

Huerfano County, Colorado

Financial Statements

December 31, 2019

**Huerfano County, Colorado
Financial Statements
For The Year Ended December 31, 2019**

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a certified public accounting and consulting firm

Independent Auditor's Report

Board of County Commissioners
Huerfano County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huerfano County, (the "County"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information including the combining statements of the non-major funds, the budget to actual information, the Local Highway Finance Report, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

rfarmer, llc

June 2, 2020

June 1, 2020

Management Discussion and Analysis

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

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

Factors Affecting Financial Condition

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

In 2018, Huerfano County experienced the third largest wildfire in Colorado history. In 2019, we anticipated flooding as a result of the fire. We spent a majority of our efforts on that preparation. We were fortunate that we did not receive enough rain over the burn area to create wide-spread flooding and only saw a few localized events. The County is having to adjust to the "New Normal" of post fire mitigation, potential flooding, and a continuing threat of fire for the areas that have yet to burn. Flooding is expected over the next decade which could have an unprecedented impact on the budget. The fire also resulted in a heightened awareness of the need for fire mitigation in areas of the County that didn't experience fire directly. That translates into a positive attitude toward resilience that will help reduce wildly fluctuating expenses that can result in financial devastation. The State of Colorado has dedicated financial resources and staff to help Huerfano County prepare for the ancillary effects of both fire and flooding. We believe that we are as prepared as we can be for another fire, or flooding, or both and will continue to develop contingency plans for dealing with issues arising from such an event. The National Resource Conservation Service granted over \$7 million for within the County and communities impacted by the fire. We continue to construct flood mitigation improvements with those funds.

Huerfano County continues to move forward in many other ways towards a responsive and responsible government. The Waste Transfer Station continues to operate in the red and is supplemented through PILT funds. The County is working to see if they can reduce expenses at the Waste Transfer Station by negotiating a contract with an operator and incorporating more recycling into the operation to reduce the waste stream. Road and Bridge had an increase in HUTF funding which helps continue the equipment replacement program. The Social Services Department continued to provide much needed services for those without the means to provide adequately for themselves even with an increase in case load. Capital projects included continued work on the courthouse, fire mitigation in and around Cuchara and the start of construction of a new judicial building. The world-wide pandemic will have an unfathomable impact on the county budget. At this point in time, we have not seen a significant decrease in revenues other than a drop in land use fees and building permit fees. Significant other challenging impacts for 2020 continue to be Federal and State rules and regulations, infrastructure and maintenance issues – in Roads and Bridges, facilities and communications, state budget cuts, health and human services, fuel costs, health insurance and various other factors. The overall mill levy for 2020 is 17.160 mills, remaining at the 2005 level. The total county assessed valuation increased from \$125,413,422 in 2019 to \$126,019,020, a total increase of \$605,598, or an increase of about ½%.

The 2019 budget includes a large increase in expenses. There are two primary reasons for that. One is the Emergency Watershed Protection project previously mentioned that adds about \$5 million to the budget. The other is the construction of the new judicial building. That project is about \$10 million. The other increases in expenditures are due to several factors. Insurance rates continue to be a major driver in county expenses. Other factors include deferred maintenance, which is being addressed as funding permits. Without an increase in revenue, cuts will have to take place, including reduction in workforce. Many of the County's buildings have not received proper maintenance and the age of the buildings means that some major improvements must be made.

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

Accounting Policies

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

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

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

Major Sources of General Fund Revenues

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

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

Other Revenue Sources. The County also receives revenue from several additional sources including specific ownership taxes, highway users taxes (for Road and Bridge only),

licenses and permits, intergovernmental revenues (federal, state and local governments), fee accounts and charges for services.

Budgeted General Fund Financial Information

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

2018 and 2019 General Fund Budget Comparison. Set forth hereafter is a comparison of the County's 2018 and 2019 General Fund Budgets.

	2018 Budget	2018 Actual	2019 Budget	2019 Actual
Beginning Fund Balance	\$1,053,663	\$1,262,911	\$1,160,914	\$1,262,911
Revenues				
Taxes	\$2,847,660	\$2,784,398	\$2,816,469	\$3,245,667
Fees	\$450	\$283	\$425	\$329
Licenses & Permits	\$80,260	\$179,668	\$191,320	\$180,428
Intergovernmental	\$135	\$283	\$165	\$33,946
Charges for Services	\$1,226,355	\$1,358,100	\$1,630,786	\$1,613,873
Interest	\$7,200	\$23,358	\$15,500	\$45,268
Misc.	\$128,656	\$262,153	\$180,221	\$749,036
Total Revenue	\$4,290,716	\$4,572,248	\$4,834,886	\$5,868,547
Total Revenue + Fund Balance	\$5,344,379	\$5,835,159	\$5,995,800	\$7,131,458
Expenditures				
General Government	\$2,509,506	\$2,725,481	\$2,807,531	\$2,867,673
Public Safety	\$2,094,016	\$1,972,561	\$2,479,820	\$2,454,466
Health and Sanitation	\$198,870	\$145,060	\$203,602	\$147,147
Capital Outlay	\$57,500	\$22,000	\$49,800	\$46,848
Total Expenditures	\$4,870,092	\$4,909,146	\$5,587,215	\$5,675,415
Excess of revenues over expenditures	(\$579,376)	(\$336,898)	(\$752,329)	\$193,132

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the County's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment, and

construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

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

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

Huerfano County, Colorado
Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Equivalents	\$ 13,355,627	\$ 84,262	\$ 13,439,889
Receivables	2,859,785	5,223	2,865,008
Due from Other Governmental Agencies	1,083,698	-	1,083,698
Inventories	34,588	-	34,588
Capital Assets			
Land and infrastructure	1,588,049	-	1,588,049
Construction in progress	5,226,788	-	5,226,788
Building	13,828,255	-	13,828,255
Equipment	9,451,735	613,871	10,065,606
Other capital assets	82,999	1,538,137	1,621,136
Less accumulated depreciation	<u>(17,605,307)</u>	<u>(629,940)</u>	<u>(18,235,247)</u>
Total capital assets	<u>12,572,519</u>	<u>1,522,068</u>	<u>14,094,587</u>
Total assets	<u>29,906,217</u>	<u>1,611,553</u>	<u>31,517,770</u>
LIABILITIES			
Accounts payable and accrued expenses	102,235	999	103,234
Long-term liabilities			
Due within one year			
Bonds and capital leases	248,257	-	248,257
Unearned revenues	338,199	-	338,199
Due in more than one year			
Bonds and capital leases	8,621,760	-	8,621,760
Customer deposits	-	120	120
Premium, net of amortization	<u>1,124,144</u>	<u>-</u>	<u>1,124,144</u>
Total liabilities	<u>10,434,595</u>	<u>1,119</u>	<u>10,435,714</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>2,767,931</u>	<u>-</u>	<u>2,767,931</u>
NET POSITION			
Net investment in Capital Assets	2,578,364	1,522,068	4,100,432
Unrestricted	<u>14,125,327</u>	<u>88,366</u>	<u>14,213,693</u>
Total net position	<u>\$ 16,703,691</u>	<u>\$ 1,610,434</u>	<u>\$ 18,314,125</u>

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

Huerfano County, Colorado
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 3,309,728	\$ 928,701	\$ 195,717	\$ 895,491	\$ (1,289,819)	\$ -	\$ (1,289,819)
Public Safety	6,618,377	720,877	3,068,380	16,919	(2,812,201)	-	(2,812,201)
Public Works	2,276,160	138,662	2,096,227	-	(41,271)	-	(41,271)
Human Services	2,355,791	-	2,025,557	-	(330,234)	-	(330,234)
Health and Sanitation	216,853	74,876	-	-	(141,977)	-	(141,977)
Culture and Recreation	145,056	113,640	825,587	-	794,171	-	794,171
Total governmental activities	<u>14,921,965</u>	<u>1,976,756</u>	<u>8,211,468</u>	<u>912,410</u>	<u>(3,821,331)</u>	<u>-</u>	<u>(3,821,331)</u>
Business-type activities:							
Correctional Facility	13,356	-	-	-	-	(13,356)	(13,356)
Gardner Water and Sewer Improv District	145,593	84,287	-	-	-	(61,306)	(61,306)
Total business-type activities	<u>158,949</u>	<u>84,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,662)</u>	<u>(74,662)</u>
Total primary government	<u>\$ 15,080,914</u>	<u>\$ 2,061,043</u>	<u>\$ 8,211,468</u>	<u>\$ 912,410</u>	<u>(3,821,331)</u>	<u>(74,662)</u>	<u>(3,895,993)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,583,247	-	2,583,247
Franchise & miscellaneous taxes					53,782	-	53,782
SO and sales tax					2,159,432	-	2,159,432
Unrestricted investment earnings					95,563	27	95,590
Miscellaneous					936,791	1,991	938,782
Total general revenues, special items, and transfers					<u>5,828,815</u>	<u>2,018</u>	<u>5,830,833</u>
Change in net position					2,007,484	(72,644)	1,934,840
Net position - beginning					14,696,207	1,683,078	16,379,285
Net position - ending					<u>\$ 16,703,691</u>	<u>\$ 1,610,434</u>	<u>\$ 18,314,125</u>

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

Huerfano County, Colorado
Balance Sheet
Governmental Funds
December 31, 2019

	General	Road & Bridge	Department of Human Services	Special Projects	Emergency Services	Disaster Recovery	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,892,680	\$ 671,699	\$ 562,739	\$ 8,704,346	\$ 942,243	\$ -	\$ 581,920	\$ 13,355,627
Taxes receivable, net	2,178,364	12,602	315,048	-	-	-	113,417	2,619,431
Due from other funds	-	-	-	-	22,500	-	703,765	726,265
Due from State	-	-	124,672	215,268	-	-	-	339,940
Other receivables	67,829	-	28,054	-	144,471	743,758	-	984,112
Inventories	-	34,588	-	-	-	-	-	34,588
Total assets	<u>4,138,873</u>	<u>718,889</u>	<u>1,030,513</u>	<u>8,919,614</u>	<u>1,109,214</u>	<u>743,758</u>	<u>1,399,102</u>	<u>18,059,963</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	65,604	26,767	270	-	6,648	4,108	(1,162)	102,235
Premium, net of amortization	-	-	-	1,124,144	-	-	-	1,124,144
Unearned revenues	-	-	322,535	-	-	15,665	-	338,200
Due to other funds	22,500	-	-	-	-	703,765	-	726,265
Total liabilities	<u>88,104</u>	<u>26,767</u>	<u>322,805</u>	<u>1,124,144</u>	<u>6,648</u>	<u>723,538</u>	<u>(1,162)</u>	<u>2,290,844</u>
Deferred Inflow of Resources								
Deferred property taxes	2,178,364	12,602	315,048	148,500	-	-	113,417	2,767,931
Fund balances:								
Unassigned	1,872,405	-	-	-	-	-	-	1,872,405
Nonspendable-inventories	-	34,588	-	-	-	-	-	34,588
Committed	-	644,932	392,660	7,646,970	1,102,566	-	1,286,847	11,073,975
Restricted	-	-	-	-	-	20,220	-	20,220
Total fund balances	<u>1,872,405</u>	<u>679,520</u>	<u>392,660</u>	<u>7,646,970</u>	<u>1,102,566</u>	<u>20,220</u>	<u>1,286,847</u>	<u>13,001,188</u>
Total liabilities and fund balances	<u>\$ 4,138,873</u>	<u>\$ 718,889</u>	<u>\$ 1,030,513</u>	<u>\$ 8,919,614</u>	<u>\$ 1,109,214</u>	<u>\$ 743,758</u>	<u>\$ 1,399,102</u>	<u>\$ 18,059,963</u>

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

Huerfano County, Colorado
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total fund balance, governmental funds	\$	13,001,188
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position		12,572,519
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(8,870,011)
Rounding		(5)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>16,703,691</u>

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

Huerfano County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Road & Bridge	Department of Human Services	Special Projects	Emergency Services	Disaster Recovery	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property Taxes	\$ 2,145,621	\$ 12,505	\$ 312,592	\$ -	\$ -	\$ -	\$ 112,530	\$ 2,583,248
SO Tax	289,919	1,633	-	-	-	-	14,697	306,249
Sales and miscellaneous taxes	810,127	-	40,824	-	1,056,013	-	-	1,906,964
Fees and fines	329	-	-	-	-	-	-	329
Licenses and permits	180,428	38,656	-	-	-	-	-	219,084
Intergovernmental	33,946	2,113,517	2,025,557	1,007,536	46,699	2,923,148	612,068	8,762,471
Charges for services	1,613,873	52,446	-	-	-	-	150,824	1,817,143
Investment earnings	45,268	-	-	50,259	-	-	36	95,563
Miscellaneous	749,036	103,991	-	-	447	81,640	240,547	1,175,661
Total revenues	5,868,547	2,322,748	2,378,973	1,057,795	1,103,159	3,004,788	1,130,702	16,866,712
EXPENDITURES								
Current:								
General government	2,867,673	37,502	-	256,088	-	34,420	390,635	3,586,318
Public safety	2,454,466	-	-	-	534,248	2,950,148	33,402	5,972,264
Public works	8,099	2,110,415	-	-	-	-	-	2,118,514
Health services	147,147	-	-	-	-	-	55,476	202,623
Culture and recreation	-	-	-	-	-	-	13,364	13,364
Human Services	-	-	2,355,791	-	-	-	-	2,355,791
Debt Service:								
Principal	34,820	163,966	-	-	-	-	-	198,786
Interest	116,362	3,363	-	-	-	-	-	119,725
Capital outlay	46,848	534,957	-	2,336,654	42,859	-	13,976	2,975,294
Total Expenditures	5,675,415	2,850,203	2,355,791	2,592,742	577,107	2,984,568	506,853	17,542,679
Excess (deficiency) of revenues over expenditures	193,132	(527,455)	23,182	(1,534,947)	526,052	20,220	623,849	(675,967)
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	-	-	-	8,655,000	-	-	-	8,655,000
Proceeds from capital leases	-	182,357	-	-	-	-	-	182,357
Transfers in	416,362	-	-	300,000	-	-	15,000	731,362
Transfers out	-	-	(50,000)	(116,362)	(250,000)	-	(315,000)	(731,362)
Total other financing sources and uses	416,362	182,357	(50,000)	8,838,638	(250,000)	-	(300,000)	8,837,357
Net change in fund balances	609,494	(345,098)	(26,818)	7,303,691	276,052	20,220	323,849	8,161,390
Fund balances - beginning	1,262,911	1,024,618	419,478	343,279	826,514	-	962,998	4,839,798
Fund balances - ending	\$ 1,872,405	\$ 679,520	\$ 392,660	\$ 7,646,970	\$ 1,102,566	\$ 20,220	\$ 1,286,847	\$ 13,001,188

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

Huerfano County, Colorado
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds: \$ 8,161,390

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$2,975,294 is more than depreciation of \$490,628 in the current period. 2,484,666

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (8,638,571)

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

Rounding (1)

Change in net position of governmental activities: \$ 2,007,484

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

Huerfano County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2019

	<u>Enterprise Funds</u>		
	<u>Correctional Facility</u>	<u>Gardner Water and Sewer Improvement District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,397	\$ 71,865	\$ 84,262
Accounts Receivable, net	-	5,223	5,223
Total current assets	<u>12,397</u>	<u>77,088</u>	<u>89,485</u>
Non-current assets:			
Capital Assets:			
Utility System-distribution assets	-	1,538,137	1,538,137
Equipment and vehicles	274,052	339,819	613,871
Less Accumulated depreciation	<u>(241,536)</u>	<u>(388,404)</u>	<u>(629,940)</u>
Total non-current assets	<u>32,516</u>	<u>1,489,552</u>	<u>1,522,068</u>
Total assets	<u>44,913</u>	<u>1,566,640</u>	<u>1,611,553</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	999	999
Total current liabilities	<u>-</u>	<u>999</u>	<u>999</u>
Non-current liabilities:			
Customer deposits	-	120	120
Total non-current liabilities	<u>-</u>	<u>120</u>	<u>120</u>
Total liabilities	<u>-</u>	<u>1,119</u>	<u>1,119</u>
NET POSITION			
Net Investment in Capital Assets	32,516	1,489,552	1,522,068
Unrestricted	12,397	75,969	88,366
Total net position	<u>\$ 44,913</u>	<u>\$ 1,565,521</u>	<u>\$ 1,610,434</u>

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

Huerfano County, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds		
	Correctional Facility	Gardner Water and Sewer Improvement District	Total
REVENUES			
Charges for services	\$ -	\$ 83,233	\$ 83,233
Miscellaneous revenue	-	3,045	3,045
Total operating revenues	<u>-</u>	<u>86,278</u>	<u>86,278</u>
OPERATING EXPENSES			
Monitoring, security services and wages	-	25,545	25,545
Contractual services	-	42,853	42,853
Utilities	-	11,251	11,251
Repairs and maintenance	-	17,686	17,686
Other supplies and expenses	-	500	500
Miscellaneous expenses	4,829	8,471	13,300
Depreciation	8,527	39,286	47,813
Total Operating Expenses	<u>13,356</u>	<u>145,592</u>	<u>158,948</u>
Operating income (loss)	<u>(13,356)</u>	<u>(59,314)</u>	<u>(72,670)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	27	-	27
Total non-operating revenue (expenses)	<u>27</u>	<u>-</u>	<u>27</u>
Income (loss) before contributions and transfers	<u>(13,329)</u>	<u>(59,314)</u>	<u>(72,643)</u>
Change in net position	<u>(13,329)</u>	<u>(59,314)</u>	<u>(72,643)</u>
Total net position - beginning	58,242	1,624,835	1,683,077
Total net position - ending	<u>\$ 44,913</u>	<u>\$ 1,565,521</u>	<u>\$ 1,610,434</u>

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

Huerfano County, Colorado
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2019

	Enterprise Funds		
	Correctional Facility	Gardner Water and Sewer Improvement District	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Charges for Services	\$ -	\$ 83,523	\$ 83,523
Cash Received from Miscellaneous	-	3,045	3,045
Cash Payments to Suppliers for Goods & Services	(4,829)	(82,833)	(87,662)
Cash Payments for Salaries & Benefits	-	(25,545)	(25,545)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(4,829)</u>	<u>(21,810)</u>	<u>(26,639)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash Received from Interest Earnings	<u>26</u>	<u>-</u>	<u>26</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>26</u>	<u>-</u>	<u>26</u>
 NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	 (4,803)	 (21,810)	 (26,613)
Cash & Cash Equivalents:			
Beginning of Year	<u>17,200</u>	<u>93,675</u>	<u>110,875</u>
End of Year	<u><u>12,397</u></u>	<u><u>71,865</u></u>	<u><u>84,262</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income	(13,356)	(59,314)	(72,670)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	8,527	39,286	47,813
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	-	290	290
Increase (Decrease) in Accounts Payable	<u>-</u>	<u>(2,072)</u>	<u>(2,072)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (4,829)</u></u>	<u><u>\$ (21,810)</u></u>	<u><u>\$ (26,639)</u></u>

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

Huerfano County, Colorado
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	TOTAL AGENCY FUNDS
ASSETS:	
Cash and cash equivalents	<u>\$ 302,815</u>
Total assets	<u>302,815</u>
LIABILITIES:	
Due to other governmental units	<u>302,815</u>
Total Liabilities	<u>\$ 302,815</u>

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

Huerfano County, Colorado
Notes to Financial Statements
December 31, 2019

Note 1 Reporting Entity

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

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

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

Note 2 Summary of Significant Accounting Policies

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

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

The County reports the following major proprietary funds:

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

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

The County reports the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The budget calendar is as follows:

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

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

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

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

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

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

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end. Supplemental budgets were adopted during 2019.

The Special Projects, Federal Forest Project, General, and Disaster Recovery Funds over spent their budgets which may be a violation of Colorado Revised Statutes.

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

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

Taxes receivable represent 2019 assessed taxes to be collected in 2020. This receivable has been offset with a charge to Deferred Revenue.

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

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

Note 3 Deposits and Investments

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

deposits to eligible public depositories having their principal offices within the State of Colorado.

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

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

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

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

The County has invested in COLOTRUST in the amount of \$323,962 as of year-end. COLOTRUST PRIME and PLUS+ pools are a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

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

As of year-end, the County had \$360,871 invested in the Colorado Surplus Asset Fund Trust (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner.

- **Portfolio** – The CSAFE Cash Fund is a highly liquid fund operating similar to a money market like-fund. CSAFE Cash is intended for investment of Participants' operational and short-term surplus moneys (cash) with an emphasis placed on liquidity and a stable \$1.00 transactional share price. This Fund complies with the National Association of State Treasurer's *"Voluntary Guidelines/or the Operation of Stable Value Local Government Investment Pools"*. CSAFE Cash seeks to meet or exceed the minimum liquidity limits of these guidelines as well as those found in GASB Statement 79 and the S.E.C.'s Rule 2a-7. CSAFE publishes its fair market valuation (Shadow NAV) daily and its holdings monthly. This Fund is rated AAAM by Standard & Poor's.
- **GASB Methodology** – CSAFE Cash operates under GASB Statement 79, Amortized Cost Basis methodology, for the determination of transactional share price. GASB 79 Methodology exempts Participants from a valuation disclosure required of some fair value funds by GASB Statements No. 31 and No. 72.
- **Share Price Methodology** – The CSAFE Cash Fund calculates and publishes a Shadow NAV daily using third party supplied, marked-to-market pricing with internal daily validation and monitoring. Use of Amortized Cost Basis requires that such use results in no material deviation from marked-to-market valuations. This Fund uses rounding at two decimal places (penny rounding) for the determination of transactional share price. The CSAFE Cash Fund seeks to maintain a constant \$1.00 transactional share price. Should Shadow NAV for CSAFE Cash breach \$0.9975, certain fund restrictions are imposed to limit further Shadow NAV deterioration as specified by Standard & Poor's Principal Stability Fund Rating Methodology.
- **Purchases & Redemption Restrictions** – Minimum initial balance required to open a CSAFE Cash account is \$1 and the minimum transactional amount is \$1. The fund transacts in fractional shares above \$1.00 out to \$0.01. There are no limits on the number of transactions per month and funds received by stated cutoff times are credited same day. CSAFE Cash features cash management tools including check writing and later same day cutoff times for the convenience of its Participants. Deposits (purchases) can be initiated on the CSAFE Portal after logging into the Account Access area.
- **Fund Benchmark** – S&P GIP 7 Day Net Yield as published on Bloomberg Analytics under symbol LGIP7D.

- Rating Agency – CSAFE Cash Fund is rated AAAM by Standard & Poor's Global. S&P describes this rating as, "An S&P Global Principal Stability Fund Rating (PSFR), also known as a "money market fund rating" is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value) and to limit exposure to principal losses due to credit risk. A fund rated 'AAAM' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAM' is the highest principal stability fund rating assigned by S&P Global Ratings."

The County has also invested in government and agency bonds consisting of Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal Farm Credit Bank Bonds. All the investments are rated AAA by Moody's and S&P. The cost at year end was \$2,944,095 and market value was approximately \$3,174,154. The investments have varying interest rates and maturities.

Under current GASB statements, the investments are a level 1 due to the readily marketability of the investments.

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

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

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

Note 4 Changes in Fixed Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental-type activities:				
Capital Assets being depreciated:				
Land and Infrastructure	\$ 1,588,049	\$ -	\$ -	\$ 1,588,049
Buildings	13,828,255	-	-	13,828,255
Other Capital Assets	82,999	-	-	82,999
Equipment	8,813,095	638,640	-	9,451,735
Construction in Progress	2,890,134	2,336,654	-	5,226,788
Total capital assets being depreciated	27,202,532	2,975,294	-	30,177,826
 Total Accumulated Depreciation	 (17,114,679)	 (490,628)	 -	 (17,605,307)
Governmental-type activities capital assets, net	\$ 10,087,853	\$ 2,484,666	\$ -	\$ 12,572,519

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Equipment and Vehicles	\$ 613,870	\$ -	\$ -	\$ 613,870
Distribution Assets	1,538,137	-	-	1,538,137
Total capital assets being depreciated	2,152,007	-	-	2,152,007
Total accumulated depreciation	(582,127)	(47,813)	-	(629,940)
Business-type activities capital assets, net	\$ 1,569,880	\$ (47,813)	\$ -	\$ 1,522,067

Note 5 Depreciation Expense

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

Governmental Activities:

General Government	\$ 131,679
Public Safety	166,682
Public Works	177,889
Culture & Recreation	2,963
Human Services	11,415
Total Depreciation Expense – Governmental Activities	<u>\$ 490,628</u>

Business-Type Activities:

Correctional Facility	\$ 8,527
Water & Sewer	39,286
Total Depreciation Expense – Business-Type Activities	<u>\$ 47,813</u>

Note 6 Joint Ventures

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

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

- Has absolute authority over all funds and fiscal responsibility, including budgetary responsibility and reporting to state agencies, and controls fiscal management.

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

Note 7 Pension Plan

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

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

During 2019, the employer and employee contributed approximately \$170,765 each to CCOERA. The County had forfeitures of \$10,200 that were used to pay part of their portion. Total salaries for 2019 were \$5,141,002 with qualifying salaries of \$4,269,125.

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

Note 8 Contingent Liabilities

During the latter part of 2004, the State of Colorado, Department of Human Services converted to a new accounting system to account for the public welfare costs, revenues and eligible clients. The accounting system failed and several clients received more welfare benefits than they were entitled. It was ruled in federal court that if a welfare client received excess funds as a result of the State of Colorado, Department of Human Services or the County Department of Social Services error or errors, the welfare client was not

responsible for repaying the excess amount and the State and County could not start a collection effort. The State has not decided if they will pursue collection efforts against the County for any excess payments made because of the accounting system errors. The amount of liability, if any, that the County could owe to the State because of the errors is not known and the impact on the financial statements, if any, cannot be determined.

Note 9 Transfers and Due To/Due From

Transfers made during 2019 were as follows:

FROM	TO	AMOUNT
P.I.L.T.	Lodging Tax	\$ 15,000
Public Welfare	General	\$ 50,000
Special Projects	P.I.L.T.	\$ 300,000
Special Projects	General	\$ 116,362
Emergency Services	General	\$ 250,000

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

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

During 2012 P.I.L.T. loaned the Lodging Tax fund \$80,000. The loan is to be repaid in four annual installments of \$20,000 each. During 2019, the loan was forgiven and recorded as a transfer.

Note 10**Fund Balances:**

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

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

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

The committed fund balances are funds that are specific to that fund and are to be spent by that fund. The restricted fund balance relates to grants received that must be spent per the grant terms.

Note 11 Risk Management

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

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

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

Note 12 Tax, Spending and Debt Limitations

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

Note 13 Long Term Debt

During 2015 the County entered into a lease-purchase agreement for a motor grader. The lease-purchase agreement requires monthly payments of \$4,261

for 59 months plus a 60th payment of \$79,136 which includes a regular payment of \$4,261 and a balloon payment of \$74,875. The interest rate throughout the agreement is 3.2002%.

This lease-purchase agreement was paid in full in 2019.

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

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	\$ 36,197	\$ 2,919	\$ 39,116
2021	37,627	1,487	39,114
Total	<u>\$ 73,824</u>	<u>\$ 4,406</u>	<u>\$ 78,230</u>

During 2019, the County entered into a lease purchase agreement for a new Judicial Center, the Judicial Center Facilities Project. The lease will end if one of three things happen: the County does not appropriate enough money to make the annual payment, the lease is paid off early, or all lease payments are made as required. Upon making all lease payments as required the property will belong to the County.

The lease calls for semi-annual interest payment of one-half the amount due annually with interest payments due June 1 and December 1, beginning December 1, 2019. Principal payments are due on December 1 each year until paid in full beginning December 1, 2020. Interest is at 4% annually. The bonds are callable in 2029.

At the 2018 election, County electors approved an increase in the County's sales tax rate by 1%, with such sales tax effective January 1, 2020, with a fractional sunset of such tax on December 31, 2039, to a permanent rate of 0.25%. The County is allowed to collect and spend or reserve all revenues received from said tax for the purpose of providing continued operations of such facilities.

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	\$ 180,000	\$ 346,200	\$ 526,200
2021	235,000	339,000	574,000
2022	250,000	329,600	579,600
2023	265,000	319,600	584,600
2024	280,000	309,000	589,000
2025-2029	1,675,000	1,362,600	3,037,600
2030-2034	2,215,000	985,800	3,200,800
2035-2039	3,555,000	493,600	4,048,600
Total	<u>\$ 8,655,000</u>	<u>\$ 4,485,400</u>	<u>\$ 13,140,400</u>

During 2019, the County entered into a lease purchase agreement for certain equipment. The agreement calls for five annual payments of \$41,167, principal and interest, at a rate of 6.45%. The first payment was made April 2019. All payments are to be made from the Road and Bridge Fund.

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	\$ 32,060	\$ 9,107	\$ 41,167
2021	34,128	7,039	41,167
2022	36,330	4,837	41,167
2023	38,672	2,495	41,167
Total	<u>\$ 141,190</u>	<u>\$ 23,478</u>	<u>\$ 164,668</u>

Changes in long-term debt are as follows:

	Jan 1	Debt	Payments	Dec 31	Current
Long-Term Debt	<u>\$ 231,443</u>	<u>\$8,837,357</u>	<u>\$ (198,786)</u>	<u>\$8,870,014</u>	<u>\$ 248,257</u>

Huerfano County, Colorado
Budget and Actual
General
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 2,169,069	\$ 2,169,069	\$ 2,145,621
SO Taxes	243,000	243,000	289,919
Sales and miscellaneous taxes	404,400	404,400	810,127
Fees and fines	425	425	329
Licenses and permits	191,320	191,320	180,428
Intergovernmental	165	165	33,946
Charges for services	1,297,645	1,630,786	1,613,873
Investment earnings	15,500	15,500	45,268
Miscellaneous	180,221	180,221	749,036
Total revenues	<u>4,501,745</u>	<u>4,834,886</u>	<u>5,868,547</u>
EXPENDITURES			
Current:			
General government	2,807,531	2,807,531	2,867,673
Public Safety	2,146,679	2,479,820	2,454,466
Highways and roads	11,642	11,642	8,099
Health and sanitation	203,602	203,602	147,147
Debt Service:			
Principal	34,820	34,820	34,820
Interest and other charges	-	-	116,362
Capital Outlay	49,800	49,800	46,848
Total Expenditures	<u>5,254,074</u>	<u>5,587,215</u>	<u>5,675,415</u>
Excess (deficiency) of revenues over expenditures	<u>(752,329)</u>	<u>(752,329)</u>	<u>193,132</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	500,000	500,000	416,362
Total other financing sources and uses	<u>500,000</u>	<u>500,000</u>	<u>416,362</u>
Net change in fund balances	(252,329)	(252,329)	609,494
Fund balances - beginning	1,160,914	1,160,914	1,262,911
Fund balances - ending	<u>\$ 908,585</u>	<u>\$ 908,585</u>	<u>\$ 1,872,405</u>

Huerfano County, Colorado
Budget and Actual
Department of Human Services
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 315,736	\$ 315,736	\$ 312,592
SO Taxes	35,000	35,000	40,824
Intergovernmental	2,189,962	2,189,962	2,025,557
Total revenues	<u>2,575,698</u>	<u>2,575,698</u>	<u>2,378,973</u>
EXPENDITURES			
Current:			
Welfare	<u>2,661,062</u>	<u>2,661,062</u>	<u>2,355,791</u>
Total Expenditures	<u>2,661,062</u>	<u>2,661,062</u>	<u>2,355,791</u>
Excess (deficiency) of revenues over expenditures	<u>(85,364)</u>	<u>(85,364)</u>	<u>23,182</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Total other financing sources and uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	(135,364)	(135,364)	(26,818)
Fund balances - beginning	<u>135,364</u>	<u>135,364</u>	<u>419,478</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,660</u>

Huerfano County, Colorado
Budget and Actual
Road & Bridge
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 14,306	\$ 14,306	\$ 12,505
SO Taxes	1,330	1,330	1,633
Licenses and permits	28,500	28,500	38,656
Intergovernmental	2,058,559	2,058,559	2,113,517
Charges for services	57,500	57,500	52,446
Miscellaneous	35,520	35,520	103,991
Total revenues	<u>2,195,715</u>	<u>2,195,715</u>	<u>2,322,748</u>
EXPENDITURES			
Current:			
General government	41,538	41,538	37,502
Public Works	2,861,045	2,861,045	2,110,415
Debt Service:			
Principal	-	-	163,966
Interest and other charges	-	-	3,363
Capital Outlay	191,167	191,167	534,957
Total Expenditures	<u>3,093,750</u>	<u>3,093,750</u>	<u>2,850,203</u>
Excess (deficiency) of revenues over expenditures	<u>(898,035)</u>	<u>(898,035)</u>	<u>(527,455)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	182,357
Transfers in	130,000	130,000	-
Total other financing sources and uses	<u>130,000</u>	<u>130,000</u>	<u>182,357</u>
Net change in fund balances	(768,035)	(768,035)	(345,098)
Fund balances - beginning	989,915	989,915	1,024,618
Fund balances - ending	<u>\$ 221,880</u>	<u>\$ 221,880</u>	<u>\$ 679,520</u>

Huerfano County, Colorado
Budget and Actual
Special Projects
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 882,263	\$ 2,541,898	\$ 1,007,536
Total revenues	<u>882,263</u>	<u>2,541,898</u>	<u>1,057,795</u>
EXPENDITURES			
Current:			
General government	327,346	327,346	256,088
Capital Outlay	880,436	2,214,552	2,336,654
Total Expenditures	<u>1,207,782</u>	<u>2,541,898</u>	<u>2,592,742</u>
Excess (deficiency) of revenues over expenditures	<u>(325,519)</u>	<u>-</u>	<u>(1,534,947)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt			8,655,000
Transfers in	-	-	300,000
Transfers out	-	-	(116,362)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>8,838,638</u>
Net change in fund balances	(325,519)	-	7,303,691
Fund balances - beginning	386,437	386,437	343,279
Fund balances - ending	<u>\$ 60,918</u>	<u>\$ 386,437</u>	<u>\$ 7,646,970</u>

Huerfano County, Colorado
Budget and Actual
Emergency Services
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Sales and miscellaneous taxes	\$ 597,720	\$ 597,720	\$ 1,056,013
Intergovernmental	32,000	32,000	46,699
Miscellaneous	-	-	447
Total revenues	<u>629,720</u>	<u>629,720</u>	<u>1,103,159</u>
EXPENDITURES			
Current:			
Public Safety	593,786	593,786	534,248
Capital Outlay	30,000	30,000	42,859
Total Expenditures	<u>623,786</u>	<u>623,786</u>	<u>577,107</u>
Excess (deficiency) of revenues over expenditures	<u>5,934</u>	<u>5,934</u>	<u>526,052</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(250,000)	(250,000)	(250,000)
Total other financing sources and uses	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Net change in fund balances	(244,066)	(244,066)	276,052
Fund balances - beginning	560,997	560,997	826,514
Fund balances - ending	<u>\$ 316,931</u>	<u>\$ 316,931</u>	<u>\$ 1,102,566</u>

Huerfano County, Colorado
Budget and Actual
Disaster Recovery
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ -	\$ 2,831,187	\$ 2,923,148
Miscellaneous	-	-	81,640
Total revenues	<u>-</u>	<u>2,831,187</u>	<u>3,004,788</u>
EXPENDITURES			
Current:			
General government	-	-	34,420
Public Safety	-	2,831,187	2,950,148
Total Expenditures	<u>-</u>	<u>2,831,187</u>	<u>2,984,568</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>20,220</u>
Net change in fund balances	-	-	20,220
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,220</u>

Huerfano County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	P.I.L.T.	Conservation Trust	Waste Transfer Station	Retirement	Federal Forest Project	Lodging Tax Tourism	Total-Other Governmental Funds
REVENUES							
Property Taxes	\$ -	\$ -	\$ -	\$ 112,530	\$ -	\$ -	\$ 112,530
SO Taxes	-	-	-	14,697	-	-	14,697
Intergovernmental	558,434	16,577	-	-	16,482	20,575	612,068
Lodging Taxes	-	-	74,876	-	-	75,948	150,824
Investment earnings	-	36	-	-	-	-	36
Miscellaneous	230,001	-	2,046	-	5,000	3,500	240,547
Total revenues	<u>788,435</u>	<u>16,613</u>	<u>76,922</u>	<u>127,227</u>	<u>21,482</u>	<u>100,023</u>	<u>1,130,702</u>
EXPENDITURES							
Current:							
General government	132,416	-	4,126	125,364	-	128,729	390,635
Public safety	-	-	-	-	33,402	-	33,402
Health services	-	-	55,476	-	-	-	55,476
Culture and recreation	5,850	7,514	-	-	-	-	13,364
Capital outlay	-	-	13,976	-	-	-	13,976
Total Expenditures	<u>138,266</u>	<u>7,514</u>	<u>73,578</u>	<u>125,364</u>	<u>33,402</u>	<u>128,729</u>	<u>506,853</u>
Excess (deficiency) of revenues over expenditures	<u>650,169</u>	<u>9,099</u>	<u>3,344</u>	<u>1,863</u>	<u>(11,920)</u>	<u>(28,706)</u>	<u>623,849</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	15,000	15,000
Transfers out	(315,000)	-	-	-	-	-	(315,000)
Total other financing sources and uses	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(300,000)</u>
Net change in fund balances	<u>335,169</u>	<u>9,099</u>	<u>3,344</u>	<u>1,863</u>	<u>(11,920)</u>	<u>(13,706)</u>	<u>323,849</u>
Fund balances - beginning	703,218	7,236	25,323	124,682	47,188	55,351	962,998
Fund balances - ending	<u>\$ 1,038,387</u>	<u>\$ 16,335</u>	<u>\$ 28,667</u>	<u>\$ 126,545</u>	<u>\$ 35,268</u>	<u>\$ 41,645</u>	<u>\$ 1,286,847</u>

Huerfano County, Colorado
Balance Sheet
Other Governmental Funds
December 31, 2019

	<u>P.I.L.T.</u>	<u>Conservation Trust</u>	<u>Waste Transfer Station</u>	<u>Retirement</u>	<u>Federal Forest Project</u>	<u>Lodging Tax Tourism</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 334,622	\$ 16,335	\$ 27,704	\$ 125,066	\$ 35,268	\$ 42,925	\$ 581,920
Taxes receivable, net	-	-	-	113,417	-	-	113,417
Due from other funds	703,765	-	-	-	-	-	703,765
Total assets	<u>1,038,387</u>	<u>16,335</u>	<u>27,704</u>	<u>238,483</u>	<u>35,268</u>	<u>42,925</u>	<u>1,399,102</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	-	(963)	(1,479)	-	1,280	(1,162)
Total liabilities	-	-	(963)	(1,479)	-	1,280	(1,162)
Deferred Inflow of Resources							
Deferred property taxes	-	-	-	113,417	-	-	113,417
Fund balances:							
Committed	1,038,387	16,335	28,667	126,545	35,268	41,645	1,286,847
Total fund balances	<u>1,038,387</u>	<u>16,335</u>	<u>28,667</u>	<u>126,545</u>	<u>35,268</u>	<u>41,645</u>	<u>1,286,847</u>
Total liabilities and fund balances	<u>\$ 1,038,387</u>	<u>\$ 16,335</u>	<u>\$ 27,704</u>	<u>\$ 238,483</u>	<u>\$ 35,268</u>	<u>\$ 42,925</u>	<u>\$ 1,399,102</u>

Huerfano County, Colorado
Budget and Actual
Correctional Facility
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Investment earnings	\$ 33	\$ 33	\$ 27
Total revenues	<u>33</u>	<u>33</u>	<u>27</u>
EXPENDITURES			
Contractual services	-	-	-
Miscellaneous	33	33	4,829
Depreciation	-	-	8,527
Total Operating Expenses	<u>33</u>	<u>33</u>	<u>13,356</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>(13,329)</u>
Net change in net position	-	-	(13,329)
Net position - beginning	-	-	58,242
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,913</u>

Huerfano County, Colorado
Budget and Actual
Gardner Water and Sewer Improvement District
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 88,307	\$ 88,307	\$ 83,233
Miscellaneous	-	-	3,045
Total revenues	<u>88,307</u>	<u>88,307</u>	<u>86,278</u>
EXPENDITURES			
Personal services	25,444	25,444	25,545
Contractual services	35,775	35,775	42,853
Utilities	11,554	11,554	11,251
Repairs and maintenance	8,900	8,900	17,686
Other supplies and expenses	250	250	500
Miscellaneous	11,865	11,865	8,471
Insurance claims and expenses	2,013	2,013	-
Depreciation	15,000	15,000	39,286
Total Operating Expenses	<u>110,801</u>	<u>110,801</u>	<u>145,592</u>
Operating income (loss)	<u>(22,494)</u>	<u>(22,494)</u>	<u>(59,314)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,000)	(6,000)	-
Total other financing sources and uses	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in net position	(28,494)	(28,494)	(59,314)
Net position - beginning	54,780	54,780	1,624,835
Net position - ending	<u>\$ 26,286</u>	<u>\$ 26,286</u>	<u>\$ 1,565,521</u>

Huerfano County, Colorado
Budget and Actual
Conservation Trust
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 11,300	\$ 25,354	\$ 16,577
Investment earnings	32	32	36
Total revenues	<u>11,332</u>	<u>25,386</u>	<u>16,613</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>21,092</u>	<u>35,146</u>	<u>7,514</u>
Total Expenditures	<u>21,092</u>	<u>35,146</u>	<u>7,514</u>
Excess (deficiency) of revenues over expenditures	<u>(9,760)</u>	<u>(9,760)</u>	<u>9,099</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources and uses	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	240	240	9,099
Fund balances - beginning	<u>1,731</u>	<u>1,731</u>	<u>7,236</u>
Fund balances - ending	<u>\$ 1,971</u>	<u>\$ 1,971</u>	<u>\$ 16,335</u>

Huerfano County, Colorado
Budget and Actual
P.I.L.T.
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 521,955	\$ 521,955	\$ 558,434
Miscellaneous	-	-	230,001
Total revenues	<u>521,955</u>	<u>521,955</u>	<u>788,435</u>
EXPENDITURES			
Current:			
General government	180,000	180,000	132,416
Highways and roads	16,359	16,359	-
Culture and recreation	10,000	10,000	5,850
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total Expenditures	<u>246,359</u>	<u>246,359</u>	<u>138,266</u>
Excess (deficiency) of revenues over expenditures	<u>275,596</u>	<u>275,596</u>	<u>650,169</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(374,000)</u>	<u>(374,000)</u>	<u>(315,000)</u>
Total other financing sources and uses	<u>(374,000)</u>	<u>(374,000)</u>	<u>(315,000)</u>
Net change in fund balances	(98,404)	(98,404)	335,169
Fund balances - beginning	<u>430,849</u>	<u>430,849</u>	<u>703,218</u>
Fund balances - ending	<u>\$ 332,445</u>	<u>\$ 332,445</u>	<u>\$ 1,038,387</u>

Huerfano County, Colorado
Budget and Actual
Retirement
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 113,666	\$ 113,666	\$ 112,530
SO Taxes	11,675	11,675	14,697
Miscellaneous	34,725	47,183	-
Total revenues	<u>160,066</u>	<u>172,524</u>	<u>127,227</u>
EXPENDITURES			
Current:			
General government	157,135	171,929	125,364
Total Expenditures	<u>157,135</u>	<u>171,929</u>	<u>125,364</u>
Excess (deficiency) of revenues over expenditures	<u>2,931</u>	<u>595</u>	<u>1,863</u>
Net change in fund balances	2,931	595	1,863
Fund balances - beginning	122,327	122,327	124,682
Fund balances - ending	<u>\$ 125,258</u>	<u>\$ 122,922</u>	<u>\$ 126,545</u>

Huerfano County, Colorado
Budget and Actual
Federal Forest Project
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ -	\$ 32,403	\$ 16,482
Miscellaneous	-	-	5,000
Total revenues	<u>-</u>	<u>32,403</u>	<u>21,482</u>
EXPENDITURES			
Current:			
Public Safety	<u>27,948</u>	<u>32,403</u>	<u>33,402</u>
Total Expenditures	<u>27,948</u>	<u>32,403</u>	<u>33,402</u>
Excess (deficiency) of revenues over expenditures	<u>(27,948)</u>	<u>-</u>	<u>(11,920)</u>
Net change in fund balances	(27,948)	-	(11,920)
Fund balances - beginning	<u>27,948</u>	<u>27,948</u>	<u>47,188</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 27,948</u></u>	<u><u>\$ 35,268</u></u>

Huerfano County, Colorado
Budget and Actual
Lodging Tax Tourism
For the year ended December 31, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Lodging taxes	\$ 50,000	\$ 50,000	\$ 75,948
Intergovernmental	85,000	85,000	20,575
Miscellaneous	-	-	3,500
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>100,023</u>
EXPENDITURES			
Current:			
General government	163,000	163,000	128,729
Total Expenditures	<u>163,000</u>	<u>163,000</u>	<u>128,729</u>
Excess (deficiency) of revenues over expenditures	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,706)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	15,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>15,000</u>
Net change in fund balances	(28,000)	(28,000)	(13,706)
Fund balances - beginning	46,169	46,169	55,351
Fund balances - ending	<u>\$ 18,169</u>	<u>\$ 18,169</u>	<u>\$ 41,645</u>

Huerfano County, Colorado
Budget and Actual
Waste Transfer Station
For the year ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Charges for services	\$ 64,550	\$ 64,550	\$ 74,876
Miscellaneous	4,050	4,050	2,046
Total revenues	<u>68,600</u>	<u>68,600</u>	<u>76,922</u>
EXPENDITURES			
Current:			
General government	3,025	3,025	4,126
Health and sanitation	85,737	85,737	55,476
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>13,976</u>
Total Expenditures	<u>98,762</u>	<u>98,762</u>	<u>73,578</u>
Excess (deficiency) of revenues over expenditures	<u>(30,162)</u>	<u>(30,162)</u>	<u>3,344</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources and uses	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balances	9,838	9,838	3,344
Fund balances - beginning	<u>12,579</u>	<u>12,579</u>	<u>25,323</u>
Fund balances - ending	<u>\$ 22,417</u>	<u>\$ 22,417</u>	<u>\$ 28,667</u>

LOCAL HIGHWAY FINANCE REPORT		City or County: Huerfano
		YEAR ENDING : December 2019
This Information From The Records Of Huerfano County:	Prepared By: Phone:	John Galusha 719 738-3000, ext. 110

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,426,769
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	34,138	c. Other	
4. Miscellaneous local receipts (from page 2)	314,918	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	25,826
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,452,595
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	349,056	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	2,137,043	2. Notes:	
D. Receipts from Federal Government (from page 2)	1,842	a. Interest	3,363
E. Total receipts (A.7 + B + C + D)	2,487,941	b. Redemption	163,966
		c. Total (a. + b.)	
		3. Total (1.c + 2.c)	167,329
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,619,924

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

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance
	884,131	2,487,941	1,619,924	1,752,148
				0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2019

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	12,505	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	0	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens	0	e. Sale of Surplus Property	50,036
4. Licenses		f. Charges for Services	221,723
5. Specific Ownership &/or Other	21,633	g. Other Misc. Receipts	23,680
6. Total (1. through 5.)	21,633	h. Other Permits	19,479
c. Total (a. + b.)	34,138	i. Total (a. through h.)	314,918
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,094,516	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	131
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	19,177	d. Federal Transit Admin	
d. Other (Specify) Grant	23,350	e. U.S. Corps of Engineers	
e. Other (Specify) Energy Impact	0	f. Other Federal Taylor Grazing	1,711
f. Total (a. through e.)	42,527	g. Total (a. through f.)	1,842
4. Total (1. + 2. + 3.f)	2,137,043	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No
Identification of major federal programs:		
CFDA Number(s)	10.923 93.558	Name of Federal Program or Cluster
		USDA – EWP Grant TANF
Dollar threshold used to distinguish between type A and type B programs:	\$187,500	
Auditee qualified as a low-risk auditee?	_X_ Yes	___ No

Section II: Financial Statement Findings

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

Section III: Federal Awards Findings

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

Huerfano County, Colorado
Schedule of Federal Awards Expended
for the year ended December 31, 2019

GRANT TITLE	PASS-THRU AGENCY	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF HEALTH & HUMAN SERVICES:				
IV-D Administration	Colo. Dept of Human Services	93.563	\$ 112,188	
IV-D 1115 Grant	Colo. Dept of Human Services	93.564	138	
LEAP	Colo. Dept of Human Services	93.568	243,859	
Title IV-E-FC	Colo. Dept of Human Services	93.658	321,190	
Block Grant- Title XX	Colo. Dept of Human Services	93.667	51,578	
Title IV-E Guard As	Colo. Dept of Human Services	93.090	1,056	
IV-B Child Care	Colo. Dept of Human Services	93.645	7,059	
CO Works- TANF	Colo. Dept of Human Services	93.558	501,552 *	
Child Care Development Funds	Colo. Dept of Human Services	93.596	24,627	
Family Preservation-PSSF	Colo. Dept of Human Services	93.556	36,979	
CCDF Cluster	Colo. Dept of Human Services	93.575	51,525	
PREP	Colo. Dept of Human Services	93.092	169,687	
IV-E Adoption	Colo. Dept of Human Services	93.659	<u>36,366</u>	1,557,804
DEPARTMENT OF HEALTH & HUMAN SERVICES:				
Medicaid Cluster	Colo. Dept of Health Care Policy & Fin.	93.778	<u>150,060</u>	150,060
DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT				
24849 August 2019 NE	Colo. Dept of Public Health & Environ	93.354	5,000	
Safe Drinking Water Program	Colo. Dept of Public Health & Environ	66.458	<u>49,506</u>	54,506
DEPARTMENT OF AGRICULTURE:				
AIM/COCO grant		10.664	5,158	
USDA EWP1 construction grant		10.923	1,507,971 *	
Food Stamp Cluster	Colo. Dept of Human Services	10.551	479	
Food Stamp Cluster	Colo. Dept of Human Services	10.561	<u>86,696</u>	1,600,304
DEPARTMENT OF TRANSPORTATION:				
Airport Improvement Program	Federal Aviation Administration	20.106	<u>27,109</u>	27,109
DEPARTMENT OF LOCAL AFFAIRS:				
Community Development Block Grant	Colo. Dept of Local Affairs	14.228	<u>67,737</u> **	67,737
DEPARTMENT OF JUSTICE:				
Department of Homeland Security	Department of Justice	16.607	<u>7,975</u>	7,975
DEPARTMENT OF HOMELAND SECURITY:				
Emergency Management		97.067	16,919	
Emergency Management		97.042	<u>29,779</u>	46,698
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 3,512,193</u></u>	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

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

The County does not use the minimum indirect cost rate.

* Major Programs

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

rfarmer, llc
a certified public accounting and consulting firm

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

Independent Auditor's Report

Huerfano County Commissioners
Huerfano County, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano County (the "County") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 2, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Purpose of this Report

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

rfarmer, llc

June 2, 2020

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

Independent Auditor's Report

Board of County Commissioners
Huerfano CO, Colorado

Report on Compliance for Each Major Federal Program

We have audited Huerfano County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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 for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

rfarmer, UIC

June 2, 2020