	35,516	-	-	-	35,516	-
Sheriff Investigations	6,669	-	-	-	6,669	-
Contraband Forfeiture Act	1,527	-	-	-	1,527	-
Detention - commissary	85,924	-	-	-	85,924	-
Affordable Housing	75,000	-	-	-	75,000	-
County Manager severance	92,634	-	-	-	92,634	-
E-Recording	47,776	-	-	-	47,776	-
TABOR reserve for emergencies:						
General Fund	1,050,010	-	-	-	1,050,010	-
Yampa Valley Regional Airport	-	-	-	-	-	162,032
	4,241,654	-	-	-	4,241,654	162,032
Committed						
General Fund	2,076,727	-	-	-	-	-
Road & Bridge	-	10,480,725	-	-	-	-
Human Services	-	-	648,859	-	-	-
Communications	-	-	-	1,527,032	-	-
	2,076,727	10,480,725	648,859	1,527,032	-	-
	\$ 6,385,139	\$ 11,657,179	\$ 651,002	\$ 1,569,292	\$ 4,241,654	\$ 162,032

At December 31, 2018, the committed fund balance of the General Fund is in compliance with the Board of County Commissioner's resolution to establish the year end committed fund balance of the General Fund to be no less than 10% of General Fund expenditures of the prior year and shall exclude expenditures from voter approved mill levies such as the purchase of development rights, developmental disabilities, the museum and heritage fund and future voter approved mill levies restricted for a specific purpose and transfers.

NOTE 7. DEFINED CONTRIBUTION PLANS

The County provides pension benefits through two defined contribution plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plans are administered through a retirement board as per Colorado Revised Statute 24-54-101 and the day-to-day administration of the plan is provided by ICMA Retirement Corporation. Plan provisions are established and may be amended by the Board of County Commissioners.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The County provides pension benefits for all of its employees working 30 hours or more per week for the entire year through an Internal Revenue Service Section 401(a) defined contribution plan. Employees are eligible to participate after one year of service, and at that time the County starts contributing to the plan. The County's contribution for each employee and earnings allocated to the employee's account is fully vested after five years of continuous service. County contributions for, and earnings forfeited by, employees who leave employment before five years of service are used to reduce the County's contribution requirement. Plan members and the County are required to contribute 6% of annual covered salary. The required contributions by the County matching those actually made by the employees totaled \$796,892. The forfeitures for employees who left employment with the County in 2018 totaled \$27,340.

In addition, the County provides pension benefits for all of its employees working 20 hours or more per week for the entire year through an Internal Revenue Service Section 457 plan. Participation in the plan is optional and employees are eligible to participate from their date of employment. The County is not required to contribute to the plan and plan members may contribute anywhere from 1% to 25% of annual covered salary or the plan year maximum.

NOTE 8. RISK MANAGEMENT

County Workers' Compensation Pool

The County is exposed to various risks of loss related to injuries of employees while on the job. In 1986, the County joined together with other counties in the State of Colorado to form the County Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement for formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary. 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. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage.

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to property and casualty losses. During 1986, the County was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. Therefore, the County joined together with other counties in the State of Colorado to form 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 for the formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary. 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. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage.

Insurance Pool

In 2011, the County established a partially self-funded health insurance pool in response to significant increases in health insurance costs. All County departments with eligible employees are charged for payments to the insurance pool based on estimated amounts needed to pay prior and current year claims. County departments' costs per covered employee are based on the employee's choice of family or single coverage.

A third party administers claim processing services. A commercial aggregate and individual stop loss insurance policy has been purchased to limit the risk of loss to the County. The individual stop loss policy covers individual claims in excess of \$75,000 annually with no annual or lifetime maximum. The aggregate stop loss policy covers total annual claims in excess of the 2018 aggregate deductible of \$4,006,629 up to \$1,000,000 per coverage period. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The results of the process to estimate the claims liability is not exact as it depends on many complex factors, such as inflation, changes in laws, recent claim settlement trends and other economic and social factors. The changes in the balance of claims liabilities for the current year are as follows:

	Year Ended 12/31/2018
Unpaid claims, beginning of fiscal year	\$ 347,724
Incurring claims (including IBNRs)	4,512,977
Claim payments	<u>(4,727,127)</u>
Unpaid claims, end of fiscal year	<u>\$ 133,574</u>

NOTE 9. CONSTRUCTION COMMITMENTS

The Road and Bridge Department has engineering and construction contracts for bridges. Funding for the various bridge projects is being provided by Federal Department of Transportation grants and Road and Bridge fund balance.

Routt County has entered into an agreement with the City of Steamboat Springs to build a Combined Law Enforcement Facility (CLEF). Routt County's share of the cost is 40% for the CLEF and 100% for the CLEF Communications Center. The CLEF is being funded primarily with reserves, the sale of the land and a State grant.

The Fairgrounds will be completing the construction of an RV Park in the summer of 2019. The project is funded in part by a Great Outdoors Colorado grant and lottery funds.

Project	Spent to Date	Remaining Commitment
Bridge projects	\$ 1,196,466	\$ 136,560
Combined Law Enforcement Facility	3,918,019	2,736,057
Combined Law Enforcement Facility - Communications Center	266,223	573,833
Fairgrounds RV Park	148,020	7,245
Total	<u>\$ 5,528,728</u>	<u>\$ 3,453,695</u>

NOTE 10. CONTINGENCIES

Taxpayer's Bill of Rights

In November 1992, Colorado voters amended Article X of the Colorado Constitution with the addition of Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending excluding certain expenditures as detailed in the amendment. The County has restricted a portion of its 2018 year-end fund balance/net position in the General Fund and Yampa Valley Regional Airport for emergencies as required under TABOR. As of December 31, 2018, the County had restricted fund balance/net position of \$1,050,010 and \$162,032 in the General Fund and Yampa Valley Regional Airport, respectively, for this purpose.

On December 31, 2013 by resolution, the Routt County Board of County Commissioners approved the Regional Building Department as an Enterprise under Article X, Section 20 of the Colorado Constitution. The resolution states “The Building Department’s fees and charges shall be set so as to maintain the Building Department as a self-funding enterprise and, in that regard the Building Department’s operations and capital expenditures shall be financed so that it shall not, in any year, receive ten percent or more of its funding from state or local governments”.

The initial base for local government spending and revenue limits is 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year’s fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 1998, the County obtained voter approval to retain revenue above the annual revenue/spending limitation, except for property taxes, in perpetuity. The property tax revenue limitation was not affected by the election.

In 2003, the County electorate approved levying a .3 mill property tax levy to fund the museums in Routt County in perpetuity. This revenue goes into the Museum and Heritage Fund for the support of historic preservation activities in the five museum districts located throughout the County.

In 2005, the County electorate approved a .5 mill levy increase to the existing 1.0 mill levy for a total 1.5 mill levy for the purchase of development rights. This ballot issue allows the revenue and spending limitation to be increased to the amount of 1.5 mills. This tax sunsets in assessment year 2024 with final taxes for 2024 collected in 2025.

Also in 2005, the County electorate approved a 1.0 mill levy for services for Routt County residents with developmental disabilities. This ballot increase allows the revenue and spending limitation to be increased to the 1.0 mill levy in perpetuity.

County’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year revenue limits, may require judicial interpretation.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Leases

The Yampa Valley Regional Airport leases space within and outside the airport terminal facility to airlines, car rental agencies, general aviation, federal government entities, other parties and other concessionaires. The future minimum rentals on the non cancellable leases for the next five years, subsequent to December 31, 2018 are as follows:

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

2019	\$ 1,852,934
2020	704,137
2021	697,567
2022	656,067
2023	96,016
Total	<u>\$ 4,006,721</u>

NOTE 11. JOINTLY GOVERNED ORGANIZATIONS

Affordable Housing Fund

In March 2003, the Affordable Housing Fund (Fund) was established when Routt County entered into an Intergovernmental Agreement (IGA) with the City of Steamboat Springs (City). In 2004, the County and the City passed resolutions to establish the Yampa Valley Housing Authority (YVHA) as a multi-jurisdictional entity charged with developing local options for affordable housing. The County and City approve the appointment of all board members to YVHA.

The Fund was established with \$125,000 from the County and \$125,000 from the City and created a revolving loan of \$250,000 to assist qualified participants with affordable housing in the City/County area. The City acts as fund holder for the loan funds and administers the loans, which have a maximum term of twenty-four months. No ongoing financial responsibility is stated or implied in the IGA. Either the County or the City, with or without cause, may terminate the IGA. Upon termination, any funds, promissory notes or securities held by the City as the fund holder will be distributed equally between the two parties.

In 2016, the City and County entered into an agreement to reduce the Fund by \$100,000 (\$50,000 from the County and \$50,000 from the City) for the purpose of constructing a residential housing project which consists of forty eight apartment units to be used as housing for low-income persons.

Combined Law Enforcement Facility

The County identified the need to expand the existing Routt County Sheriff's Office (RCSO) and the City of Steamboat Springs (City) determined that the Steamboat Springs Police Department (SSPD) facilities were no longer adequate to provide the desirable level of law enforcement services. Both parties agreed the construction of a joint facility to house RCSO and the SSPD would benefit the citizens by eliminating the duplication of services, fostering cooperation and communication between the agencies and their staff, share in land costs and otherwise reduce the expenses to the public for the cost of providing law enforcement facilities. After much deliberation by the respective governing bodies and public comment, the County and City agreed to share the cost of a Combined Law Enforcement Facility (CLEF). The CLEF project also includes the remodel of the evidence area in the existing Sheriff's Office, the relocation of the County's Communication Center and a garage to house various vehicles.

Initial Ownership of the Premises and Ownership Upon Termination of the Lease

Initial ownership of the CLEF shall vest in the City immediately upon issuance of a certificate of occupancy. At the expiration of the lease term the City and County shall have an undivided interest in the CLEF and title shall vest in both parties in joint tenancy. The undivided interest for the CLEF and the Evidence Area shall be sixty percent to the City and forty percent to County. The City and County, from time to time, may change these proportions pursuant to the City and County by amending the intergovernmental agreement.

The City purchased the land upon which the CLEF is being built from the County for \$934,480. Upon termination or expiration of the lease, the County shall compensate the City for a share of the City property. The County shall pay the City forty one percent of the value of the City property, which shall be determined by appraisal as of the date of termination.

ROUTT COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

The County shall retain possession of the Communication Center and its share of the CLEF. The County's share shall be located in the County Premise in accordance with the following criteria: a) providing each party with useable space, b) recognizing each party's need to relocate the functions performed in the space vacated by that party, and c) separating incompatible uses. County shall vacate and surrender possession to the City the remainder of the County Premise.

Lease Term

As consideration for the County's financial contribution to the CLEF, the City granted the County a forty year lease of the CLEF. The County, as current owner of the Routt County Sheriff's Office which contains the evidence area, will continue to own that property, and as consideration for the City's financial contribution to the Project, the County will grant to City a forty year lease.

The term of the lease agreement between the City and the County shall commence on May 22, 2019 and shall extend for forty years to May 22, 2059.

Construction Costs

CLEF – The City shall be responsible for sixty percent of the costs associated with the CLEF, except as described below, and County shall be responsible for forty percent of the costs. Evidence Area – The City shall be responsible for sixty percent of the costs associated with the Evidence Area and the County shall be responsible for forty percent of those costs. Communication Center – The County shall be responsible for the construction costs associated with the Communication Center. Garage – The City shall be responsible for ninety percent of the costs associated with the Garage and County shall be responsible for ten percent of those costs.

Construction began on the CLEF in 2018 and is anticipated to be completed in July 2019. The County's portion of the CLEF is estimated to be \$8,520,000. The County will fund the CLEF primarily with reserves, the sale of the land mentioned above and a State grant of which the County is a co-recipient and the County's portion is \$400,000.

Operations and Maintenance Costs

CLEF – The City shall be responsible for sixty percent of the costs associated with the CLEF except as described below, and County shall be responsible for forty percent of the costs. Evidence Area – The City shall be responsible for sixty percent of the costs associated with the Evidence Area and the County shall be responsible for forty percent of those costs. Communication Center – The County shall be responsible for the operations and maintenance costs associated with the Communication Center. Garage – The City shall be responsible for ninety percent of the costs associated with the Garage and County shall be responsible for ten percent of those costs.

The financial obligations of the City and County related to the operations and maintenance costs shall be from year to year only and shall not constitute a multiple fiscal year direct or indirect debt or financial obligation or any obligation payable in any fiscal year beyond the fiscal year for which funds are appropriated for the payment of the obligation.

The City and the County anticipate the CLEF to be operational by approximately July 2019.

NOTE 12. SUBSEQUENT EVENT

On August 14, 2018, Routt County Board of County Commissioners, as the owners of the wastewater treatment facility serving the community of Phippsburg, authorized the execution of a loan agreement with the Colorado Water Resources and Power Development Authority to finance the replacement of lagoon liners in the amount of \$124,200. Replacement of the lagoon liners and use of the loan proceeds are anticipated to be completed in 2019.

Routt County, Colorado
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 17,428,642	\$ 17,436,047	\$ 17,594,810	\$ 158,763
Sales taxes	6,734,860	7,009,350	6,055,581	(953,769)
Intergovernmental	643,480	555,925	712,349	156,424
Charges for sales and services	3,819,290	3,950,375	3,836,790	(113,585)
Investment earnings	222,560	222,560	431,597	209,037
Other	24,550	24,550	-	(24,550)
Total revenues	<u>28,873,382</u>	<u>29,198,807</u>	<u>28,631,127</u>	<u>(567,680)</u>
EXPENDITURES				
Administration				
Accounting	1,255,675	1,276,750	1,272,089	4,661
Attorney	426,110	435,560	377,294	58,266
Building and plant	2,459,050	2,509,050	2,405,358	103,692
Commissioners	1,050,230	1,090,230	1,072,626	17,604
Geographical information systems	339,190	350,790	344,117	6,673
Information technology	2,238,890	2,238,890	2,062,779	176,111
Human resources	535,435	542,435	526,144	16,291
Purchasing	230,910	230,910	167,295	63,615
	<u>8,535,490</u>	<u>8,674,615</u>	<u>8,227,702</u>	<u>446,913</u>
Community services				
Developmental disabilities	1,164,660	1,171,525	1,171,521	4
Museums	421,870	421,870	344,176	77,694
Elections	335,830	346,330	341,697	4,633
Multi modal transportation	35,000	35,000	35,000	-
Affordable housing	67,000	67,000	65,000	2,000
Community services	454,115	454,115	382,644	71,471
Planning	1,068,710	1,068,710	1,046,345	22,365
Recycling	59,800	59,800	58,751	1,049
Surveyor	3,610	3,610	3,602	8
Taylor grazing	58,885	58,885	11,700	47,185
Noxious weed	222,650	222,650	212,613	10,037
Environmental health	803,255	803,255	774,725	28,530
Extension	304,980	331,980	323,023	8,957
Veterans	34,260	34,260	30,077	4,183
Purchase of development rights	2,551,930	2,551,930	1,703,373	848,557
Fair	373,020	391,320	386,969	4,351
	<u>7,959,575</u>	<u>8,022,240</u>	<u>6,891,216</u>	<u>1,131,024</u>
Property tax administration				
Clerk	259,890	289,590	285,987	3,603
Motor vehicle	434,010	454,755	454,742	13
Public trustee	73,310	73,310	56,585	16,725
Assessor	1,037,350	1,043,350	1,030,768	12,582
Treasurer	509,280	605,280	589,801	15,479
	<u>2,313,840</u>	<u>2,466,285</u>	<u>2,417,883</u>	<u>48,402</u>
Public safety				
Coroner	148,210	148,210	129,139	19,071
Detention center	2,633,595	2,633,595	2,554,307	79,288
Emergency medical	15,080	20,100	20,072	28
Emergency management	334,955	-	-	-
Sheriff	3,179,200	3,179,200	3,156,463	22,737
Wildfire control	56,450	144,225	144,218	7
District attorney	798,130	798,130	756,375	41,755
	<u>7,165,620</u>	<u>6,923,460</u>	<u>6,760,574</u>	<u>162,886</u>
Total expenditures	<u>25,974,525</u>	<u>26,086,600</u>	<u>24,297,375</u>	<u>1,789,225</u>
Excess of revenues over expenditures	<u>2,898,857</u>	<u>3,112,207</u>	<u>4,333,752</u>	<u>1,221,545</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	664,285	664,285	-	(664,285)
Transfers out	(4,268,135)	(4,483,090)	(4,027,102)	455,988
Total other financing sources (uses)	<u>(3,603,850)</u>	<u>(3,818,805)</u>	<u>(4,027,102)</u>	<u>(208,297)</u>
Net change in fund balance	(704,993)	(706,598)	306,650	1,013,248
Fund balance - beginning	<u>6,078,489</u>	<u>6,078,489</u>	<u>6,078,489</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,373,496</u>	<u>\$ 5,371,891</u>	<u>\$ 6,385,139</u>	<u>\$ 1,013,248</u>

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Road & Bridge Fund - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Property taxes	\$ 891,130	\$ 891,130	\$ 881,393	\$ (9,737)
Sales taxes	-	-	1,920,294	1,920,294
Intergovernmental	5,559,610	5,559,610	6,438,175	878,565
Charges for sales and services	140,620	140,620	110,189	(30,431)
Investment earnings	42,290	42,290	41,956	(334)
Interfund loan principal	92,990	92,990	92,992	2
Total revenues	6,726,640	6,726,640	9,484,999	2,758,359
EXPENDITURES				
Salaries and benefits	3,559,840	3,559,840	3,450,487	109,353
Operations	5,171,125	5,171,125	4,540,572	630,553
Infrastructure	1,597,600	1,597,600	1,479,463	118,137
Total expenditures	10,328,565	10,328,565	9,470,522	858,043
Excess (deficiency) of revenues over (under) expenditures	(3,601,925)	(3,601,925)	14,477	3,616,402
OTHER FINANCING SOURCES (USES)				
Transfers out	(64,500)	(64,500)	(22,686)	41,814
Gain/(Loss) on sale of asset	-	-	15,949	15,949
Total other financing sources (uses)	(64,500)	(64,500)	(6,737)	57,763
Net change in fund balance	(3,666,425)	(3,666,425)	7,740	3,674,165
Fund balance - beginning	11,832,624	11,832,624	11,742,431	(90,193)
Fund balance - ending	\$ 8,166,199	\$ 8,166,199	11,750,171	\$ 3,583,972
Reconciliation to Generally Accepted Accounting Principles (GAAP) basis				
Interfund loan principal received			(92,992)	
Fund balance - ending GAAP basis			\$ 11,657,179	

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Human Services Fund - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 544,865	\$ 544,865	\$ 559,042	\$ 14,177
Intergovernmental	3,988,190	3,988,190	3,765,805	(222,385)
Operating grants	170,280	170,280	173,372	3,092
Total revenues	<u>4,703,335</u>	<u>4,703,335</u>	<u>4,498,219</u>	<u>(205,116)</u>
EXPENDITURES				
Salaries and benefits	2,089,530	2,089,530	2,056,902	32,628
Operations	2,801,505	2,801,505	2,551,550	249,955
Total expenditures	<u>4,891,035</u>	<u>4,891,035</u>	<u>4,608,452</u>	<u>282,583</u>
Deficiency of revenues under expenditures	<u>(187,700)</u>	<u>(187,700)</u>	<u>(110,233)</u>	<u>77,467</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	188,465	188,465	174,189	(14,276)
Total other financing sources (uses)	<u>188,465</u>	<u>188,465</u>	<u>174,189</u>	<u>(14,276)</u>
Net change in fund balance	765	765	63,956	63,191
Fund balance - beginning	<u>587,046</u>	<u>587,046</u>	<u>587,046</u>	<u>-</u>
Fund balance - ending	<u>\$ 587,811</u>	<u>\$ 587,811</u>	<u>\$ 651,002</u>	<u>\$ 63,191</u>

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Communications Fund - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,549,500	\$ 1,549,500	\$ 1,550,113	\$ 613
Intergovernmental	450,000	570,000	39,400	(530,600)
Charges for sales and services	457,575	457,475	480,462	22,987
Total revenues	<u>2,457,075</u>	<u>2,576,975</u>	<u>2,069,975</u>	<u>(507,000)</u>
EXPENDITURES				
Salaries and benefits	1,516,235	1,736,865	1,692,415	44,450
Operations	576,995	751,870	557,356	194,514
Total expenditures	<u>2,093,230</u>	<u>2,488,735</u>	<u>2,249,771</u>	<u>238,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	214,955	214,955	-
Transfers out	(477,360)	(477,360)	(25,808)	451,552
Total other financing sources (uses)	<u>(477,360)</u>	<u>(262,405)</u>	<u>189,147</u>	<u>451,552</u>
Net change in fund balance	<u>(113,515)</u>	<u>(174,165)</u>	<u>9,351</u>	<u>183,516</u>
Fund balance - beginning	<u>1,559,941</u>	<u>1,559,941</u>	<u>1,559,941</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,446,426</u>	<u>\$ 1,385,776</u>	<u>\$ 1,569,292</u>	<u>\$ 183,516</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
EXPLANATION OF FUNDS
December 31, 2018

EXPLANATION OF PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Non-major Enterprise Funds

The **Phippsburg Water and Sanitation System Fund** accounts for the operations of the water and sanitation facility and is primarily funded by utility fees. Capital improvements are funded by grants and loan proceeds.

The **Milner Sanitation System Fund** accounts for the operation of the sanitation facility. Operations are funded by utility charges. Capital improvements are funded by loan proceeds.

Routt County, Colorado
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2018

	Milner Sanitation System	Phippsburg Water & Sanitation	Total Nonmajor Enterprise funds
ASSETS			
Current assets:			
Cash and investments	\$ 70,139	\$ 139,335	\$ 209,474
Accounts receivable (net allowance for uncollectibles)	5,191	28,097	33,288
Due from other governments	-	3,502	3,502
Total current assets	<u>75,330</u>	<u>170,934</u>	<u>246,264</u>
Noncurrent assets:			
Land and improvements (non-depreciable)	18,610	21,284	39,894
Water system	-	977,962	977,962
Sewer system	557,975	753,670	1,311,645
Construction in progress	-	37,853	37,853
Accumulated depreciation	(391,186)	(1,374,979)	(1,766,165)
Total noncurrent assets	<u>185,399</u>	<u>415,790</u>	<u>601,189</u>
Total assets and deferred outflows of resources	<u>\$ 260,729</u>	<u>\$ 586,724</u>	<u>\$ 847,453</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,014	7,913	9,927
Accrued interest	-	2,050	2,050
Due to other funds	5,483	-	5,483
Current portion of long-term debt (net of unamortized discount)	-	18,221	18,221
Total current liabilities	<u>7,497</u>	<u>28,184</u>	<u>35,681</u>
Noncurrent liabilities:			
Loans payable	-	104,751	104,751
Interfund loan payable	85,345	-	85,345
Total noncurrent liabilities	<u>85,345</u>	<u>104,751</u>	<u>190,096</u>
Total liabilities	<u>92,842</u>	<u>132,935</u>	<u>225,777</u>
NET POSITION			
Net investment in capital assets	94,948	292,818	387,766
Unrestricted	72,939	160,971	233,910
Total net position	<u>\$ 167,887</u>	<u>\$ 453,789</u>	<u>\$ 621,676</u>

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

	Milner Sanitation System	Phippsburg Water & Sanitation	Total Nonmajor Enterprise funds
OPERATING REVENUES			
Charges for sales and services	\$ 43,684	\$ 120,562	\$ 164,246
Total operating revenues	<u>43,684</u>	<u>120,562</u>	<u>164,246</u>
OPERATING EXPENSES			
Salary and benefits	7,138	20,469	27,607
Depreciation	19,597	55,736	75,333
Repairs and maintenance	1,330	3,989	5,319
Purchased services and supplies	23,053	53,559	76,612
Total operating expenses	<u>51,118</u>	<u>133,753</u>	<u>184,871</u>
Operating income (loss)	<u>(7,434)</u>	<u>(13,191)</u>	<u>(20,625)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	664	1,569	2,233
Interest expense	-	(6,727)	(6,727)
Interest expense - interfund	(4,745)	-	(4,745)
Gain (loss) on disposal of capital assets	-	(5,083)	(5,083)
Total nonoperating expenses	<u>(4,081)</u>	<u>(10,241)</u>	<u>(14,322)</u>
Income (loss) before contributions and transfers	<u>(11,515)</u>	<u>(23,432)</u>	<u>(34,947)</u>
Capital contributions			
Grants and donations	-	8,493	8,493
Tap Fees	6,000	6,000	12,000
Change in net position	<u>(5,515)</u>	<u>(8,939)</u>	<u>(14,454)</u>
Total net position - beginning	<u>173,402</u>	<u>462,728</u>	<u>636,130</u>
Total net position - ending	<u>\$ 167,887</u>	<u>\$ 453,789</u>	<u>\$ 621,676</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2018

	Milner Sanitation System	Phippsburg Water & Sanitation System	Other Enterprise Total
Cash flows from operating activities			
Receipts from customers and users	\$ 41,995	\$ 106,892	\$ 148,887
Payments to suppliers	(24,215)	(51,940)	(76,155)
Payments to employees	(7,216)	(20,307)	(27,523)
Net cash provided (used) by operating activities	<u>10,564</u>	<u>34,645</u>	<u>45,209</u>
Cash flows from capital and related financing activities			
Capital grants	-	16,152	16,152
Acquisition and construction of capital assets	-	(17,943)	(17,943)
Principal paid on capital debt	(4,863)	(17,354)	(22,217)
Interest paid on capital debt	(4,765)	(7,016)	(11,781)
Tap fees	6,000	6,000	12,000
Net cash provided (used) by capital and related financing activities	<u>(3,628)</u>	<u>(20,161)</u>	<u>(23,789)</u>
Cash flows from investing activities			
Earnings on investments	664	1,569	2,233
Net purchases and sales of investments	(6,057)	(12,387)	(18,444)
Net cash provided (used) by investing activities	<u>(5,393)</u>	<u>(10,818)</u>	<u>(16,211)</u>
Net increase (decrease) in cash and cash equivalents	1,543	3,666	5,209
Cash and cash equivalents, beginning	36,108	71,178	107,286
Cash and cash equivalents, ending	37,651	74,844	112,495
Investments	32,488	64,491	96,979
Cash and investments, ending	<u>\$ 70,139</u>	<u>\$ 139,335</u>	<u>\$ 209,474</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2018

	Milner Sanitation System	Phippsburg Water & Sanitation System	Other Enterprise Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (7,434)	\$ (13,191)	\$ (20,625)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	19,597	55,736	75,333
Capital financing activities			
Capital grants and transfers			
Due from other governments	-	3,502	3,502
Capital assets			
Accounts payable	-	12,027	12,027
Due to other funds	(223)	-	(223)
Interest expense			
Accrued interest	-	289	289
Change in assets and liabilities:			
(Increase) decrease			
Accounts receivable	(877)	(9,714)	(10,591)
Due from other governments	-	(3,502)	(3,502)
Increase (decrease)			
Accounts payable	(722)	(10,213)	(10,935)
Accrued interest	-	(289)	(289)
Due to other funds	223	-	223
	<u>17,998</u>	<u>47,836</u>	<u>65,834</u>
Total adjustments			
	<u>17,998</u>	<u>47,836</u>	<u>65,834</u>
Net cash provided (used) by operating activities	<u>\$ 10,564</u>	<u>\$ 34,645</u>	<u>\$ 45,209</u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	\$ 26	\$ 51	\$ 77

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Yampa Valley Regional Airport - Enterprise Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ -	\$ -	\$ 69,542	\$ 69,542
Charges for sales and services	5,029,970	5,029,970	4,957,274	(72,696)
Operating grants	152,850	152,850	171,114	18,264
Total revenues	<u>5,182,820</u>	<u>5,182,820</u>	<u>5,197,930</u>	<u>15,110</u>
EXPENDITURES				
Salary and benefits	3,009,780	3,009,780	2,806,061	203,719
Depreciation	400,275	400,275	400,275	-
Repairs and maintenance	447,915	348,255	295,307	52,948
Purchased services and supplies	1,267,070	1,366,730	1,154,882	211,848
Total expenditures	<u>5,125,040</u>	<u>5,125,040</u>	<u>4,656,525</u>	<u>468,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,780</u>	<u>57,780</u>	<u>541,405</u>	<u>483,625</u>
OTHER FINANCING SOURCES (USES)				
Investment earnings	32,605	32,605	63,242	30,637
Capital outlay	(5,350,600)	(5,350,600)	(4,719,465)	631,135
Principal payments	(88,130)	(88,130)	(88,128)	2
Interest expense - interfund	(37,530)	(37,530)	(37,210)	320
Capital grants	5,213,250	5,213,250	4,611,755	(601,495)
Total other financing sources (uses)	<u>(230,405)</u>	<u>(230,405)</u>	<u>(169,806)</u>	<u>60,599</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (172,625)</u>	<u>\$ (172,625)</u>	<u>\$ 371,599</u>	<u>\$ 544,224</u>

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Regional Building Department - Enterprise Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for sales and services	\$ 1,413,500	\$ 1,413,500	\$ 1,464,675	\$ 51,175
Total revenues	1,413,500	1,413,500	1,464,675	51,175
EXPENDITURES				
Salary and benefits	822,550	828,050	827,593	457
Purchased services and supplies	415,125	409,625	387,519	22,106
Total expenditures	1,237,675	1,237,675	1,215,112	22,563
Excess of revenues over expenditures	175,825	175,825	249,563	73,738
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing sources (uses)	(500,000)	(500,000)	-	500,000
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ (324,175)	\$ (324,175)	\$ 249,563	\$ 573,738

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Phippsburg Water & Sanitation System - Enterprise Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for sales and services	\$ 129,110	\$ 129,110	\$ 120,562	\$ (8,548)
Total revenues	129,110	129,110	120,562	(8,548)
EXPENDITURES				
Salary and benefits	23,480	23,480	20,469	3,011
Repairs and maintenance	12,500	12,500	3,989	8,511
Purchased services and supplies	45,790	45,790	53,559	(7,769)
Total expenditures	81,770	81,770	78,017	3,753
Excess of revenue over expenditures	47,340	47,340	42,545	(4,795)
OTHER FINANCING SOURCES (USES)				
Investment earnings	1,340	1,340	1,569	229
Capital outlay	(305,200)	(305,200)	(5,916)	299,284
Principal payments	(17,370)	(17,370)	(17,354)	16
Interest expense	(7,020)	(7,020)	(6,727)	293
Debt proceeds	150,100	150,100	-	(150,100)
Grants and donations	150,100	150,100	8,493	(141,607)
Tap fees	-	-	6,000	6,000
Total other financing sources (uses)	(28,050)	(28,050)	(13,935)	14,115
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ 19,290	\$ 19,290	\$ 28,610	\$ 9,320

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Milner Sanitation System - Enterprise Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Charges for sales and services	\$ 44,200	\$ 44,200	\$ 43,684	\$ (516)
Total revenues	44,200	44,200	43,684	(516)
EXPENDITURES				
Salary and benefits	9,320	9,320	7,138	2,182
Repairs and maintenance	8,000	8,000	1,330	6,670
Purchased services and supplies	23,500	23,500	23,053	447
Total expenditures	40,820	40,820	31,521	9,299
Excess of revenues over expenditures	3,380	3,380	12,163	8,783
OTHER FINANCING SOURCES (USES)				
Investment earnings	670	670	664	(6)
Principal payments - interfund	(4,870)	(4,870)	(4,863)	7
Interest expense - interfund	(4,770)	(4,770)	(4,745)	25
Tap fees	-	-	6,000	6,000
Total other financing sources (uses)	(8,970)	(8,970)	(2,944)	6,026
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ (5,590)	\$ (5,590)	\$ 9,219	\$ 14,809

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Combining Statement of Net Position
Internal Service Funds
December 31, 2018

	Equipment Pool	Insurance Pool	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$ 17,683,859	\$ 1,931,845	\$ 19,615,704
Accounts receivable (net allowance for uncollectibles)	5,050	225,577	230,627
Due from other governments	3,768	-	3,768
Total current assets	<u>17,692,677</u>	<u>2,157,422</u>	<u>19,850,099</u>
Noncurrent assets:			
Land and improvements (non-depreciable)	3,060,866	-	3,060,866
Land improvements (depreciable)	1,587,601	-	1,587,601
Buildings	36,770,225	-	36,770,225
Equipment	29,748,791	-	29,748,791
Construction in progress	5,050,413	-	5,050,413
Accumulated depreciation	<u>(35,432,641)</u>	<u>-</u>	<u>(35,432,641)</u>
Total noncurrent assets	<u>40,785,255</u>	<u>-</u>	<u>40,785,255</u>
Total assets	<u>58,477,932</u>	<u>2,157,422</u>	<u>60,635,354</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	316,580	-	316,580
Total deferred outflows of resources	<u>316,580</u>	<u>-</u>	<u>316,580</u>
Total assets and deferred outflows of resources	<u>58,794,512</u>	<u>2,157,422</u>	<u>60,951,934</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,088,030	99	2,088,129
Compensated absences	18,625	-	18,625
Claims liability	-	133,574	133,574
Accrued interest	19,125	-	19,125
Retainage payable	188,669	-	188,669
Unearned revenue	-	34,764	34,764
Current portion of long-term debt (net of unamortized discount)	<u>1,001,061</u>	<u>-</u>	<u>1,001,061</u>
Total current liabilities	<u>3,315,510</u>	<u>168,437</u>	<u>3,483,947</u>
Noncurrent liabilities:			
Certificates of participation (net of unamortized discount)	<u>6,642,721</u>	<u>-</u>	<u>6,642,721</u>
Total noncurrent liabilities	<u>6,642,721</u>	<u>-</u>	<u>6,642,721</u>
Total liabilities	<u>9,958,231</u>	<u>168,437</u>	<u>10,126,668</u>
NET POSITION			
Net investment in capital assets	33,458,053	-	33,458,053
Unrestricted	15,378,228	1,988,985	17,367,213
Total net position	<u>\$ 48,836,281</u>	<u>\$ 1,988,985</u>	<u>\$ 50,825,266</u>

The notes to financial statements are an integral part of this statement.

Routt County, Colorado
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2018

	Equipment Pool	Insurance Pool	Total Internal Service Funds
OPERATING REVENUES			
Internal service fees	\$ 4,099,379	\$ 4,783,457	\$ 8,882,836
Insurance proceeds	22,515	884,687	907,202
Total operating revenues	<u>4,121,894</u>	<u>5,668,144</u>	<u>9,790,038</u>
OPERATING EXPENSES			
Salary and benefits	393,072	-	393,072
Depreciation	2,856,119	-	2,856,119
Claims	-	4,519,623	4,519,623
Repairs and maintenance	1,022,927	-	1,022,927
Purchased services and supplies	56,733	569,813	626,546
Total operating expenses	<u>4,328,851</u>	<u>5,089,436</u>	<u>9,418,287</u>
Operating income (loss)	<u>(206,957)</u>	<u>578,708</u>	<u>371,751</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	213,423	-	213,423
Interest expense	(326,500)	-	(326,500)
Amortization of refunding debt insurance	(13,771)	-	(13,771)
Gain on disposal of capital assets	983,501	-	983,501
Total nonoperating revenues	<u>856,653</u>	<u>-</u>	<u>856,653</u>
Income before contributions and transfers	649,696	578,708	1,228,404
Transfers in	3,686,452	-	3,686,452
Grants and donations	34,450	-	34,450
Change in net position	4,370,598	578,708	4,949,306
Total net position - beginning	44,465,683	1,410,277	45,875,960
Total net position - ending	<u><u>\$ 48,836,281</u></u>	<u><u>\$ 1,988,985</u></u>	<u><u>\$ 50,825,266</u></u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2018

	Equipment Pool	Insurance Pool	Total
Cash flows from operating activities			
Receipts from interfund services provided	\$ 4,122,958	\$ 4,784,928	\$ 8,907,886
Receipts from insurance	-	840,495	840,495
Payments to suppliers	(1,157,623)	(569,915)	(1,727,538)
Payments to employees	(389,062)	-	(389,062)
Payments to claims	-	(4,733,773)	(4,733,773)
	<u>-</u>	<u>(4,733,773)</u>	<u>(4,733,773)</u>
Net cash provided (used) by operating activities	<u>2,576,273</u>	<u>321,735</u>	<u>2,898,008</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	1,047,183	-	1,047,183
Acquisition and construction of capital assets	(4,578,993)	-	(4,578,993)
Principal payments on certificates of participation	(985,000)	-	(985,000)
Interest payments on certificates of participation	(242,693)	-	(242,693)
Transfers in	3,686,452	-	3,686,452
	<u>3,686,452</u>	<u>-</u>	<u>3,686,452</u>
Net cash provided (used) by capital and related financing activities	<u>(1,073,051)</u>	<u>-</u>	<u>(1,073,051)</u>
Cash flows from investing activities			
Earnings on investments	213,423	-	213,423
Net purchases and sales of investments	(1,438,657)	(213,652)	(1,652,309)
	<u>(1,438,657)</u>	<u>(213,652)</u>	<u>(1,652,309)</u>
Net cash provided (used) by investing activities	<u>(1,225,234)</u>	<u>(213,652)</u>	<u>(1,438,886)</u>
Net increase (decrease) in cash and cash equivalents	277,988	108,083	386,071
Cash and cash equivalents, beginning	<u>9,220,906</u>	<u>929,609</u>	<u>10,150,515</u>
Cash and cash equivalents, ending	9,498,894	1,037,692	10,536,586
Investments	<u>8,184,965</u>	<u>894,153</u>	<u>9,079,118</u>
Cash and investments	<u>\$ 17,683,859</u>	<u>\$ 1,931,845</u>	<u>\$ 19,615,704</u>

The notes to financial statements are an integral part of this statement

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2018

	<u>Equipment Pool</u>	<u>Insurance Pool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	<u>\$ (206,957)</u>	<u>\$ 578,708</u>	<u>\$ 371,751</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,856,119	-	2,856,119
Capital assets			
Accounts payable	(1,664,683)	-	(1,664,683)
Retainage payable	(188,669)	-	(188,669)
Interest expense			
Accrued interest	1,641	-	1,641
Proceeds from disposal of capital assets			
Accounts receivable	5,050	-	5,050
Change in assets and liabilities:			
(Increase) decrease			
Accounts receivable	(3,986)	(44,192)	(48,178)
Due from other governments	(1,077)	-	(1,077)
Increase (decrease)			
Accounts payable	1,590,840	(102)	1,590,738
Accrued interest	(1,641)	-	(1,641)
Compensated absences	967	-	967
Claims liability	-	(214,150)	(214,150)
Unearned revenue	-	1,471	1,471
Retainage payable	<u>188,669</u>	<u>-</u>	<u>188,669</u>
Total adjustments	<u>2,783,230</u>	<u>(256,973)</u>	<u>2,526,257</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,576,273</u></u>	<u><u>\$ 321,735</u></u>	<u><u>\$ 2,898,008</u></u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	\$ 6,517	\$ 712	\$ 7,229
Amortization related to refunding debt issue	(91,219)	-	(91,219)
In-kind donations for capital assets from local vocational education center	34,450	-	34,450

The notes to financial statements are an integral part of this statement

Routt County, Colorado
Equipment Pool - Internal Service Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Internal service fees	\$ 4,083,875	\$ 4,083,875	\$ 4,099,379	\$ 15,504
Insurance proceeds	11,020	16,920	22,515	5,595
Total revenues	<u>4,094,895</u>	<u>4,100,795</u>	<u>4,121,894</u>	<u>21,099</u>
EXPENDITURES				
Salary and benefits	421,410	421,410	393,072	28,338
Repairs and maintenance	1,072,140	1,072,140	1,022,927	49,213
Purchased services and supplies	59,065	59,065	56,733	2,332
Total expenditures	<u>1,552,615</u>	<u>1,552,615</u>	<u>1,472,732</u>	<u>79,883</u>
Excess of revenues over expenditures	<u>2,542,280</u>	<u>2,548,180</u>	<u>2,649,162</u>	<u>100,982</u>
OTHER FINANCING SOURCES (USES)				
Investment earnings	139,600	139,600	213,423	73,823
Capital outlay	(7,296,585)	(8,564,095)	(6,462,461)	2,101,634
Principal payments	(985,000)	(985,000)	(985,000)	-
Interest expense	(249,310)	(249,310)	(249,052)	258
Gain on disposal of capital assets	1,127,770	1,127,770	983,501	(144,269)
Transfers in	5,121,530	5,121,530	3,686,452	(1,435,078)
Transfers out	(664,285)	(664,285)	-	664,285
Capital grant	-	-	34,450	34,450
Total other financing sources (uses)	<u>(2,806,280)</u>	<u>(4,073,790)</u>	<u>(2,778,687)</u>	<u>1,295,103</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (264,000)</u>	<u>\$ (1,525,610)</u>	<u>\$ (129,525)</u>	<u>\$ 1,396,085</u>

The notes to financial statements are an integral part of this statement

Routt County, Colorado
Insurance Pool - Internal Service Fund
Schedule of Revenues and Expenses
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Internal service fees	\$ 4,830,780	\$ 4,830,780	\$ 4,783,457	\$ (47,323)
Insurance proceeds	617,815	801,815	884,687	82,872
Total revenues	<u>5,448,595</u>	<u>5,632,595</u>	<u>5,668,144</u>	<u>35,549</u>
EXPENSES				
Claims	4,329,220	4,513,220	4,519,623	(6,403)
Purchased services and supplies	<u>588,525</u>	<u>588,525</u>	<u>569,813</u>	<u>18,712</u>
Total expenditures	<u>4,917,745</u>	<u>5,101,745</u>	<u>5,089,436</u>	<u>12,309</u>
Excess of revenues over expenses	<u>\$ 530,850</u>	<u>\$ 530,850</u>	<u>\$ 578,708</u>	<u>\$ 47,858</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT PLANS
December 31, 2018

	Sec. 401 Employee Retirement Plan	Sec. 457 Employee Retirement Plan	Total
ASSETS			
Investments held for pension benefits	\$ 25,503,698	\$ 7,829,155	\$ 33,332,853
Total assets	<u>25,503,698</u>	<u>7,829,155</u>	<u>33,332,853</u>
NET POSITION			
Net position held in trust for pension benefits	<u>25,503,698</u>	<u>7,829,155</u>	<u>33,332,853</u>
Total net position	<u>\$ 25,503,698</u>	<u>\$ 7,829,155</u>	<u>\$ 33,332,853</u>

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT PLANS
For the Year Ended December 31, 2018

	Sec. 401 Employee Retirement Plan	Sec. 457 Employee Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Additions			
Employee contributions	\$ 796,892	\$ 390,127	\$ 1,187,019
Employer contributions	<u>796,892</u>	<u>-</u>	<u>796,892</u>
Total contributions	1,593,784	390,127	1,983,911
Net investment earnings	(1,128,327)	(333,769)	(1,462,096)
Transfers from other plans	<u>286,238</u>	<u>651</u>	<u>286,889</u>
Total additions	<u>751,695</u>	<u>57,009</u>	<u>808,704</u>
Deductions			
Benefits	<u>1,644,790</u>	<u>446,814</u>	<u>2,091,604</u>
Total deductions	<u>1,644,790</u>	<u>446,814</u>	<u>2,091,604</u>
Change in net position	(893,095)	(389,805)	(1,282,900)
Plan net position, beginning	<u>26,396,793</u>	<u>8,218,960</u>	<u>34,615,753</u>
Plan net position, ending	<u><u>\$ 25,503,698</u></u>	<u><u>\$ 7,829,155</u></u>	<u><u>\$ 33,332,853</u></u>

The notes to financial statements are an integral part of this statement

ROUTT COUNTY, COLORADO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and investments	\$ 3,733,153	\$ 57,972,499	\$ (60,719,063)	\$ 986,589
Due from other governments				
Towns	53,944	6,780	(53,944)	6,780
Schools	-	209,582	-	209,582
Special districts	-	66,006	-	66,006
Total	<u>53,944</u>	<u>282,368</u>	<u>(53,944)</u>	<u>282,368</u>
Total assets	<u>3,787,097</u>	<u>58,254,867</u>	<u>(60,773,007)</u>	<u>1,268,957</u>
LIABILITIES				
Due to other governments				
Schools	214,529	31,964,961	(31,952,497)	226,993
State	253,765	3,702,057	(3,653,418)	302,404
Cities and towns	156,689	2,966,968	(3,020,482)	103,175
Special districts	<u>193,215</u>	<u>14,789,502</u>	<u>(14,825,738)</u>	<u>156,979</u>
Total	818,198	53,423,488	(53,452,135)	789,551
Advanced tax collections	2,632,851	1,000,952	(3,213,942)	419,861
Funds held in trust	<u>336,048</u>	<u>3,830,427</u>	<u>(4,106,930)</u>	<u>59,545</u>
Total liabilities	<u>\$ 3,787,097</u>	<u>\$ 58,254,867</u>	<u>\$ (60,773,007)</u>	<u>\$ 1,268,957</u>

The notes to financial statements are an integral part of this statement

ROUTT COUNTY, COLORADO
NOTES TO THE SUPPLEMENTARY INFORMATION
December 31, 2018

NOTE 1. RECONCILIATION OF BUDGET TO GAAP

Adjustments necessary to convert the change in net position of the proprietary funds at the end of the year on the generally accepted accounting principles (GAAP) basis to the budgetary basis are as follows:

	Yampa Valley Regional Airport	Regional Building Department	Phippsburg Water & Sanitation System	Milner Sanitation System	Equipment Pool
GAAP basis	\$ 2,467,449	\$ 111,453	\$ (8,939)	\$ (5,515)	\$ 4,370,598
Revenues					
Unearned revenue	-	138,110	-	-	-
Expenditures					
Depreciation	2,550,753	-	55,736	19,597	2,856,119
Capital outlay	(4,719,465)	-	(5,916)	-	(6,462,461)
Loss on capital asset disposals	160,990	-	5,083	-	-
Amortization of refunding debt insurance	-	-	-	-	13,771
Interest expense, amortization of the deferred charge for refunding debt	-	-	-	-	73,003
Interest expense, amortization of the issue discount on refunding debt	-	-	-	-	4,445
Debt principal payments	(88,128)	-	(17,354)	(4,863)	(985,000)
Budget basis	\$ 371,599	\$ 249,563	\$ 28,610	\$ 9,219	\$ (129,525)

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

LOCAL HIGHWAY FINANCE REPORT		City or County:
		County of Routt
		YEAR ENDING : 2018
This Information From The Records Of the County of Routt	Prepared By:	Chris Pohlman
	Phone:	970-870-5302

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

ITEM	A. Local 0 Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway- User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

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

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,541,683
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	4,976,679
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations	618,017	b. Snow and ice removal	1,465,988
3. Other local imposts (from page 2)	3,108,753	c. Other	40,766
4. Miscellaneous local receipts (from page 2)	168,094	d. Total (a. through c.)	1,506,754
5. Transfers from toll facilities	0	4. General administration & miscellaneous	1,468,092
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	618,017
a. Bonds - Original Issues	0	6. Total (1 through 5)	10,111,225
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	3,894,864	b. Redemption	0
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government		2. Notes:	
(from page 2)	3,978,544	a. Interest	0
D. Receipts from Federal Government		b. Redemption	0
(from page 2)	2,152,565	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	10,025,973	3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	10,111,225

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

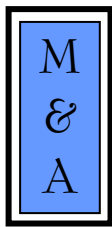
	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	\$ 11,742,431	10,025,973	10,111,225	11,657,179	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): 12/18	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	816,510	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	1,920,294	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	106,238
5. Other	371,949	g. Other Misc. Receipts	59,702
6. Total (1. through 5.)	2,292,243	h. Capital Credits	2,154
c. Total (a. + b.)	3,108,753	i. Total (a. through h.)	168,094
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	3,545,399	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle	60,568	d. Federal Transit Administration	0
d. Severance Tax	372,577	e. U.S. Corps of Engineers	0
e. State P.U.C. and EIAF funds	0	f. Other Federal	2,152,565
f. Total (a. through e.)	433,145	g. Total (a. through f.)	2,152,565
4. Total (1. + 2. + 3.f)	3,978,544	3. Total (1. + 2.g)	2,152,565
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	6,644	6,644
b. Engineering Costs	0	23,199	23,199
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	872,758	872,758
(3). System Preservation	0	639,082	639,082
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,511,840	1,511,840
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,541,683	1,541,683
			(Carry forward to page 1)
Notes and Comments:			



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S 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

**To the Board of County Commissioners
Routt 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 Routt County, Colorado (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 August 22, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Member: American Institute of Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado**

Compliance and Other Matters

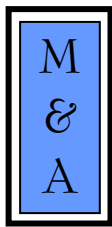
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C." in a cursive script.

**McMahan and Associates, L.L.C.
August 22, 2019**



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON COMPLIANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM; AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

**To the Board of County Commissioners
Routt County, Colorado**

Report on Compliance for Each Major Program

We have audited the compliance of Routt County, Colorado (the "County") 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 and its compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its Passenger Facility Charge program 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs and to its Passenger Facility Charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and to its Passenger Facility Charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the Guide. 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 and on the Passenger Facility Charge 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 and on the Passenger Facility Charge program. However, our audit does not provide a legal determination on the County's compliance with those requirements.

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INDEPENDENT AUDITOR'S REPORT
To the Board of County Commissioners
Routt County, Colorado

Opinion on Each Major Federal Program and Passenger Facility Charge Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and on its Passenger Facility Charge program 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 types of requirements that could have a direct and material effect on each major federal program and on the Passenger Facility Charge program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the Passenger Facility Charge 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 or the Passenger Facility Charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 or the Passenger Facility Charge 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the Passenger Facility Charge 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in 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 and the Guide. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
August 22, 2019

Routt County, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Part I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted
Major programs:	
Airport Improvement Program	CFDA #20.106
Dollar threshold used to identify Type A from Type B programs:	\$750,000
Identified as low-risk auditee	Yes

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by <i>Government Auditing Standards</i>	None noted
Auditor-assigned reference number	Not applicable

Part III – Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Routt County, Colorado
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018
(Continued)

There were no audit findings for the year ended December 31, 2017.

ROUTT COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

<u>Federal Agency/Direct or Pass-Through Entity/Program</u>	<u>Identifying Number Assigned by Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditure Amount</u>	<u>Clusters of Programs</u>
<u>Department of Health and Human Services</u>				
Passed through Colorado Department of Human Services:				
Child Care and Development Block Grant	n/a	93.575	\$ 244,824	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	n/a	93.596	84,935	
Total Child Care and Development Fund Cluster				<u>\$ 329,759</u>
Guardianship Assistance	n/a	93.090	1,662	
Temporary Assistance for Needy Families (TANF)	n/a	93.558	193,746	
Total Temporary Assistance for Needy Families Cluster				<u>\$ 195,409</u>
Child Support Enforcement	n/a	93.563	260,582	
Low-Income Home Energy Assistance	n/a	93.568	6	
Adoption Incentive Payments	n/a	93.603	506	
Stephanie Tubbs Jones Child Welfare Services Program	n/a	93.645	2,638	
Foster Care -Title IV-E	n/a	93.658	163,846	
Adoption Assistance	n/a	93.659	18,115	
Social Services Block Grant	n/a	93.667	117,247	
Adjustment to Federal Assistance	n/a	93.unknown	173	
Passed through Department of Health Care Policy and Financing:				
Medical Assistance Program	n/a	93.778	280,326	
Total Medicaid Cluster				<u>\$ 280,326</u>
Passed through Colorado Department of Local Affairs:				
Community Services Block Grant	L12CCSBG39 & L18CSBG39	93.569	13,901	
Passed through Colorado Department of Public Health and Environment				
Pass through to Northwest Colorado Health				
Maternal and Child Health Services Block Grant to the States	19 FAAA 107491			
	Task Order 18 FAAA 97494	93.994	<u>17,117</u>	
Total U.S. Department of Health and Human Services			<u>\$ 1,399,624</u>	

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

<u>Federal Agency/Direct or Pass-Through Entity/Program</u>	<u>Identifying Number Assigned by Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditure Amount</u>	<u>Clusters of Programs</u>
<u>Department of Agriculture</u>				
Direct:				
U.S. Forest Service Cooperative Law Enforcement Agreement	Number 15-LE-11020600-007	10.unknown	\$ 7,413	
Passed through Colorado Department of Human Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	n/a	10.561	<u>158,550</u>	
Total Supplemental Nutrition Assistance Program Cluster				<u>\$ 158,550</u>
Total U.S. Department of Agriculture			<u>165,963</u>	
<u>Department of Interior</u>				
Direct:				
U.S. Geological Survey Cooperative Funding Authority Agreement Number	18CMCO18 117 0000	15.unknown	<u>14,968</u>	
Total U.S. Department of Interior			<u>14,968</u>	
<u>Department of Transportation</u>				
Direct:				
Airport Improvement Program	3-08-0031-044-2018	20.106	4,063,074	
Federal Highway Administration				
Passed through Colorado Department of Transportation:				
Division of Transportation Development				
Highway Planning and Construction	Project BRO C280-011 (18600)	20.205	<u>496,737</u>	
Total Highway Planning and Construction Program Cluster				<u>\$ 496,737</u>
Total U.S. Department of Transportation			<u>\$ 4,559,811</u>	

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

	Identifying Number Assigned by <u>Pass-through Entity</u>	Federal CFDA <u>Number</u>	Grant Expenditure <u>Amount</u>	Clusters of <u>Programs</u>
<u>Federal Agency/Direct or Pass-Through Entity/Program</u>				
<u>Environmental Protection Agency</u>				
Pass through Colorado Water Resources and Power Development Authority				
Capitalization Grants for Clean Water State Revolving Funds	150461W-B	66.458	\$ 8,493	
Total Clean Water State Revolving Fund Cluster				\$ 8,493
Total Environmental Protection Agency			8,493	
<u>Homeland Security</u>				
Direct:				
Transportation Security Administration - Other Transactional Agreement				
	HSTS02-16-H-SLR624	97.unknown	17,780	
Passed through Colorado Department of Public Safety, Division of Homeland Security and				
Emergency Management				
Emergency Management Performance Grants	EMD-2018-PC-0007	97.047	39,400	
Total U.S. Department of Homeland Security			57,180	
Total Federal Expenditures			\$ 6,206,038	

The notes to financial statements are an integral part of this statement.

ROUTT COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Note 1. Program Costs

The amounts shown as current year expenditures represent only the federal portion of program costs. Actual program costs, including the County's portion, may be more than shown.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Routt County, Colorado, and is presented on the modified accrual basis of accounting for governmental funds, and the accrual basis for proprietary funds. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

Note 3. Indirect Facilities and Administration costs

The County does not use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F & A) costs. Instead, the County prepares an annual cost allocation plan to allocate indirect costs.

ROUTT COUNTY, COLORADO
SCHEDULE OF PASSENGER FACILITY CHARGES ("PFC")
COLLECTED AND EXPENDED
For the Year Ended December 31, 2018

	<u>Amounts for</u> <u>Current Year</u>	<u>Unliquidated</u> <u>Balance</u>
Unliquidated PFC revenues - beginning		\$ -
Revenues:		
Revenues from air carriers	\$ 383,184	
Total PFC revenues	<u>383,184</u>	383,184
Expenditures:		
Application 13-09-C-00-HDN	261,227	
Total PFC expenditures	<u>\$ 261,227</u>	261,227
Unliquidated PFC revenues - ending		<u>\$ 121,957</u>