CUSTER COUNTY, COLORADO

WESTCLIFFE, COLORADO

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

AND CERTAIN SUPPLEMENTAL INFORMATION

December 31, 2022

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Independent Auditor's Report

September 28, 2023

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unqualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2022, 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.

Basis for Qualifed and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion

Management has not adopted GASB Statement No. 87, Leases. Accounting principles generally accepted in the United State of America require the measurement of a lease receivable and deferred inflows for the lessor and a right to use assets and a lease liability for the lessee. The amounts by which this departure would effect receivables, right to use lease assets, lease liabilities, and deferred inflows in the statement of net position and the governmental funds has not been determined.

Responsibilities of Management 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, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - vii and 33-36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Custer County, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules for nonmajor funds, the Local Highway Finance Report for Road, Bridges and Streets and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 28, 2023, 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.

Darrow, Ross & DeNardo, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2022 and 2021

This section of the report provides readers with a narrative overview and analysis of the financial activities of Custer County for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights
Custer County's assets exceeded liabilities by $12,094,498 at the end of 2022. Of this amount, $6,016,470 may be used to meet the government's ongoing obligations to citizens and creditors. The remaining $6,078,020 is invested in capital assets or restricted.

The County's General Fund balance was $4,170,559 as of December 31, 2022. Of this amount, $158,500 is reserved for emergencies.

The 2022 General Fund balance is $621,641 more than the previous year. The total fund balance is 65% of 2022 General Fund operating expenditures plus net operating transfers. The County Commissioners' goal is to keep fund balance at no less than 5%.

Overview of the Financial Statements
This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information including combining statements for non-major funds.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). Custer County's governmental activities include general government, public safety, roads and bridges, auxiliary, and health and human services.

Overview of the Financial Statements (Continued)

The government-wide financial statements include not only Custer County itself (known as the primary government), but also legally separate entities which have a significant operational or financial relationship with the County. These entities, if any, are known as component units. The discreetly presented component unit is the E-911 Emergency Telephone Authority. In 2007, for the first time, the County began accounting for all transactions of the Custer County Airport Authority (now an advisory board) on its behalf, and, as such, it is now treated as a blended component unit for financial reporting purposes. More information on the functions of these activities can be found in Note 1 to the financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Custer County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Custer County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Custer County maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road & Bridge Fund, Human Services Fund, Capital Improvements Fund, Emergency Services Fund, Conservation Trust Fund and the Lodging and Tourism Fund. The Custer County Airport Authority is also included as a blended component unit. The General Fund, Road & Bridge Fund, Capital Improvement Fund, and the Human Services Fund are the only funds that are considered major. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Proprietary Funds. There are two common types of Proprietary Funds commonly used in governmental activities. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements and Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. During the fiscal year 2022, Custer County utilized one internal service fund, the Insurance Fund, for governmental activities.

Overview of the Financial Statements (Continued)

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support Custer County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement of net position can be found on pages 13 - 14.

Budgetary Comparisons. Custer County adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all major funds on pages 32 to 35 of this report. Budget to actual comparisons for each of the non-major funds are provided in other schedules elsewhere in this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 31 of this report.

Other Information. The combining statements referred to earlier in connection with the internal service fund and the non-major governmental funds can be found on pages 10 through 12 and 36 through 44, respectively.

County-Wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2022, assets exceeded liabilities by $12,094,498.

The following table provides a summary of the County's governmental and business-type net position for 2022 and 2021.

	2022	2021
Assets		
Current assets	$ 10,282,301	$ 9,146,378
Non-current assets	6,989,307	6,273,512
Total Assets	17,271,608	15,419,890
Liabilities		
Current liabilities	967,519	641,962
Non-current liabilities	1,898,591	1,408,844
Total Liabilities	2,866,110	2,050,806
Deferred Inflow – property taxes	2,311,000	2,301,000
Net Position		
Invested in capital assets, net of related debt	6,078,020	5,775,767
Restricted	2,599,209	2,615,258
Unrestricted	3,417,269	2,677,059
Total Net Position	$ 12,094,498	$ 11,068,084

The portion of Custer County's net position (28%) represents unrestricted net position of $3,417,269, which may be used to meet the County's ongoing obligations to citizens and creditors.

County-Wide Financial Analysis (Continued)
A significant portion of Custer County's net position (50%) reflects its investment in capital assets. These assets include land, buildings, machinery, equipment and infrastructure. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in 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 the capital assets themselves cannot be used to liquidate these liabilities.

An additional $404,415 of the County's net position (3%) represents resources that are subject to external restriction on how they may be used. The amount reserved for TABOR is $278,600, $129,215 is grant restricted and the remaining $2,194,794 is restricted for use in special revenue funds.

At the end of 2022, Custer County had positive balances in all net position categories.

Changes in Net Position. Governmental activities increased the County's net position by $912,298 in 2022 and $967,563 in 2021. The following table summarizes the changes in Custer County's net position for governmental activities for the years ended December 31, 2022 and 2021.

	2022	2021
Revenue		
Program Revenue		
Charges for services	$ 1,260,152	$ 1,211,869
Operating grants and contributions	2,777,660	1,941,083
Capital grants and contributions	296,878	431,868
General Revenue		
Taxes	6,466,910	5,967,554
Gain (Loss) on sale of assets	1,000	87,892
Investment earnings	123,979	4,961
Total Revenue	10,926,579	9,645,227
Program Expenses		
General government	2,585,490	2,564,055
Public safety	2,458,614	1,956,127
Streets and highways	2,390,757	2,361,110
Health and welfare	1,943,083	1,199,809
Auxiliary	620,357	581,515
Miscellaneous	-	-
Interest expense, unallocated	15,980	15,048
Total Expenses	10,014,281	8,677,664
Change in Net Position	912,298	967,563
Net position beginning of year (Restated)	11,182,200	10,214,637
Net position end of year	$ 12,094,498	$ 11,182,200

Financial Analysis of the County's Funds

As noted earlier, Custer County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments' net resources available for spending at the end of the fiscal year.

As of the end of 2022, the combined ending fund balances of County governmental funds were $6,980,276. Approximately 53% of this consists of unassigned fund balance which is available as working capital, and 7% is assigned/committed fund balance, which is available for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: 1) a state constitution mandated emergency reserve ($268,300); 2) grant requirements ($129,215); 3) restricted for use in special revenue funds ($2,194,794) and 4) inventory ($217,737).

The County has eight governmental funds. They are 1) General Fund; 2) Road & Bridge Fund; 3) Human Services Fund; 4) Capital Improvements Fund; 5) Emergency Service Fund; 6) Conservation Trust Fund; 7) Lodging and Tourism Fund and 8) Contingent Fund.

1. General Fund. This is the primary operating fund of the Custer County Government. It accounts for many of the County's core services, such as law enforcement, County General Fund activities, personnel costs, planning, and elections. The General Fund balance was $4,170,559 as of December 31, 2022. Of this amount, $158,500 was reserved for emergencies. The 2022 fund balance is $621,641 more than the previous year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents about 58% of total 2022 expenditures, while total fund balance is 65% of the same amount. 2022 expenditures and transfers for general fund activities were more than budgeted by $7,727.
2. Road & Bridge Fund. The Road & Bridge fund is also state mandated. The fund records costs related to County road and bridge construction and maintenance. The Road & Bridge fund had $1,345,017 in fund balance at the end of 2022. This amount is $86,953 less than the previous year. 2022 expenditures for road projects were more than budgeted by $183,060.
3. Human Services Fund. The Human Services Fund is mandated by state statute. This fund accounts for the local share of many federal and state public welfare programs, plus various federal and state human services grants. The fund carried a fund balance of $29,689 at the end of 2022, which was $82,282 more than the previous year.
4. Capital Improvements Fund. The Capital Improvements Fund accounts for the acquisition of major capital facilities and equipment. These are the purchases of the Sheriff's vehicles, office and jail facility and several heavy equipment purchases for the Road and Bridge Department and the Landfill Operation.
5. Emergency Service Fund. The primary function of the Emergency Service Fund is to account for expenditures relating to auxiliary rural and County-wide health and medical services. This fund receives property tax revenues which help finance these services. This fund also accounts for monies received as grant funds through the Colorado Regional Trauma Advisory Council for the support of rural emergency medical services.
6. Conservation Trust Fund. Accounts for the receipt and expenditure of Colorado Lottery funds from the State of Colorado.

Financial Analysis of the County's Funds (Continued)

7. Lodging and Tourism Fund. The function of this fund is to account for lodging tourism tax revenue collected. The residents of Custer County approved a ballot issue in 2008 to implement a 2% tourism lodging tax assessed on persons renting a motel/hotel room or a campground space. The revenues from this tax will be used exclusively for advertising and marketing of local tourism.
8. Custer County Airport Advisory Board. The primary function of the Airport Advisory Board is to account for expenditures of the airport and related operating and grant revenues. It is a separate government included in the County's financial statements as a blended component unit due to its financial dependence.
9. Insurance Fund. (An internal service fund) This fund was established to account for County funds dedicated to general property loss and liability insurance, County official's errors and omissions insurance, and workers compensation insurance coverage.

General Fund Budgetary Highlights

The County's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

For 2022, the Board of County Commissioners appropriated $6,411,851 for general fund expenditures and other financing uses. The budget was amended.

	Original Budget	Final Budget	Actual
Revenues	$ 5,694,137	$ 5,897,537	$ 7,094,079
Expenditures and transfers	$ 6,253,402	$ 6,411,851	$ 6,412,437

Actual expenditures were more than the anticipated budget and less than revenues, which caused the ending fund balance to increase $621,642, over the prior year.

Capital Asset and Debt Administration

Capital Assets. Custer County's investment in capital assets for its governmental activities as of December 31, 2022 totals $6,989,307 (net of accumulated depreciation). This investment includes all land, buildings, machinery, equipment, and infrastructure. The total increase in net capital assets for the current fiscal year was $715,795.

- Additional information on the County's capital assets can be found in Note 6 of this report.

Long-term Debt. At December 31, 2022, Custer County had no bonded debt. There are financed leases outstanding of $911,286 and other noncurrent liabilities for post disclosure landfill costs and compensated absences. Additional information can be found in Note 9.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2023 budgets.

- Continued growth in Custer County caused increased demand in all service areas of the County, especially in public safety and road and bridge infrastructure.

Other Matters (Continued)

- Population growth has impacted the County's ability to provide public safety within our judicial system. The County courthouse combined courts system needs more physical space and a more secure facility for our citizens, victims, courthouse personnel and those accused of wrong doing. New State funds are being accessed to provide better courthouse security. The County needs a better designed, more functional jail that would complement the court facilities. The County is presently working with a planning grant from the Colorado Department of Local Affairs (DOLA) to improve the jail and justice facilities as well as other grant sources for the funding of a new justice center
- Airport runway and fuel projects and improvements are underway.
- The American Rescue Plan Act was fully granted to the County in 2022. A committee was formed to review applications and award monies to government entities, businesses and individuals within the County.

Requests for Information

This financial report is designed to provide a general overview of Custer County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or for additional financial information should be addressed to the County HR/Finance Director, 205 South Sixth Street, Westcliffe, CO 81252.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2022

	Primary Government	Component Unit
	Governmental Activities	E-911 Authority
Assets		
Cash and investments - unrestricted	$ 7,047,201	$ 411,855
Receivables	2,968,890	27,499
Restricted cash and investments	-	-
Inventories	217,737	-
Prepaid expenses	48,473	-
Capital Assets:		
Non-depreciable	537,827	-
Depreciable - net	6,451,480	58,794
Total Assets	17,271,608	498,148
Liabilities		
Accounts payable and accrued liabilities	174,890	9,721
Unearned revenue	662,206	-
Long-Term Liabilities:		-
Due within one year	130,423	-
Due in more than one year	1,898,591	-
Total Liabilities	2,866,110	9,721
Deferred Inflow - property taxes	2,311,000	-
Net Position		
Investment in capital assets, net of related debt	6,078,020	58,794
Restricted	2,599,209	3,400
Unrestricted	3,417,269	426,233
Total Net Position	$ 12,094,498	$ 488,427

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

STATEMENT OF ACTIVITIES
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: E-911 Authority
Governmental Activities						
General government	$ 2,585,490	$ 917,552	$ 642,983	$ 150,186	$ (874,769)	$ -
Public safety	2,458,614	187,580	377,216	40,091	(1,853,727)	-
Streets and highways	2,390,757	106,704	31,630	-	(2,252,423)	-
Health and welfare	1,943,083	-	1,613,088	91,588	(238,407)	-
Auxiliary	620,357	48,316	112,743	15,013	(444,285)	-
Interest expense, unallocated	15,980	-	-	-	(15,980)	-
Total Governmental Activities	$ 10,014,281	$ 1,260,152	$ 2,777,660	$ 296,878	(5,679,591)	-
Component Unit						
E-911 Authority	$ 103,066	$ 110,207	$ -	$ -		7,141
General Revenues						
Property taxes					2,496,403	-
Specific Ownership					310,489	-
Sales and use taxes					2,254,429	-
Highway users taxes					1,315,112	-
Lodging and tourism taxes					90,477	-
Gain on sale of assets					1,000	-
Earnings on investments					123,979	676
Total General Revenues and Transfers					6,591,889	676
Changes in Net Position					912,298	7,817
Net Position - January 1 (Restated)					11,182,200	480,610
Net Position - December 31					$ 12,094,498	$ 488,427

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2022

Assets	General Fund	Road & Bridge Fund	Human Services Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash	$ 4,856,470	$ 1,014,769	$ 53,812	$ 594,354	$ 426,641	$ 6,946,046
Accounts receivable	189,198	2,185	1,121	-	5,427	197,931
Taxes receivable	1,459,455	728,070	187,391	68,534	261,151	2,704,601
Due from County funds	-	48,000	3,872	279,827	54,782	386,481
Accrued state revenue	-	-	14,841	-	-	14,841
Accrued federal revenue	-	-	11,918	-	-	11,918
Inventories	-	204,132	-	-	13,605	217,737
Total Assets	6,505,123	1,997,156	272,955	942,715	761,606	10,479,555
Liabilities						
Accounts payable and accrued liabilities	85,295	28,139	1,478	16,318	3,992	135,222
Due to County funds	386,481	-	-	-	-	386,481
Due to State of Colorado	-	-	29,258	-	-	29,258
Unearned revenue	611,788	-	25,530	-	-	637,318
Total Liabilities	1,083,564	28,139	56,266	16,318	3,992	1,188,279
Deferred Inflow - property taxes	1,251,000	624,000	187,000	-	249,000	2,311,000
Fund Balances						
Nonspendable	-	204,132	-	-	13,605	217,737
Restricted	287,715	1,140,885	29,689	926,397	207,623	2,592,309
Committed	174,138	-	-	-	-	174,138
Assigned	-	-	-	-	287,386	287,386
Unassigned	3,708,706	-	-	-	-	3,708,706
Total Fund Balances	$ 4,170,559	$ 1,345,017	$ 29,689	$ 926,397	$ 508,614	$ 6,980,276

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

CUSTER COUNTY, COLORADO

December 31, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 6,980,276
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.		6,989,307
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.		39,209
Other long-term assets are not available to pay for current period expenditures and are therefore not recorded in the governmental funds but recorded as prepaid amounts or receivables in the statement of net position.		48,473
Certain revenue is earned over a period years, the portion of unearned income is reported as unearned revenue in the statement of net position.		(24,888)
Long-term liabilities, including long-term debt are not due and payable in the current period and therefore are not reported in the governmental funds:		
Leases	(911,287)	
Accrued interest	(8,753)	
Compensated absences	(255,036)	
Landfill closure costs	(862,691)	(2,037,767)
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.		99,888
Total Net Position - Governmental Activities		$ 12,094,498

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2022

	General Fund	Road & Bridge Fund	Human Services Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,306,994	$ 2,019,189	$ 212,358	$ 548,400	$ 372,788	$ 6,459,729
Penalties	4,229	2,091	9	-	852	7,181
Federal Sources	1,748,206	18,412	186,521	-	82,994	2,036,133
State Sources	647,445	-	204,520	15,013	101,730	968,708
Local Sources	78,530	-	3,699	-	-	82,229
Licenses permits	352,889	-	-	-	-	352,889
Charges for services	748,618	106,704	-	3,625	42,682	901,629
Other income	207,168	14,218	11	-	12,351	233,748
Total Revenues	7,094,079	2,160,614	607,118	567,038	613,397	11,042,246
Expenditures						
General Government	2,331,638	38,307	-	435	-	2,370,380
Public Safety	2,116,336	9,172	-	-	207,978	2,333,486
Streets and Highways	-	2,102,178	-	-	-	2,102,178
Health and welfare	1,384,610	-	524,836	-	-	1,909,446
Auxiliary services	152,865	-	-	-	352,051	504,916
Capital outlay	426,989	603,674	-	349,105	-	1,379,768
Debt service - principal	-		-	92,222	-	92,222
Debt service - interest	-	-	-	12,395	-	12,395
Total Expenditures	6,412,438	2,753,331	524,836	454,157	560,029	10,704,791
Excess of Revenues Over (Under) Expenditures	681,641	(592,717)	82,282	112,881	53,368	337,455
Other Financing Sources (Uses)						
Transfers from (to) other funds	(60,000)	-	-	-	60,000	-
Proceeds from capital leases	-	505,764	-	-	-	505,764
Total Other Financing Sources (Uses)	(60,000)	505,764	-	-	60,000	505,764
Net Change in Fund Balance	621,641	(86,953)	82,282	112,881	113,368	843,219
Fund Balances - January 1 (Restated)	3,548,918	1,431,970	(52,593)	813,516	395,246	6,137,057
Fund Balances - December 31	$ 4,170,559	$ 1,345,017	$ 29,689	$ 926,397	$ 508,614	$ 6,980,276

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

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

CUSTER COUNTY, COLORADO

For the year ended December 31, 2022

Total Change in Fund Balances - Governmental Funds		$ 843,219
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense.		
Capital outlay	1,379,768	
Depreciation expense	(663,973)	715,795
Revenue, such as property taxes, not available to pay for current period expenditures are not recognized as revenue in the governmental funds.		
Property taxes	5,634	
Other	(121,301)	(115,667)
Expenditures for services which benefit a future period are reported as prepaid amounts in the statement of net position and are not recognized in the governmental funds.		32,785
The issuance of long-term obligations provide current financial resources to the governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of the governmental funds. The net effect of these differences in the treatment of long-term obligations and related items.		
Principal payments on long-term obligations	92,222	
Change in interest accrual	(3,584)	88,638
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.		(32,302)
In the statement of activities, certain operating expenses - compensated absenses (sick and vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect on the statement of activities.		(9,602)
In the government-wide statements, estimated landfill closure debt is recognized as long-term debt. In the government funds, the estimated cost nor the change in the estimate are included. Therefore, the change in the estimate is recognized.		(104,804)
Current lease proceeds provide current financial resources to the governmental funds but in the Statement of Net Position the lease is reported as long term debt.		(505,764)
Total Change in Net Position - Governmental Activities		$ 912,298

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

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2022

		Internal Service Insurance Fund
Assets		
Cash held by County Treasurer		$ 101,155
Taxes receivable		187,390
	Total Assets	288,545
Liabilities		
Accounts payable		1,657
Deferred Inflow - property taxes		187,000
Net Position		
Reserved for emergency		6,900
Unrestricted		92,988
	Total Net Position	$ 99,888

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2022

	Internal Service Insurance Fund
Operating Revenues	
Charges for services	$ -
Reimbursed expenses	16,927
Total Operating Revenues	16,927
Operating Expenses	
General government	143,176
Streets and Highways	118,425
Total Expenditures	261,601
Operating Income (Loss)	(244,674)
Nonoperating Revenues (Expenses)	
Property taxes	187,214
Specific ownership taxes	24,531
Penalties and Interest	627
Net Income (Loss) Before Other Financing Sources (Uses)	(32,302)
Operating transfers in (out)	-
Change in Net Position	(32,302)
Net Position - January 1	132,190
Net Position - December 31	$ 99,888

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

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Internal Service Insurance Fund
Cash Flows From Operating Activities	
Cash received for reimbursed expenses	$ 16,927
Payments for services	(265,395)
Net Cash Used for Operating Activities	(248,468)
Cash Flows From Noncapital Financing Activities	
Cash received for property taxes	212,383
Transfers from other funds	-
Net Cash Provided by Noncapital Financing Activities	212,383
Net Increase (Decrease) in Cash	(36,085)
Cash - January 1	137,240
Cash - December 31	$ 101,155
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (244,674)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	-
Increase (decrease) in warrants / accounts payable	(3,794)
Net Cash Provided (Used) by Operating Activities	$ (248,468)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2022

	Custodial Funds
Assets	
Cash and cash equivalents	$ 208,681
Total Assets	208,681
Net Fiduciary Position	
Fiduciary net position - held for others	208,681
Total Net Fiduciary Position	$ 208,681

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

CUSTER COUNTY, COLORADO

December 31, 2022

	Custodial Funds
Additions	
Collections	$ 11,081,176
Deductions	
Distributions	11,142,260
Change in Net Position	(61,084)
Net Position - January 1	269,765
Net Position - December 31	$ 208,681

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Custer County, Colorado ("County") was established in 1877 and operates under an elected commissioner form of government. The County provides a full range of services which include general government functions, public protection and safety, health, social services, public improvements, road and bridge operations, planning and zoning, and general administrative services.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governments. The following summary of significant accounting policies is presented to assist the reader in evaluating the County's financial statements.

A. Financial Reporting Entity

Custer 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 Custer County (Assessor, Clerk and Recorder, Sheriff, and Treasurer).

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component units:
The E911 Emergency Telephone Service Authority Board was created by intergovernmental agreement under Colorado statutes that authorizes the County, municipalities within the County, and special districts within the County to enter into an agreement for the purpose of providing 911 emergency telephone services. According to Colorado statute the agreement creates a separate legal entity which is responsible for administering the operations of the 911 emergency telephone service program in Custer County.

Blended component units:
The Airport Authority was dissolved and replaced by an advisory board appointed by the County Commissioners. The activities of the Airport are reported in a special revenue fund.

Other related organizations
The following organizations are excluded from the accompanying financial statements because the County's accountability for these organizations does not extend beyond various appointments:

Custer County Library District - The County Commissioners appoint the seven-member Library District Board. The Library District Board has total autonomy under the State Library Act to incur debt, establish budgets, and levy property taxes to support the District's library system.

Colorado Counties Casualty and Property Pool (hereinafter referred to as "CAPP") - CAPP was formed by intergovernmental agreement by member counties as a separate and independent governmental and legal entity pursuant to provisions of the Colorado Constitution and Colorado Revised Statutes. Each member county in this governmental agreement has the power under Colorado law to make provision for the property and casualty coverage which constitute the functions and services jointly provided by means of the CAPP. The Insurance Commissioner of the State of Colorado has such authority with respect to the CAPP as is provided by applicable Colorado statutes.

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Other related organizations (Continued)

The purposes of the CAPP are to provide a risk management fund for defined property and casualty coverage and to assist members in controlling costs by providing specialized governmental risk management services and systems. It is the intent of the members to use member contributions to defend and indemnify, in accordance with its bylaws, any member against states liability or loss to the limit of the financial resources of the risk management fund. It is also the intent of the members to have CAPP provide needed coverage at reasonable costs. All income and assets of CAPP shall be at all times dedicated to the exclusive benefit of its members. Custer County, through its Insurance Internal Service Fund, recognizes an expense for any amounts paid to CAPP annually for these coverages.

Custer County is a member of CAPP.

B. Government-wide Financial Statements

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

The statement of net position and the statement of activities display information about the County as a whole. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis. These statements include the activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide statement of activities reflect both the direct expenses and net cost of each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods and services offered by the program. Grants and contributions that are restricted to meeting the operational and capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program are included in operating grants and contributions, or capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the County.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category - governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and presented as non-major funds.

C. Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus (Continued)
Government-wide and Fiduciary Fund Financial Statements (Continued)
Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Revenues from property taxes are recognized in the fiscal year for the which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be both restricted and unrestricted resources available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants if any, and then general revenues.

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 government considers revenues, except for property taxes, to be available if they are collected within ninety days of the end of the current fiscal period. Property taxes are considered 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, expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual ans so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major government funds:

- The *General Fund* is the general operating fund of the County which accounts for all financial resources that are not accounted for in other funds. Operations of the County such as public safety, planning and zoning, property valuation, tax collection and distribution, vehicle licensing, County administration and other activities financed from taxes and general revenues are reflected in this fund.

- The *Road and Bridge Fund* records costs related to County road and bridge construction and maintenance. By State law, Colorado counties are required to maintain a Road and Bridge Fund and a portion of road and bridge taxes is allocated to cities and towns for use in their road and street activities.

- The *Human Services Fund* is used to administer human services programs under state and federal regulations. Programs include, but are not limited to, Medicaid, food stamps, foster care programs, senior service programs, and temporary assistance to needy families (TANF). Financing sources are from federal, state and local grants together with dedicated property taxes and specific ownership taxes. Colorado counties are required by state law to maintain a human services fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus (Continued)
Government-wide and Fiduciary Fund Financial Statements (Continued)

- The *Capital Improvement Fund* is used to account for and report financial resources that are restricted, committed, or assigned funds expended for the purpose of improving, equipping and furnishing the County's buildings and other property. Financing sources are from sales tax revenue and grants.

The County also reports the following fund types:

- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency to departments or agencies of the County on a cost reimbursement basis. The County's internal service fund reports on self-insurance programs for employee health, risk management, unemployment, and other insurance used by County departments.

- Services provided and used by internal service funds are not entirely eliminated from the government-wide state of activities. The primary government program expenses on the government-wide statement of activities are decreased to eliminate revenue over expenditures in internal service funds and increased to eliminate expenditures over revenues in internal service funds.

- The *Custodial Fund* accounts for assets held by the County as an agent for individuals, private organizations and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County holds funds for monies collected, principally tax collections.

The County has adopted the provisions of GASB Statement No. 84, Fiduciary Activities

D. Assets and Liabilities
1. Cash and Investments
The Custer County Treasurer maintains a cash and investment pool that is available for use by all County funds except for some custodial funds. Each fund's portion of this pool is displayed as "cash and cash equivalents". Accrued interest receivable is displayed separately. The amount of interest gained through secured investments is credited to the County's general fund per Colorado State Statutes, with the exception of the Conservation Trust and the E-911 Authority. Cash and cash equivalents are stated at fair value.

The County considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the treasury pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Cash equivalents are short term, liquid investments that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

Cash and investments are subject to Colorado State statutes as described in Note 3.

2. Property Taxes
Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on December 15 and are payable either in two installments due on February 28 and June 15, or in full on April 30. Delinquent taxes may be assessed penalties and interest by the County. The County, through the Custer County Treasurer, bills and collects its own property taxes, as well as property taxes for all other taxing authorities within the County.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities (Continued)

3. 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 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 expenses in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "due to/from other funds". Interfund balances are generally expected to be repaid within one year of the financial statement date. Any residual balances outstanding between the governmental funds are eliminated in the government-wide statement of net position.

4. Inventories and Prepaid Items

Inventories of governmental funds, which consist of expendable materials held for consumption, are stated at cost using weighted average cost method. Quantities on hand are determined by physical count.

Expendable supplies are charged directly to expenditures or expenses when purchased.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in the government-wide financial statements if significant, and are charged directly to expenditures or expenses when paid in the fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $1,000 and a useful life of more than one year.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. All reported capital assets are depreciated, except for land and land improvements. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Improvements	20 years
Infrastructure - bridges	50 years
Infrastructure - roads	20 years
Equipment	3 - 5 years
Heavy equipment	10 - 20 years

GASB Statement 34 allows small governments to begin reporting infrastructure assets in the year of implementation. The County has not elected to retroactively report infrastructure assets as permitted by GASB Statement 34.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The County does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Unearned Revenue

Unearned revenue in the government-wide and the fund financial statements consists primarily of unearned program revenue in the human services fund and unearned grant revenue in the general fund.

8. Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Full time employees earn five days vacation during their first year of employment, twelve days vacation beginning with their second year of employment, and seventeen days vacation beginning with their sixth year of employment. The maximum vacation accrual shall be one year carry over which must be taken by the employee's anniversary date of the following year or it will be forfeited. Employees will be permitted to accrue vacation leave until the reach the annual accrual cap of 272 hours. Once an employee reaches the annual cap, no additional leave will be accrued.

Sick leave is earned at the rate of one day per month (or 8 hours) for each month of employment. A maximum of sixty working days (or 480 hours) may be accumulated for actual illness. Once an employee reaches the accrual cap, no additional leave will be accrued. Accruals will start again once the employee's accrued leave falls below the maximum accrual cap.

A maximum of twenty days sick leave (or 160 hours) and days of vacation, depending on the length of employment, are paid to terminated employees.

Ultimate payment of these benefits, or liability of the County to the employee, if any, is payable only in conjunction with the employee's termination. Any such payments of vested benefits are made in a lump sum at termination.

The unpaid sick leave, vacation pay and related benefits at the end of the period will generally not be paid with expendable and available resources and, as such, the liability is generally not reflected in the governmental fund financial statements. The entire liability for compensated absences is reported on the government-wide financial statements.

9. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities (Continued)

10. Net Position

In the government-wide financial statements net position represents the difference between assets and liabilities. It is divided into three components. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding borrowing use for the acquisition or construction of improvements of those assets. Restricted net position is presented to reflect any restrictions imposed on its use by enabling legislation, restrictions imposed by grantors, laws or regulations of other governments. All other amounts are reported as unrestricted net position.

The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

11. Fund Balances

The County presents fund balances in clearly defined categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) 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 a specific purpose according to limitations imposed by the County's highest level of decision making authority, Board of Commissioners, prior to the end of the current year. The constraint may be removed or changed only through formal action of the Board of Commissioners.

- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of 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 the 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.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is County policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual budget and appropriation ordinance is adopted by the Board of County Commissioners in accordance with Colorado State Budget Act. The budget is prepared on a basis consistent with generally accepted accounting principles.

Budgets are established for all governmental funds and internal service funds. Formal budgetary accounting is employed as a management control device during the year to monitor the individual departments. The fund level is the level of classification at which expenditures may not legally exceed appropriations. During the year, several supplemental appropriations were necessary. All annual appropriations lapse at year end. The County does not recognize encumbrances.

B. Expenditures in Excess of Budget Amounts

During 2022 four funds had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law.

	Actual	Budget	Excess
General fund	$ 6,412,437	$ 6,411,851	$ (586)
Road and Bridge fund	$ 2,753,331	$ 2,570,271	$ (183,060)
Insurance fund	$ 261,601	$ 221,500	$ (40,101)
Airport	$ 92,382	$ 83,750	$ (8,632)

C. Tax, Spending, and Debt Limitations

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

D. Grant Funding

The County receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the County. There are no such proceedings presently in progress.

E. Risk Management

County Worker's Compensation Pool - The County is exposed to various risks of loss related to injuries of employees while on the job. The County participates, with other counties in the State of Colorado, in a County Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties.

The County pays an annual contribution to CWCP for its worker's compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of specified self-insurance retention, which is determined each policy year.

Note 2 - Stewardship Compliance, and Accountability (Continued)

E. Risk Management (Continued)

Colorado Counties Casualty and Property Pool - The County is exposed to various risks of loss to property and casualty losses. The County participates, with other counties in the State of Colorado, in a 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 Colorado Counties, Inc. 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.

F. Risks and Uncertainties

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Note 3 - Cash Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility.

Deposits (Continued)

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2022, the County had deposits over $250,000 in the amount of $81,442. These deposits are required to be collateralized under State statutes.

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the County's deposits may not be returned. The County's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year-end follows:

Cash and Deposits	Carrying Amounts	Less Than One Year	Less Than Five Years
Deposits:			
Cash on hand	$ 3,890	$ 3,890	$ -
Checking	38,822	38,822	-
Savings	407,346	407,346	-
Investments:			
Certificate of deposit	11,765	-	11,765
State investment pool (Colo Trust)	7,205,914	7,205,914	-
Total	$ 7,667,737	$ 7,655,972	$ 11,765

Note 3 - Cash Deposits and Investments (Continued)

Deposits (Continued)

Governmental Activities	$ 7,047,201
Component Unit	411,855
Fiduciary Fund	208,681
	$ 7,667,737

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, negotiable certificates of deposit fully covered by FDIC Insurance and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The County has invested $7,205,914 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to $1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2022:

- Certificates of deposit are valued using a matrix pricing model (Level 2 inputs).
- The County's investment in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy.

Interest Rate Risk - The County's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically all securities are limited to a maximum maturity of five years from date of purchase unless the governing body authorizes a longer period.

Credit Risk - The County does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2022 the County's investment in Colo Trust rates AAAm by Standard and Poor's and Aaa by Moody's.

Note 4 - Property Tax Accrual

Property taxes which have been levied for 2022 which will not be collected until 2023 have been accrued as a receivable at December 31, 2022. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

Note 5 - Interfund Transactions

Due to/from Other funds:
The County reports interfund balances between some of its funds. Balances result from the time lag between the dates when interfund goods or services are provided, transactions are recorded in the accounting system and the payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Transfers Between Funds:
Transfers between funds are generally indicative of funding for capital projects or subsidies of various County operations and re-allocation of special revenues.

The following schedule briefly summarizes the County's transfer activity:

	Transfers to		
Transfers from	**Major Funds**	**Other Funds**	**Total**
Major funds	$ -	$ 60,000	$ 60,000

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities	**Balances January 1**	**Additions**	**Deletions**	**Balances December 31**
Non Depreciable Assets				
Land	$ 929,687	$ -	$ -	$ 929,687
Assets in progress	474,177	98,690	35,040	537,827
Total Non Depreciable Assets	1,403,864	98,690	35,040	1,467,514
Depreciable Assets				
Buildings and improvements	5,140,254	433,493	-	5,573,747
Vehicles and heavy equipment	8,346,876	877,433	2,500	9,221,809
Office equipment	1,298,572	5,192	-	1,303,764
Infrastructure	356,198	-	-	356,198
Total Depreciable Assets	15,141,900	1,316,118	2,500	16,455,518
Less Accumulated Depreciation				
Buildings and improvements	2,545,757	167,816	-	2,713,573
Vehicles and heavy equipment	6,444,062	429,214	2,500	6,870,776
Office equipment	1,072,436	52,491	-	1,124,927
Infrastructure	209,997	14,452	-	224,449
Total Accumulated Depreciation	10,272,252	663,973	2,500	10,933,725
Total Capital Assets, Net	$ 6,273,512	$ 750,835	$ 35,040	$ 6,989,307

Note 6 - Capital Assets (Continued)

Component Unit E 911	Balances January 1	Additions	Deletions	Balances December 31
Non Depreciable Assets				
Assets in progress	$ -	$ -	$ -	$ -
Depreciable Assets				
Equipment	659,952	-	-	659,952
Less Accumulated Depreciation				
Equipment	537,338	63,820	-	601,158
Total Capital Assets, Net	$ 122,614	$ (63,820)	$ -	$ 58,794

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

General government	$ 99,672
Public safety	166,198
Streets and highways	280,229
Health and welfare	16,057
Auxiliary	101,817
Total - Governmental Activities	663,973
Component Unit - E 911	63,820
Total Depreciation Expense	$ 727,793

Note 7 - Defined Contribution Plan

The County provides pension benefits for all of its officials and employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Commissioners.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures, if any. Officials are eligible to participate immediately upon taking office. Employees are eligible to participate upon the completion of six months of service and attaining age twenty-one (21). As required by the terms of the plan, the County must contribute 4% of compensation to the plan and officials and employees must match employer contributions. In addition, officials and employees may make additional voluntary contributions not to exceed 10% of compensation. Officials are immediately vested 100% in employer contributions and earnings. Employees are vested at 20% per year, becoming fully vested after five years, in employer contributions and earnings. Employer contributions forfeited by an employee before becoming fully vested are returned to the County.

The County's total payroll for the year ended December 31, 2022 was $3,809,425. The County's contributions were calculated using the base earnings of eligible, participating employees of $3,335,857. The County's required 4% contribution for 2022 was $133,434, officials and employees required 4% contribution was $133,434, for a total of $266,868.

The plan held no securities of the County or other related parties during the year or as of the end of the year.

Note 8 - Deferred Compensation Plan

The County offers its officials and employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

The plan, available to all County officials and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to officials and employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan are deposited with the Colorado County Officials and Employees Retirement Association. During 2022 there were seventeen participants in the plan. Deferred compensation for the year ended December 31, 2022 was $35,838.

Note 9 - Long-Term Liabilities

Changes in long-term liabilities for the County were as follows:

	Debt Outstanding January 1	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Notes payable and other	$ 497,745	$ 505,764	$ 92,223	$ 911,286	$ 130,423
Compensated absences	245,435	9,601	-	255,036	-
Other obligations	757,887	104,804	-	862,691	-
Totals	$ 1,501,067	$ 620,169	$ 92,223	$ 2,029,013	$ 130,423

Notes payable and other obligations consisted of the following:

GM Financial	
2019 GMC 2500 Truck, $7,765.62 per year or five years, dated May 6, 2019, with an effective interest rate of 5.66%.	$ 7,349
John Deere Finance	
Two JD672G motor graders, four annual payments of $64,050 and final lump sum payment of $299,379 includes interest at 2.49%.	505,764
First State Bank of Colorado	
2020 Dodge Durango, $8,381.03 per year for six years dated November 12, 2020, with an effective interest rate of 3.25%	30,894
2018 Dodge Durango, $7,646.06 per year for seven years dated December 31, 2018, with an effective interest rate of 4.3%.	21,074
United Business Bank	
2020 Dodge Durango, $8,198.50 per year for four years, one final payment of $6,837.30. Lease dated June 2, 2020 with an effective interest rate of 3.75%.	14,243
Chet Haga Trust	
Vacant land, 6.68 acres, $50,000 per year plus interest at 2% for ten years with a final payment of $31,962 plus interest.	331,962
Total Notes and Other Obligation	911,286

Note 9 - Long-Term Liabilities (Continued)

Compensated Absences		
Accumulated vacation and sick leave benefits for eligible employees.	$	255,036
Other Obligations		
Estimated closure and postclosure costs of solid waste landfill		862,691
Total Other Obligations		1,117,727
Total Long Term Obligations	$	2,029,013

The assets acquired through financed leases total $826,233 less accumulated depreciation of $96,713. These assets are used in governmental activities.

Future minimum lease payments for all leases are as follows:

Year Ending December 31		
2023	$	152,681
2024		142,554
2025		134,717
2026		125,987
2027		351,399
2028 - 2029		84,240
Minimum lease payments for all capital leases		991,578
Less: imputed interest		80,292
Present Value of Minimum Lease Payments	$	911,286

The annual requirements to retire all general long-term debt as of December 31, 2022 are as follows:

Year Ending December 31	Principal	Interest	Total
2023	$ 130,422	$ 22,259	$ 152,681
2024	123,828	18,726	142,554
2025	119,119	15,597	134,716
2026	113,324	12,663	125,987
2027	342,631	8,768	351,399
2028 - 2029	81,962	2,279	84,241
	911,286	80,292	991,578
Compensated absences	255,036	-	255,036
Closure and postclosure costs	862,691	-	862,691
Total	$ 2,029,013	$ 80,292	$ 2,109,305

Note 10 - Closure and Postclosure Care Cost

The County began operating a solid waste landfill in April of 1994. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in its financial statements in each year based on landfill capacity used as of each balance sheet date. These costs are measured on the accrual basis and reported in the general long-term debt account group until they become current liabilities expected to be liquidated with expendable available resources of the County.

Note 10 - Closure and Postclosure Care Cost (Continued)

The most recent engineering report available was completed in February 2021. Estimates of closure costs were $211,166 and thirty year postclosure maintenance costs of $562,188 for a total of $773,354. The $862,691 reported as landfill closure and postclosure liability at December 31, 2022 in the government-wide financial statements represents the cumulative amount reported to date based on the use of approximately 99% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $104,805 as the remaining estimated capacity is filled. The estimated remaining landfill life is approximately 2 years based on current use estimates. The estimated dollar amounts are based on what it would cost to perform all closure and postclosure care in 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

At December 31, 2022, there are no assets restricted for payment of closure and postclosure care costs. The County paid $0 of costs in 2022. Current regulations permit local governments to meet financial assurance requirements by satisfying certain financial tests as defined in the Regulations. The County believes it is in compliance with and satisfies these tests as of December 31, 2022.

Note 11 - Net Position and Fund Balance Classifications

The specific purposes for each Net Position classification on the Statement of Financial Position are detailed in the table below:

	Primary Government	Component Unit	Totals
Invested in capital assets net of related debt	$ 6,078,020	$ 58,794	$ 6,136,814
Restricted			
Tabor	275,200	3,400	278,600
Grant restrictions	129,215	-	129,215
Restricted	2,194,794	-	2,194,794
Total Restricted	2,599,209	3,400	2,602,609
Unrestricted	3,417,269	426,233	3,843,502
Total Net Position	$ 12,094,498	$ 488,427	$ 12,582,925

Note 11 - Net Position and Fund Balance Classifications (Continued)

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

	General	Road and Bridge	Human Services	Capital Improvement	Other Government Funds	Totals
Non-spendable Inventory	$ -	$ 204,132	$ -	$ -	$ 13,605	$ 217,737
Restricted						
Tabor	158,500	63,900	12,700	17,100	16,100	268,300
Grants	129,215	-	-	-	-	129,215
Restricted	-	1,076,985	16,989	909,297	191,523	2,194,794
Total Restricted	287,715	1,140,885	29,689	926,397	207,623	2,592,309
Committed	174,138	-	-	-	-	174,138
Assigned	-	-	-	-	287,386	287,386
Unassigned	3,708,706	-	-	-	-	3,708,706
Total Fund Balances	$ 4,170,559	$ 1,345,017	$ 29,689	$ 926,397	$ 508,614	$ 6,980,276

Note 12 - EBT Authorizations, Warrant Expenditures and Total Expenditures

	A	B	C	D	E
Program	County EBT Authorizations	County Share of Authorizations	Expenditures By County Warrant	County EBT Authorizations Plus Expenditures by County Warrant	Total Expenditures
Old Age Pension	$ 66,581	-	-	$ 66,581	$ -
Low-Income Energy Assistance Program	141,577	-	-	141,577	-
Colorado Works	20,824	10,693	-	20,824	10,693
Regular Administration	124,421	765	457,318	581,739	458,083
Child Welfare	(3,195)	(799)	-	(3,195)	(799)
IV-E and parental fees	-	-	5,325	-	5,325
Aid to the Needy Disabled	7,561	1,891	-	7,561	1,891
Child Care	3,348	9,187	-	3,348	9,187
Home Care Allowance	9,752	513	-	9,752	513
Medicaid Transportation	-	-	16,525	16,525	16,525
General Assistance	-	-	23,418	23,418	23,418
Subtotal	370,869	22,250	502,586	868,130	524,836
Food Assistance	1,417,481	-	-	1,417,481	-
Grand Total	$ 1,788,350	$ 22,250	$ 502,586	$ 2,285,611	$ 524,836

Note 12 - EBT Authorizations, Warrant Expenditures and Total Expenditures (Continued)

A. Welfare payments authorized by the Custer County Department of Human Services. These County authorizations are paid by the Colorado Department of Human Services by QUEST debit cards or by electronic funds transfer (EFT).

B. County share of EBT authorizations. These amounts are settled monthly by a reduction of State cash advances to the County.

C. Expenditures made by County warrants or other County payment methods.

D. This represents the total cost of the welfare programs that are administered by Custer County.

E. This total matches the expenditures on the Human Services Fund - Statement of Revenues, Expenditures and Changes in Fund Balance.

NOTE 13 - RESTATEMENT

Some internal transfers were not presented as a portion of the government wide nor the fund statements as of December 31, 2021 The following adjustment was required to restate beginning net position in the government wide financial statements and beginning fund balance in the fund statements.

Government Wide - Statement of Activities		
Net Position December 31	$	11,068,084
To include internal transfers		114,116
	$	11,182,200
General Fund - Financial Statements		
Net Position December 31	$	3,434,802
To include internal transfers		114,116
	$	3,548,918

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 2,746,245	$ 2,746,245	$ 3,306,994	$ 560,749
Penalties	3,800	3,800	4,229	429
Federal Sources	1,397,563	1,582,821	1,748,206	165,385
State Sources	197,325	215,467	647,445	431,978
Local Sources	81,705	81,705	78,530	(3,175)
Licenses and permits	311,400	311,400	352,889	41,489
Charges for services	883,550	883,550	748,618	(134,932)
Miscellaneous	72,549	72,549	207,168	134,619
Total Revenues	5,694,137	5,897,537	7,094,079	1,196,542
Expenditures				
General Government	2,224,076	2,224,076	2,331,637	(107,561)
Public Safety	2,243,092	2,243,092	2,116,336	126,756
Health and welfare	1,551,441	1,709,890	1,384,610	325,280
Auxiliary services	176,993	176,993	152,865	24,128
Capital outlay	57,800	57,800	426,989	(369,189)
Total Expenditures	6,253,402	6,411,851	6,412,437	(586)
Excess of Revenues Over (Under) Expenditures	(559,265)	(514,314)	681,642	1,195,956
Other Financing Sources (Uses)				
Transfers to other funds	(52,859)	(52,859)	(60,000)	(7,141)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(612,124)	(567,173)	621,642	1,188,815
Fund Balances - January 1 (Restated)	3,368,503	3,368,503	3,548,918	180,415
Fund Balances - December 31	$ 2,756,379	$ 2,801,330	$ 4,170,560	$ 1,369,230

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 1,960,511	$ 1,960,511	$ 2,019,189	$ 58,678
Penalties	1,800	1,800	2,091	291
Federal sources	17,000	17,000	18,412	1,412
State sources	-	-	-	-
Charges for services	43,000	43,000	106,704	63,704
Miscellaneous	2,000	12,072	14,218	2,146
Reimbursed expenses	-	-	-	-
Total Revenues	2,024,311	2,034,383	2,160,614	126,231
Expenditures				
General Government	38,000	38,000	38,307	(307)
Public Safety	5,000	5,000	9,172	(4,172)
Streets and Highways	2,337,271	2,337,271	2,102,178	235,093
Capital outlay	190,000	190,000	603,674	(413,674)
Total Expenditures	2,570,271	2,570,271	2,753,331	(183,060)
Excess of Revenues Over (Under) Expenditures	(545,960)	(535,888)	(592,717)	(56,829)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	505,764	505,764
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(545,960)	(535,888)	(86,953)	448,935
Fund Balances - January 1	1,402,928	1,402,928	1,431,970	29,042
Fund Balances - December 31	$ 856,968	$ 867,040	$ 1,345,017	$ 477,977

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
HUMAN SERVICES FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 206,994	$ 206,994	$ 212,358	$ 5,364
Penalties	500	500	9	(491)
Federal Sources	294,214	294,214	186,521	(107,693)
State Sources	374,886	374,886	204,520	(170,366)
Local Sources	-	-	3,699	3,699
Miscellaneous	10,000	10,000	11	(9,989)
Total Revenues	886,594	886,594	607,118	(279,476)
Expenditures				
Health and welfare	800,897	808,897	524,836	284,061
Capital outlay	-	-	-	-
Total Expenditures	800,897	808,897	524,836	284,061
Excess of Revenues Over (Under) Expenditures	85,697	77,697	82,282	4,585
Fund Balance - January 1	63,879	63,879	(52,593)	(116,472)
Fund Balance - December 31	$ 149,576	$ 141,576	$ 29,689	$ (111,887)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 220,000	$ 220,000	$ 548,400	$ 328,400
Federal sources	-	-	-	-
State sources	175,000	382,926	15,013	(367,913)
Charges for services	-	-	3,625	3,625
Total Revenues	395,000	602,926	567,038	(35,888)
Expenditures				
General government	-	-	435	(435)
Public Safety	-	-	-	-
Capital outlay	635,257	879,487	349,105	530,382
Debt service - principal	-	-	92,222	(92,222)
Debt service - interest	-	-	12,395	(12,395)
Total Expenditures	635,257	879,487	454,157	425,330
Excess of Revenues Over (Under) Expenditures	(240,257)	(276,561)	112,881	389,442
Other Financing Sources (Uses)				
Operating transfers in (out)	-	16,859	-	(16,859)
Proceeds from capital lease	-	-	-	-
Total Other Financing Sources (Uses)	-	16,859	-	(16,859)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(240,257)	(259,702)	112,881	372,583
Fund Balance - January 1	466,078	466,078	813,516	347,438
Fund Balance - December 31	$ 225,821	$ 206,376	$ 926,397	$ 720,021

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2022

	Contingent Fund	Conservation Trust Fund	Emergency Services Fund	Airport Fund	Custer County Lodging and Tourism	Totals
Assets						
Cash	$ 118,334	$ 80,680	$ 112,026	$ 11,989	$ 103,612	$ 426,641
Accounts receivable	-	-	5,427	-	-	5,427
Taxes receivable	-	-	249,520	-	11,631	261,151
Due from other County funds	-	-	54,782	-	-	54,782
Inventories	-	-	-	13,605	-	13,605
Total Assets	118,334	80,680	421,755	25,594	115,243	761,606
Liabilities						
Accounts payable	-	-	1,842	2,150	-	3,992
Unearned revenue	-	-	-	-	-	-
Total Liabilities	-	-	1,842	2,150	-	3,992
Deferred Inflow - property taxes	-	-	249,000	-	-	249,000
Fund Balances						
Nonspendable	-	-	-	13,605	-	13,605
Restricted	-	80,680	8,500	3,200	115,243	207,623
Assigned	118,334	-	162,413	6,639	-	287,386
Unassigned	-	-	-	-	-	-
Total Fund Balances	$ 118,334	$ 80,680	$ 170,913	$ 23,444	$ 115,243	$ 508,614

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
CUSTER COUNTY, COLORADO
December 31, 2022

	Contingent Fund	Conservation Trust Fund	Emergency Services Fund	Airport Fund	Custer County Lodging and Tourism	Totals
Revenues						
Taxes	$ -	$ -	$ 282,311	$ -	$ 90,477	$ 372,788
Penalties and interest	-	-	852	-	-	852
Federal sources	-	-	82,994	-	-	82,994
State sources	-	46,874	-	-	54,856	101,730
Local souraces	-	-	-	-	-	-
Charges for services	-	-	-	42,682	-	42,682
Other income	-	5,103	-	7,248	-	12,351
Total Revenues	-	51,977	366,157	49,930	145,333	613,397
Expenditures						
Public safety	-	-	207,978	-	-	207,978
Auxiliary	-	39,800	99,370	92,382	120,499	352,051
Capital outlay	-	-	-	-	-	-
Total Expenditures	-	39,800	307,348	92,382	120,499	560,029
Excess of Revenues Over (Under) Expenditures	-	12,177	58,809	(42,452)	24,834	53,368
Other Financing Sources (Uses)						
Operating transfers in (out)	-	-	-	60,000	-	60,000
Proceeds from capital lease	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	60,000	-	60,000
Net Change in Fund Balance	-	12,177	58,809	17,548	24,834	113,368
Fund Balance - January 1	118,334	68,503	112,104	5,896	90,409	395,246
Fund Balance - December 31	$ 118,334	$ 80,680	$ 170,913	$ 23,444	$ 115,243	$ 508,614

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CONTINGENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ -	$ -	$ -	$ -
Penalties	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
General government	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance - January 1	118,334	118,334	118,334	-
Fund Balance - December 31	$ 118,334	$ 118,334	$ 118,334	$ -

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CONSERVATION TRUST FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
State sources	$ 40,000	$ 40,000	$ 46,874	$ 6,874
Miscellaneous	-	-	5,103	5,103
Total Revenues	40,000	40,000	51,977	11,977
Expenditures				
Auxiliary services	43,800	43,800	39,800	4,000
Excess of Revenues Over (Under) Expenditures	(3,800)	(3,800)	12,177	15,977
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,800)	(3,800)	12,177	15,977
Fund Balance - January 1	56,314	56,314	68,503	12,189
Fund Balance - December 31	$ 52,514	$ 52,514	$ 80,680	$ 28,166

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
EMERGENCY SERVICES FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 275,792	$ 275,792	$ 282,311	$ 6,519
Penalties and interest	-	-	852	852
Federal sources	45,500	45,500	82,994	37,494
State sources	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	321,292	321,292	366,157	44,865
Expenditures				
Public Safety	170,461	170,461	207,978	(37,517)
Auxiliary services	147,525	167,525	99,370	68,155
Capital outlay	-	-	-	-
Total Expenditures	317,986	337,986	307,348	30,638
Excess of Revenues Over (Under) Expenditures	3,306	(16,694)	58,809	75,503
Fund Balance - January 1	71,161	71,161	112,104	40,943
Fund Balance - December 31	$ 74,467	$ 54,467	$ 170,913	$ 116,446

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY AIRPORT
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Charges for services	$ 39,000	$ 39,000	$ 42,682	$ 3,682
Miscellaneous	41,000	41,000	7,248	(33,752)
Total Revenues	80,000	80,000	49,930	(30,070)
Expenditures				
Auxiliary services	83,750	83,750	92,382	(8,632)
Capital outlay	-	-	-	-
Total Expenditures	83,750	83,750	92,382	(8,632)
Excess of Revenues Over (Under) Expenditures	(3,750)	(3,750)	(42,452)	(38,702)
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	60,000	60,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,750)	(3,750)	17,548	21,298
Fund Balance - January 1	3,802	3,802	5,896	2,094
Fund Balance - December 31	$ 52	$ 52	$ 23,444	$ 23,392

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY LODGING AND TOURISM FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 55,000	$ 55,000	$ 90,477	$ 35,477
State sources	-	60,000	54,856	(5,144)
Reimbursed expenses	-	-	-	-
Total Revenues	55,000	115,000	145,333	30,333
Expenditures				
Auxiliary services	65,000	145,000	120,499	24,501
Capital outlay	-	-	-	-
Total Expenditures	65,000	145,000	120,499	24,501
Excess of Revenues Over (Under) Expenditures	(10,000)	(30,000)	24,834	54,834
Fund Balance - January 1	106,350	106,350	90,409	(15,941)
Fund Balance - December 31	$ 96,350	$ 76,350	$ 115,243	$ 38,893

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
INSURANCE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Operating Revenues				
Charges for services	$ -	$ -	$ -	$ -
Reimbursed Expenses	2,000	2,000	16,927	14,927
Total Operating Revenues	2,000	2,000	16,927	14,927
Operating Expenditures				
General government	131,500	131,500	143,176	(11,676)
Streets and Highways	90,000	90,000	118,425	(28,425)
Total Expenditures	221,500	221,500	261,601	(40,101)
Operating Income (Loss)	(219,500)	(219,500)	(244,674)	(25,174)
Nonoperating Revenues (Expenses)				
Property taxes	207,494	207,494	187,214	(20,280)
Specific ownership taxes	-	-	24,531	24,531
Penalties and interest	-	-	627	627
Total Nonoperating Revenues (Expenses)	207,494	207,494	212,372	4,878
Net Income (Loss) Before Other Financing Sources (Uses)	(12,006)	(12,006)	(32,302)	(20,296)
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Change in Net Assets	(12,006)	(12,006)	(32,302)	(20,296)
Fund Balance - January 1	128,254	128,254	132,190	3,936
Fund Balance - December 31	$ 116,248	$ 116,248	$ 99,888	$ (16,360)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
E-911 AUTHORITY BOARD
CUSTER COUNTY, COLORADO
For the year ended December 31, 2022

	Budgeted Amount			Variance With Final budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Charges for services	$ 104,000	$ 104,000	$ 110,207	$ 6,207
Other	200	200	676	476
Total Operating Revenues	104,200	104,200	110,883	6,683
Expenditures				
Public Safety	51,050	51,050	39,246	11,804
Capital outlay	10,000	10,000	-	10,000
Total Expenditures	61,050	61,050	39,246	21,804
Excess of Revenues Over (Under) Expenditures	43,150	43,150	71,637	28,487
Fund Balance - January 1	-	-	357,996	357,996
Fund Balance - December 31	$ 43,150	$ 43,150	$ 429,633	$ 386,483

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

ADDITIONAL REPORTS AND SCHEDULES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2022

	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through Colorado Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	$ 26,550
Passed through Care and Share, Inc.:		
Emergency Food Assistance Program (Food Commodities)	10.569	10,459
Passed through Colorado State Office of Rural Development		
Community Facilities Loans and Grants	10.766	39,436
Total Department of Agriculture		$ 76,445
U.S. Department of Health and Human Services		
Passed through Colorado Department of Human Services		
Guardianship Assistance	93.090	$ 352
Temporary Assistance for Needy Families	93.558	39,251
Child Support Enforcement	93.563	34,654
Low-Income Home Energy Assistance	93.568	271,958
Community Service Block Grant	93.569	9,673
Child Care and Development Block Grant	93.575	246,492
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	5,945
Foster Care - Title IV - E	93.658	30,396
Adoption Assistance	93.659	1,551
Social Services Block Grant	93.667	5,371
Elder Abuse Prevention Interventions Program	93.747	2,446
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1,673
Total Colorado Department of Health and Human Services		$ 649,762
Passed through Colorado Department of Public Health and Environment		
Public Health Emergency Preparedness	93.069	$ 13,235
Immunization Cooperative Agreement	93.268	9,299
COVID 19 - Epidemiology and Laboratory Capactiy for Infectious Diseases	93.323	93,368
COVID 19 - Cooperative Agreement for Emergency Response	93.354	37,193
Maternal and Child Health Services Block Grant to the States	93.994	1,604
Total Colorado Department of Public Health and Environment		$ 154,699
Passed through State Department of Health Care Policy and Financing		
Medical Assistance Program	93.778	$ 27,641
Total Department of Health and Human Services		$ 832,102
U.S. Department of Justice		
Public Safety Partnership and Community Policing Grants	16.710	$ 10,197
Passed through State of Colorado		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23,713
Total Department of Justice		$ 33,910
U.S. Department of the Treasury		
Passed through the State of Colorado		
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	$ 693,026
Passed through Colorado Department of Public Health and Environment		
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	32,240
Total Department of the Treasury		$ 725,266
U.S. Department of Homeland Security		
Passed through State Department of Public Safety, Division of Homeland Security and Emergency Management		
Emergency Management Program Grant	97.042	$ 40,712
Building Resilient Infrastructure and Communities	97.047	9,817
Passed through Pueblo County		
Homeland Security Grant Program	97.067	5,427
Total Department of Homeland Security		$ 55,956
TOTAL FEDERAL ASSISTANCE		$ 1,723,679

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Custer County, Colorado under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Costs

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Risk Based Audit Approach

The dollar threshold used to distinguish between Type A and Type B programs if $750,000. The County does not qualify as a low-risk auditee.

Note E - Food Distribution

Commodities are passed through to the County from Care and Share, Inc., they are valued at $10,459.

Garren, Ross & DeNardo, Inc.

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September 28, 2023

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise Custer County's basic financial statements, and have issued our report thereon dated September 28, 2023. We have issued a Qualified Opinion on those financial statements for the following reason. Management has not adopted GASB No. 87, Leases. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses has not been determined.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Custer County's internal control over financial reporting (internal control) as a basis for designing 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 Custer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Custer County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-01 and 2022-02 to be material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2202-03 through 2202-09 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer 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 the financial statements. 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 the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Darrow, Ross & DeMordo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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September 28, 2023

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Custer County's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Custer County's major federal programs for the year ended December 31, 2022. Custer County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Custer 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Custer County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Custer County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contract or grant agreements applicable to Custer County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Custer County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Custer County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Custer County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Custer County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing and opinion on the effectiveness of Custer County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Garren, Ross & DeNardo, Inc.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	x yes ____ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	x yes ____ no
Noncompliance material to financial statements noted?	____ yes x no
Federal Awards	
Internal control over major programs:	
• Material weakness(es) identified?	____ yes x no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes x no
Type of auditor's reported issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to reported in accordance with 2 CFR 200.516(a)?	____ yes x no

CFDA Number(s)	Name of Federal Program or Cluster
21.027	COVID-19-Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	____ yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2022-01 Implementation of GASB Statement No. 87., *Leases*

Condition and Context:
GASB Statement No. 87., *Leases*, required implementation for the year ended December 31, 2022. The County was not able to compile the necessary information to complete the implementation. The process of compiling the information required should be completed as soon as possible.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-01 Implementation of GASB Statement No. 87., *Leases* (Continued)

Criteria:
Reconciliation of key accounts is an important step to ensure financial statement accuracy.

Cause:
The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses has not been determined.

Effect:
Qualified audit opinion

Recommendation:
The process of compiling the information should be completed as soon as possible.

Response:
The County will work on compiling the necessary information to implement this standard in the coming year.

2022-02 Outstanding Balance Between Funds

Condition and Context:
Balances outstanding between funds should be cleared on a timely basis, in most cases, not beyond twelve months.

Criteria:
Internal controls should be in place to ensure the balances outstanding between funds are cleared.

Cause:
There are no procedures in place to ensure the outstanding balances between funds are cleared in a timely manner.

Effect:
With no procedures in place, outstanding balances are not cleared within a twelve month time frame.

Recommendation:
Implement procedures to ensure outstanding balances are cleared in a timely manner.

Response:
The County will review existing controls and make appropriate changes to improve the timeliness of clearing balances outstanding between funds.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Significant Deficiencies

2022-03 Key Accounts not Being Reconciled
(Repeat Finding 2021-01)

Condition and Context:
Key accounts were not reconciled correctly or on a timely basis. Most importantly cash, was not being reconciled to the genera ledger successfully after conversion to the new accounting software.

Criteria:
Reconciliation of key accounts is an important step to ensure financial statement accuracy.

Cause:
Reconciliations were not accurate after the conversion to the new software.

Effect:
Errors in recording transactions by fund and category were made and not corrected on a timely basis.

Recommendation:
Implement and apply formal procedures to ensure reconciliations are timely and accurately prepared.

Response:
The County will review existing controls and make appropriate changes to improve the accuracy of reconciliations for all key general ledger accounts.

2022-04 Payroll Records not Reconciled
(Repeat Finding 2021-02)

Condition and Context:
Procedures were not applied to ensure that payroll records were reconciled to the general ledger and any filed payroll tax returns.

Criteria:
Payroll records should be reconciled to the general ledger for accurate financial reporting and to avoid compliance issues in the filing of payroll tax returns and W-2's.

Cause:
Reconciliations were not completed.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-04 Payroll Records not Reconciled (Continued)
(Repeat Finding 2021-02)

Effect:
Salaries and benefit expenses were not posted consistently to the general ledger and variances from the payroll records to payroll tax returns were unresolved.

Recommendation:
Implement and apply procedures on a monthly basis to properly reconcile payroll activity to the general ledger. Prior to each submission, quarterly payroll tax reports and W-2's filing should be verified and reconciled to the payroll journals.

Response:
The County will implement and apply procedures to properly reconcile the payroll activity to the general ledger as well as quarterly and annual procedures relating to required payroll tax reports and W-2 filings.

2022-05 Monitoring Fuel Sales
(Repeat Finding 2021-03 and 2020-01)

Condition and Context:
The fuel sales and gross margin on fuel sales at the airport should be monitored. This would ensure that all sales and costs are properly reflected in the general ledger.

Criteria:
The gross margins on fuel sales are not always consistent, which could indicate that not all sales and cost of sales are captured correctly.

Cause:
The County needs to continue making improvements in capturing all transactions relating to fuel sales.

Effect:
Possible misstatement of the gross margin on fuel sales.

Recommendation:
Fuel sales and cost of fuel should be monitored on a continuous basis to ensure that all sales and costs are captured correctly.

Response:
The County will improve the monitoring of airport fuel sales and costs.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-06 Accounting Function for E-911
(Repeat Finding 2021-04 and 2020-03)

Condition and Context:
Accounting functions for E-911 should be done in a timely manner throughout the year. The County should consider implementing procedures that would allow oversight of the accounting for E-911.

Criteria:
Implement oversight procedures to determine that funds are being deposited in a timely fashion and all accounting transactions have proper supporting documentation.

Cause:
Review and reconciliations of key accounts were not completed on a monthly basis.

Effect:
Not having a review of accounting transactions could result in transactions not being properly reflected in the general ledger.

Recommendation:
Implementing oversight procedures to ensure that the accounting is done in a timely fashion and all transactions are recorded and have supporting documentation.

Response:
The County will implement procedures to monitor the general ledger activity of E-911.

2022-07 Posting Public Welfare Fund
(Repeat Finding 2021-05 and 2020-04)

Condition and Context:
The posting of the general ledger transactions are not always posted consistently or correctly for CFMS transactions and warrants paid out for assistance. When the County encounters discrepancies or unknown transactions within the CFMS reports and their records, research of those items should be handled in a timely manner and accounted for properly.

Criteria:
Questions arising from activity within the CFMS system should be addressed at the time of discovery. A discrepancy is easier to identify when handled in a timely manner. The County's internal controls should be in place to ensure that transactions are coded properly and procedures in place to seek assistance when needed.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-07 Posting Public Welfare Fund
(Repeat Finding 2021-05 and 2020-04)

Cause:
The County continues to make improvements in accounting for the transactions from prior years, the established controls and procedures are not consistently followed to ensure proper coding and accounting.

Effect:
Possible misstatement of revenues and expenditures by program. Failure to identify and address discrepancies between the County and the CFMS system could affect the accuracy the reimbursements.

Recommendation:
The Department head and accounting personnel should continue to improve the accuracy of coding the revenue and expenditures to the general ledger from the CFMS reports and the warrants. The expenditures reported in CFMS should be reconciled to the general ledger on a monthly basis. The established controls should be followed to ensure that CFMS activity is properly reconciled and all discrepancies have been addressed in a timely manner. The warrants paid out for assistance should also be coded consistently to correct expenditure.

Response:
The staff is continuing to improve their procedures to eliminate this finding. The department head and the accounting personnel are making an effort to improve the accuracy of their reconciliation process and general ledger postings for both the CFMS activity and the warrants paid out. They agree with the recommendations and feel that they have made improvements from prior years. The department continues to address this issue.

2022-08 Consistency of Recording Expenditures.
(Repeat Finding 2021-06 and 2020-05)

Condition and Context:
During the audit, various expenditures were tested to determine if the coding was proper. We noted expenditures of the same type were recorded in several different accounts or not recorded in the correct account at all.

Criteria:
Controls established by the County should be followed to ensure that expenditures are being coded to the correct expenditure account.

Cause:
The existing procedures and controls are not consistently followed.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-08 Consistency of Recording Expenditures.
(Repeat Finding 2021-06 and 2020-05)

Effect:
Possible misstatement of expenditures by line item.

Recommendation:
It may be helpful for individuals who prepare vouchers to review the standardized chart of accounts published by the Division of Local Governments. Implement additional procedures and controls to ensure that expenditures are being coded correctly.

Response:
The accounting personnel continues to review the chart of accounts with the supporting staff that codes vouchers in an effort to correct this problem.

2022-09 Maintaining Records of State and Other Grants
(Repeat Finding 2021-07 and 2020-06)

Condition and Context:
Different County departments receive grant funding and maintain the documentation within their department. We reviewed and tested various grant records and supporting documentation. A supporting file for each grant should be maintained with necessary documentation and standardized procedures and practices should be implemented throughout the various County departments.

Criteria:
Standardized practices and controls should be implemented throughout the County departments to ensure that responsible employees are maintaining the proper documentation and complying with the requirements of the grant.

Cause:
The grants are administered within different departments and employees. Procedures to ensure that all departments are consistently following the existing controls of the County are not always followed.

Effect:
Possible compliance issues if controls are not followed to ensure that all the necessary documentation is maintained to validate activity.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-09 Maintaining Records of State and Other Grants (Continued)

Recommendation:
Internal control procedures implemented should be followed to ensure proper documentation for grants are maintained. Responsibility should be assigned to maintain files containing the grant document or contract, all correspondence including reimbursement claim forms, and supporting documentation for all receipts and expenditures. Further, financial reports required by the granting agencies should be reconciled to the amounts recorded in the general ledger.

Response:
The County did make improvements regarding this condition. A few departments have implemented the recommendation and their grant file and supporting documents are adequate. We will continue to work with the remaining County departments and the employees to improve this deficiency.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - PRIOR YEAR FINDINGS

None

Form Approved
OMB No. 2125-0032

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

LOCAL HIGHWAY FINANCE REPORT

STATE: COLORADO

YEAR ENDING (mm/yy): 12/22

This Information From The Records Of: Custer County

Prepared By: Barden Wilson

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	$ 706,167.75
4. Miscellaneous local receipts (from page 2)	$ 119,291.57
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	$ 505,763.78
d. Total (a. + b. + c.)	$ 505,763.78
7. Total (1 through 6)	$ 1,331,223.10
B. Private Contributions	
C. Receipts from State government (from page 2)	$ 1,316,742.64
D. Receipts from Federal Government (from page 2)	$ 18,412.09
E. Total receipts (A.7 + B + C + D)	$ 2,666,377.83

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital outlay (from page 2)	$ 603,674.00
2. Maintenance:	$ 1,327,220.89
3. Road and street services:	
a. Traffic control operations	$ 9,171.52
b. Snow and ice removal	$ 686,954.06
c. Other	$ -
d. Total (a. through c.)	$ 696,125.58
4. General administration & miscellaneous	$ 126,310.05
5. Highway law enforcement and safety	$ -
6. Total (1 through 5)	$ 2,753,330.52
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	$ -
b. Redemption	$ -
c. Total (a. + b.)	$ -
2. Notes:	
a. Interest	$ -
b. Redemption	$ -
c. Total (a. + b.)	$ -
3. Total (1.c + 2.c)	$ -
C. Payments to State for highways	$ -
D. Payments to toll facilities	$ -
E. Total expenditures (A.6 + B.3 + C + D)	$ 2,753,330.52

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				$ -
1. Bonds (Refunding Portion)				$ -
B. Notes (Total)	$ -	$ 505,763.78	$ -	$ 505,763.78

V. LOCAL ROAD AND STREET FUND BALANCE (RECEIPTS AND DISBURSEMENTS ONLY)

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
$ 1,431,969.84	$ 2,666,377.83	$ 2,753,330.52		$ 1,345,017.15

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO
	YEAR ENDING (mm/yy): 12/22

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 Assesments	$ 624,399.52	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	$ 1,000.00
4. Licenses		f. Charges for Services	$ 95,760.64
5. Specific Ownership &/or Other	$ 81,768.23	g. Other Misc. Receipts	$ 2,539.80
6. Total (1. through 5.)	$ 81,768.23	h. Other	$ 19,991.13
c. Total (a. + b.)	$ 706,167.75	i. Total (a. through h.)	$ 119,291.57
(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 (from Item I.C.5.)	$ 1,281,705.04	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	$ 18,412.09
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	$ 33,407.25	d. Federal Transit Administration	
d. DOLA Grant		e. U.S. Corps of Engineers	
e. Other	$ 1,630.35	f. Other Federal	
f. Total (a. through e.)	$ 35,037.60	g. Total (a. through f.)	$ 18,412.09
4. Total (1. + 2. + 3.f)	$ 1,316,742.64	3. Total (1. + 2.g)	$ 18,412.09
(Carry forward to page 1)		*(Carry forward to page 1)*	

III. EXPENDITURES 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			$ -
b. Engineering Costs			$ -
c. Construction:			
(1). New Facilities			$ -
(2). Capacity Improvements			$ -
(3). System Preservation Equipment purchased		$ 603,674.00	$ 603,674.00
(4). System Enhancement And Operation			$ -
(5). Total Construction (1)+(2)+(3)+(4)	$ -	$ 603,674.00	$ 603,674.00
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	$ -	$ 603,674.00	$ 603,674.00
(Carry forward to page 1)			

Notes and Comments:

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