

Huerfano County, Colorado

Financial Statements
with Independent Auditor's Report

December 31, 2022



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Huerfano County, Colorado

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**HINKLE &
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Business Advisors

Independent Auditor's Report

Board of County Commissioners
Huerfano County, Colorado
Walsenburg, Colorado

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano County, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The County's 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.

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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 Huerfano County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Emphasis of Matter

As discussed in Note 10, in the notes to the financial statements, the beginning net position as of January 1, 2022 has been restated to reflect prior period adjustments regarding accrued payroll. Accordingly, adjustments have been made to the beginning balance of net position as of January 1, 2022. Our opinion is not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 statements, 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 with 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 required supplementary information such as budgetary comparison information presented on pages 34 - 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huerfano County's basic financial statements. The combining and individual nonmajor fund financial statements, the local highway finance report 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 [identify accompanying supplementary 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 October 18, 2023 on our consideration of Huerfano 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 Huerfano 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 Huerfano County's internal control over financial reporting and compliance.

Hick & Company, PC

Englewood, Colorado
October 18, 2023



Basic Financial Statements

Huerfano County, Colorado
Statement of Net Position
December 31, 2022

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 7,870,801 | \$ 78,292 | \$ 7,949,093 |
| Accounts Receivable | - | - | - |
| Sales Taxes Receivable | 558,987 | - | 558,987 |
| Property Taxes Receivable | 3,158,692 | - | 3,158,692 |
| Due from Other Governments | 153,048 | - | 153,048 |
| Due from Other Funds | 420,000 | (420,000) | - |
| Inventories, net | 34,588 | - | 34,588 |
| Capital Assets, <i>not being depreciated</i> | 698,517 | 2,100,000 | 2,798,517 |
| Capital Asser, <i>net of accumulated depreciation</i> | 21,450,323 | 1,386,112 | 22,836,435 |
| | | | |
| Total Assets | <u>34,344,956</u> | <u>3,144,404</u> | <u>37,489,360</u> |
| Liabilities | | | |
| Accounts Payable | 813,889 | 1,280 | 815,169 |
| Accrued Salaries | 252,274 | - | 252,274 |
| Accrued Interest | 673 | - | 673 |
| Unearned Revenue | 365,359 | - | 365,359 |
| Long-term Debt | | | |
| Due within one year | 441,115 | 55,371 | 496,486 |
| Due in more than one year | 8,837,100 | 1,604,074 | 10,441,174 |
| | | | |
| Total Liabilities | <u>10,710,410</u> | <u>1,660,725</u> | <u>12,371,135</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 2,658,496 | - | 2,658,496 |
| | | | |
| Total Deferred inflows of resources | <u>2,658,496</u> | <u>-</u> | <u>2,658,496</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 12,870,625 | - | 12,870,625 |
| Restricted for Emergencies (TABOR) | 300,000 | - | 300,000 |
| Unrestricted, unreserved | 7,805,425 | 1,483,679 | 9,289,104 |
| | | | |
| Total Net Position | <u>\$ 20,976,050</u> | <u>\$ 1,483,679</u> | <u>\$ 22,459,729</u> |

Huerfano County, Colorado
Statement of Activities
For the Year Ended December 31, 2022

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Change in Net Position | | | |
|---|----------------------|----------------------|------------------------------------|--|-------------------------|--------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 4,136,740 | \$ 1,220,202 | \$ 1,687,067 | \$ 1,005,761 | \$ (223,710) | \$ - | \$ (223,710) |
| Public Safety | 4,648,950 | 792,577 | 130,298 | - | (3,726,075) | - | (3,726,075) |
| Public Works | 3,085,543 | 177,960 | 1,893,917 | - | (1,013,666) | - | (1,013,666) |
| Human Services | 13,831,110 | - | 13,952,072 | - | 120,962 | - | 120,962 |
| Health and Sanitation | 313,548 | 96,601 | - | - | (216,947) | - | (216,947) |
| Culture and Recreation | 613,115 | 21,974 | 592,337 | 665,931 | 667,127 | - | 667,127 |
| Interest on Long-term Debt | 193,255 | - | - | - | (193,255) | - | (193,255) |
| Total Governmental Activities | 26,822,261 | 2,309,314 | 18,255,691 | 1,671,692 | (4,585,564) | - | (4,585,564) |
| Business-Type Activities | | | | | | | |
| Correctional Facility | 6,775 | - | - | - | (6,775) | - | (6,775) |
| Gardner Water and Sewer Improvement District | 146,605 | 80,176 | - | 5,181 | (61,248) | - | (61,248) |
| Asset Management Enterprise | 37,858 | 140,000 | - | - | 102,142 | - | 102,142 |
| Total Business-Type Activities | 191,238 | 220,176 | - | 5,181 | 34,119 | - | 34,119 |
| Total Primary Government | \$ 27,013,499 | \$ 2,529,490 | \$ 18,255,691 | \$ 1,676,873 | (4,585,564) | 34,119 | (4,551,445) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property Tax | | | | | 2,583,284 | - | 2,583,284 |
| Sales and Use Tax | | | | | 1,800,490 | - | 1,800,490 |
| Specific ownership Tax | | | | | 288,109 | - | 288,109 |
| Other Taxes | | | | | 1,647,757 | - | 1,647,757 |
| Investment income | | | | | 49,235 | 10 | 49,245 |
| Misc. | | | | | 361,294 | 144 | 361,438 |
| Transfers | | | | | - | - | - |
| Total General Revenues and Transfers | | | | | 6,730,169 | 154 | 6,730,323 |
| Change in Net Position | | | | | 2,144,605 | 34,273 | 2,178,878 |
| Net Position, Beginning of Year as previously stated | | | | | 19,129,709 | 1,451,130 | 20,580,839 |
| Restatement | | | | | (298,264) | (1,724) | (299,988) |
| Net position, Beginning of Year restated | | | | | 18,831,445 | 1,449,406 | 20,280,851 |
| Net Position, End of Year | | | | | \$ 20,976,050 | \$ 1,483,679 | \$ 22,459,729 |

See Notes to Financial Statements.

Huerfano County, Colorado
Balance Sheet
Governmental Funds
December 31, 2022

| | General | Road & Bridge | Department of Human Services | Special Projects | Emergency Service | Disaster Recovery | Other Governmental Funds | Total |
|---|---------------------|-------------------|------------------------------|---------------------|---------------------|---------------------|--------------------------|----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 1,723,358 | \$ 541,935 | \$ 849,360 | \$ 2,167,787 | \$ 917,930 | \$ 1,161,767 | \$ 508,664 | \$ 7,870,801 |
| Taxes receivable | 2,873,582 | 149,451 | 365,359 | - | 197,758 | - | 131,529 | 3,717,679 |
| Due from Other Governments | - | - | 153,048 | - | - | - | - | 153,048 |
| Due from Other Funds | - | - | - | 400,000 | 22,500 | - | 723,765 | 1,146,265 |
| Inventories | - | 34,588 | - | - | - | - | - | 34,588 |
| Total Assets | \$ 4,596,940 | \$ 725,974 | \$ 1,367,767 | \$ 2,567,787 | \$ 1,138,188 | \$ 1,161,767 | \$ 1,363,958 | \$ 12,922,381 |
| Liabilities | | | | | | | | |
| Accounts Payable | \$ 129,999 | \$ 26,903 | \$ 422,650 | \$ 198,446 | \$ 7,687 | \$ 4,108 | \$ 24,096 | \$ 813,889 |
| Accrued Salaries | 129,367 | 38,845 | 62,809 | - | 15,958 | - | 5,295 | 252,274 |
| Due to Other Funds | 22,500 | - | - | - | - | 703,765 | - | 726,265 |
| Deferred Revenue | - | - | 365,359 | - | - | - | - | 365,359 |
| Total Liabilities | 281,866 | 65,748 | 850,818 | 198,446 | 23,645 | 707,873 | 29,391 | 2,157,787 |
| Deferred Inflows of Resources | | | | | | | | |
| Property Taxes | 2,512,353 | 14,614 | - | - | - | - | 131,529 | 2,658,496 |
| Fund Balance | | | | | | | | |
| Restricted for TABOR | 200,000 | 70,000 | - | - | 25,000 | - | 5,000 | 300,000 |
| Committed | - | - | - | - | - | - | 1,198,038 | 1,198,038 |
| Unassigned | 1,602,721 | 575,612 | 516,949 | 2,369,341 | 1,089,543 | 453,894 | - | 6,608,060 |
| Total Fund Balance | 1,802,721 | 645,612 | 516,949 | 2,369,341 | 1,114,543 | 453,894 | 1,203,038 | 8,106,098 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 4,596,940 | \$ 725,974 | \$ 1,367,767 | \$ 2,567,787 | \$ 1,138,188 | \$ 1,161,767 | \$ 1,363,958 | \$ 12,922,381 |

Huerfano County, Colorado
Reconciliation of Balance Sheet of the Governmental Funds
to the Statement of Net Position
December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

| | |
|---|----------------------|
| Total Fund Balance of Governmental Funds | \$ 8,106,098 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds. | 22,148,840 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds. | |
| Long-term Debt | (8,837,818) |
| Capital Leases Payable | (414,214) |
| Accrued Compensated Absences | (26,183) |
| Accrued Interest Payable | <u>(673)</u> |
| Total Net Position of Governmental Activities | <u>\$ 20,976,050</u> |

Huerfano County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

| | General | Road & Bridge | Department of Human Services | Special Projects | Emergency Service | Disaster Recovery | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|------------------------------|------------------|-------------------|-------------------|--------------------------|--------------------------|
| Revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property Tax | \$ 2,442,610 | \$ 12,563 | \$ - | \$ - | \$ - | \$ - | \$ 128,111 | \$ 2,583,284 |
| Specific Ownership Tax | 273,821 | 1,523 | - | - | - | - | 12,765 | 288,109 |
| Sales and Other Tax | 2,203,331 | 88 | - | - | 1,152,866 | - | 870 | 3,357,155 |
| Licenses and Permits | 259,791 | 28,394 | - | - | - | - | 91,092 | 379,277 |
| Charges for Services | 1,532,151 | 149,566 | - | - | 127,646 | - | 159,266 | 1,968,629 |
| Intergovernmental | 164,772 | 1,893,917 | 13,952,072 | - | (5,936) | - | 610,461 | 16,615,286 |
| Grant Income | 52,266 | - | - | 2,550,000 | - | 669,831 | 40,000 | 3,312,097 |
| Investment Income | 40,747 | 4 | - | 8,457 | - | - | 28 | 49,236 |
| Miscellaneous | 208,183 | 43,375 | - | 38,428 | 33,071 | - | 90,737 | 413,794 |
| Total Revenues | <u>7,177,672</u> | <u>2,129,430</u> | <u>13,952,072</u> | <u>2,596,885</u> | <u>1,307,647</u> | <u>669,831</u> | <u>1,133,330</u> | <u>28,966,867</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General Government | 3,013,346 | - | - | - | - | - | 361,356 | 3,374,702 |
| Public Safety | 3,278,355 | - | - | - | 688,576 | 167,146 | 128 | 4,134,205 |
| Public Works | 453,130 | 2,396,547 | - | - | - | - | - | 2,849,677 |
| Health Services | 218,348 | - | 13,830,640 | - | - | - | 95,200 | 14,144,188 |
| Culture and Recreation | - | - | - | - | - | - | 492,302 | 492,302 |
| Capital Outlay | 222,028 | - | - | 2,098,285 | 50,810 | - | 58,262 | 2,429,385 |
| Debt Service | - | - | - | - | - | - | - | - |
| Principal | 272,613 | - | - | - | 57,073 | - | - | 329,686 |
| Interest and Fiscal Charges | 329,600 | - | - | - | 8,674 | - | - | 338,274 |
| Total Expenditures | <u>7,787,420</u> | <u>2,396,547</u> | <u>13,830,640</u> | <u>2,098,285</u> | <u>805,133</u> | <u>167,146</u> | <u>1,007,248</u> | <u>28,092,419</u> |
| Excess Revenues Over (Under) Expenditures | <u>(609,748)</u> | <u>(267,117)</u> | <u>121,432</u> | <u>498,600</u> | <u>502,514</u> | <u>502,685</u> | <u>126,082</u> | <u>874,448</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers In | - | 400,000 | - | 200,000 | - | - | 215,000 | 815,000 |
| Transfers Out | - | - | - | (15,000) | (200,000) | - | (600,000) | (815,000) |
| Other Financing Sources (Uses) | - | 400,000 | - | 185,000 | (200,000) | - | (385,000) | - |
| Net Change in Fund Balance | <u>(609,748)</u> | <u>132,883</u> | <u>121,432</u> | <u>683,600</u> | <u>302,514</u> | <u>502,685</u> | <u>(258,918)</u> | <u>874,448</u> |
| Fund Balance, Beginning of Year | | | | | | | | |
| As previously Stated | 2,545,758 | 551,070 | 509,973 | 1,680,149 | 833,018 | (48,791) | 1,462,811 | 7,533,988 |
| Restatement | <u>(133,289)</u> | <u>(38,341)</u> | <u>(114,456)</u> | <u>5,592</u> | <u>(20,989)</u> | <u>-</u> | <u>(855)</u> | <u>(302,338)</u> |
| As Restated | 2,412,469 | 512,729 | 395,517 | 1,685,741 | 812,029 | (48,791) | 1,461,956 | 7,231,650 |
| Fund Balance, End of Year | <u>1,802,721</u> | <u>645,612</u> | <u>516,949</u> | <u>2,369,941</u> | <u>1,114,543</u> | <u>453,894</u> | <u>1,203,038</u> | <u>8,106,098</u> |

See Notes to Financial Statements.

Huerfano County, Colorado
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

| | | |
|---|----|-----------|
| Net Change in Fund Balance of Governmental Funds | \$ | 572,110 |
| <p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p> | | |
| Capital Outlays | | 2,006,874 |
| Depreciation Expense | | (956,922) |
| <p>Proceeds from long-term debt are reported in governmental funds as sources of funds. However, for governmental activities those revenues are reported in the statement of net position as long-term debt.</p> | | |
| | | (804,975) |
| <p>Repayments of long-term liabilities are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p> | | |
| Principal payments on Long-term Debt Capital Leases | | 977,555 |
| Change in Accrued Compensated Absences | | 52,372 |
| Change in Accrued Interest Payable | | (673) |
| | | 1,846,341 |
| Change in Net Position of Governmental Activities | \$ | 1,846,341 |

Huerfano County, Colorado
Statement of Net Position
Proprietary Fund
December 31, 2022

| | Asset Management Enterprise | Correctional Facility | Gardner Water and Sewer Improvement District | Total |
|---|-----------------------------------|--------------------------|---|---------------------|
| Assets | | | | |
| <i>Current Assets</i> | | | | |
| Cash and Investments | \$ 81,587 | \$ 11,039 | \$ (14,334) | \$ 78,292 |
| Accounts Receivable | - | - | - | - |
| Total Current Assets | <u>81,587</u> | <u>11,039</u> | <u>(14,334)</u> | <u>78,292</u> |
| <i>Noncurrent Assets</i> | | | | |
| Capital Assets, <i>not being depreciated</i> | 2,100,000 | - | - | 2,100,000 |
| Capital Assets, <i>Net of accumulated depreciation</i> | - | 6,783 | 1,379,329 | 1,386,112 |
| Total Noncurrent Assets | <u>2,100,000</u> | <u>6,783</u> | <u>1,379,329</u> | <u>3,486,112</u> |
| Total Assets | <u>2,181,587</u> | <u>17,822</u> | <u>1,364,995</u> | <u>3,564,404</u> |
| Liabilities | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | - | - | 1,280 | 1,280 |
| Due to Other Funds | 420,000 | - | - | 420,000 |
| Current Maturities of Long-term Debt | 55,371 | - | - | 55,371 |
| Total Current Liabilities | <u>475,371</u> | <u>-</u> | <u>1,280</u> | <u>476,651</u> |
| <i>Non-Current Liabilities</i> | | | | |
| Notes Payable | 1,604,074 | - | - | 1,604,074 |
| Total Liabilities | <u>2,079,445</u> | <u>-</u> | <u>1,280</u> | <u>2,080,725</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 2,100,000 | 6,783 | 1,379,329 | 3,486,112 |
| Unrestricted | (1,997,858) | 11,039 | (15,614) | (2,002,433) |
| Total Net Position | <u>\$ 102,142</u> | <u>\$ 17,822</u> | <u>\$ 1,363,715</u> | <u>\$ 1,483,679</u> |

Huerfano County, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2022

| | Asset Management Enterprise | Correctional Facility | Gardner Water and Sewer Improvement District | Total |
|---|-----------------------------------|--------------------------|---|---------------------|
| Operating Revenues | | | | |
| Charges for Services | \$ - | \$ - | \$ 80,176 | \$ 80,176 |
| Operating Grants and Contributions | - | - | 5,181 | 5,181 |
| Miscellaneous | - | - | 144 | 144 |
| Total Operating Revenues | - | - | 85,501 | 85,501 |
| Operating Expenses | | | | |
| Monitoring, Security Services and Wages | - | - | 20,323 | 20,323 |
| Contractual Services | - | - | 39,137 | 39,137 |
| Utilities | - | - | 11,200 | 11,200 |
| Repairs and Maintenance | - | - | 7,256 | 7,256 |
| Other Supplies and Expenses | - | - | - | - |
| Professional Fees | - | - | - | - |
| Miscellaneous Expenses | - | - | 28,954 | 28,954 |
| Depreciation | - | 6,775 | 39,735 | 46,510 |
| Total Operating Expenses | - | 6,775 | 146,605 | 153,380 |
| Net Operating Income | - | (6,775) | (61,104) | (67,879) |
| Non-Operating Revenues (Expenses) | | | | |
| Interest Income | - | 10 | - | 10 |
| Interest Expense | (37,858) | - | - | (37,858) |
| Transfers In | 140,000 | - | - | 140,000 |
| Change in Net Position | 102,142 | (6,765) | (61,104) | 34,273 |
| Net Position, Beginning of Year as previously stated | - | 24,587 | 1,426,543 | 1,451,130 |
| Restatement | - | - | (1,724) | (1,724) |
| Net Position, Beginning of Year as restated | - | 24,587 | 1,424,819 | 1,449,406 |
| Net Position, End of Year | \$ 102,142 | \$ 17,822 | \$ 1,363,715 | \$ 1,483,679 |

Huerfano County, Colorado
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022

| | Asset Management | Correctional Facility | Gardner Water and Sewer Improvement District | Total |
|---|---------------------|--------------------------|---|--------------------|
| Cash Flows From Operating Activities | | | | |
| Cash Received from Customers | \$ - | \$ - | \$ 84,952 | \$ 84,952 |
| Cash Received from Others | - | - | 5,325 | 5,325 |
| Cash Paid to Suppliers | - | - | (86,030) | (86,030) |
| Cash Paid to Employees | - | - | (22,047) | (22,047) |
| Net Cash Provided by Operating Activities | - | - | (17,800) | (17,800) |
| Cash Flows From Investing Activities | | | | |
| Interest received | - | 10 | - | 10 |
| Net Cash Used by Capital and Related Financing Activities | - | 10 | - | 10 |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Cash paid for capital assets | (2,100,000) | - | - | (2,100,000) |
| Principal payments on capital debt and leases | (20,555) | - | - | (20,555) |
| Interest paid on capital debt and leases | (37,858) | - | - | (37,858) |
| Non-cash proceeds from capital debt, net | 2,100,000 | - | - | 2,100,000 |
| Transfers received from other funds | 140,000 | - | - | 140,000 |
| | - | - | - | - |
| | 81,587 | - | - | 81,587 |
| Net Change in Cash and Cash Equivalents | 81,587 | 10 | (17,800) | 63,797 |
| Cash and Cash Equivalents, Beginning of Year | - | 11,029 | 3,466 | 14,495 |
| Cash and Cash Equivalents, End of Year | <u>\$ 81,587</u> | <u>\$ 11,039</u> | <u>\$ (14,334)</u> | <u>\$ 78,292</u> |
| Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Net Operating Income | \$ - | \$ (6,775) | \$ (61,104) | \$ (67,879) |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation Expense | - | 6,775 | 39,735 | 46,510 |
| Changes in Assets and Liabilities Related to Operations | | | | |
| Accounts Payable | - | - | 517 | 517 |
| Accounts Receivable | - | - | 4,776 | 4,776 |
| Accrued Expenses | - | - | (1,724) | (1,724) |
| Net Cash Provided by Operating Activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (17,800)</u> | <u>\$ (17,800)</u> |

Huerfano County, Colorado
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

| | Agency Funds |
|----------------------------|--------------------|
| Assets | |
| <i>Current Assets</i> | |
| Cash and Investments | \$ <u>357,935</u> |
| Total Assets | <u>357,935</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Due to Other Governments | <u>357,935</u> |
| Total Current Liabilities | <u>357,935</u> |
| Net Position | |
| Unrestricted | <u>-</u> |
| Total Net Position | <u><u>\$ -</u></u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

The financial statements of the Huerfano County, Colorado (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Reporting Entity

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

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

Component Units

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

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

Based on the application of these criteria, there are no component units included in the County's reporting entity.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the County.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In the fund financial statements, the County reports the following major governmental funds:

The *General Fund* - Is the County's primary operating fund. It accounts for all financial resources of the County, except those accounted for in another fund.

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

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

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

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

The *Disaster Recovery Fund* - This fund accounts for grants and other funds received to use for disaster recovery projects.

Proprietary fund financial statements are used to account for activities which are similar to those found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

Proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent years, are considered to be incurred.

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

The County reports the following major proprietary funds:

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

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

The County reports the following non-major funds:

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

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

Retirement Fund - This fund receives the Colorado Retirement Association (CRA) contributions from the eligible employees of each fund and pays the employee's and employer's share for the benefit of each eligible employee's retirement.

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

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

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

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

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

The County applies all applicable GASB pronouncements to the business-type activities. Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

Assets, Liabilities and Net Position/Fund Balances

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. The County considers all pooled cash and investments to be cash equivalents.

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Road and Bridge Fund consists of expendable supplies held for use. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources", even though they are a component of net current assets. Inventory policy on government-wide statements is consistent with fund statements.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *interfund receivables* and *interfund payables*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses using the consumption method.

Capital Assets - Capital assets, which include land, buildings, equipment, and all infrastructure owned by the County, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives.

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

It is the County's policy to capitalize all infrastructure purchased after July 1, 1980.

Compensated Absences - Employees of the County are allowed to accumulate unused vacation and sick time depending on the length of employment. Upon termination of employment from the County, an employee will be compensated for all accrued vacation time at their current rate of pay. If an employee has unused sick time and ceases employment with the county, the sick time is cancelled and there is no provision for payment for unused sick leave.

Accumulated, unpaid vacation time is accrued when earned in the government-wide financial statements and the proprietary funds in the fund financial statements. A liability is recorded in the governmental fund financial statements only when payment is due.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and the governmental fund balance sheet 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 and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which arise both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, property taxes and unavailable grant revenue, are reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report deferred inflows of resources from property taxes and unavailable grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow of resources is recognized as revenue and the receivable is reduced.

Fund Equity - In the fund financial statements, governmental funds report non-spendable amounts that are (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, long-term notes receivable and fund advances. Restrictions of fund balance represents amounts that are restricted for specific fund purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed fund balances include amounts that can only be used for the specific purposes determined by the passage of a resolution by the Board of County Commissioners. Commitments may be modified or changed only by the Board of County Commissioners approving a new resolution. Assigned fund balance includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by the County Administrator. Unassigned fund balance includes amounts that do not meet any of the above criteria. The County may report positive unassigned fund balances only in the general fund and negative unassigned fund balances may be reported in all funds.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Net Position - The County's net position is classified in the following components:

- *Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* - This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the County on a daily basis. Since property tax revenues are collected in arrears during the succeeding fiscal year, receivables and corresponding deferred inflows of resources are reported at year end.

Assets, Liabilities and Net Position/Fund Balances (Continued)

Leases

The County is a party as lessor and lessee for various noncancellable long-term leases of buildings, equipment, and land. The corresponding lease receivable or lease payable, are recorded in an amount equal to the present value of the expected future minimum lease payments received or received, respectively, discounted by an applicable interest rate

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Blended Component Unit

During 2022, the County created the Huerfano County Asset Management Corporation, a non-profit organization. This organization is accounted as a blended component unit as the board of directors and management of the corporation are the same as the County.

Unearned Revenue

Unearned revenues include amounts recorded in accounts receivable activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Estimates

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

Subsequent Events

The County has evaluated subsequent events for recognition or disclosure through October 18, 2023, the date the financial statements were available for issuance.

Note 2: Cash and Investments

A summary of cash and investments at December 31, 2022, follows:

| | |
|---------------|---------------------|
| Petty Cash | \$ 6,111 |
| Cash Deposits | 2,604,054 |
| Investments | <u>5,696,863</u> |
| Total | <u>\$ 8,307,028</u> |

Cash and investments are reported in the financial statements as follows:

| | |
|----------------------|---------------------|
| Cash and Investments | \$ 7,949,093 |
| Agency Fund Cash | <u>357,935</u> |
| Total | <u>\$ 8,307,028</u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 2: Cash and Investments (Continued)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the County had bank deposits of \$2,066,396 collateralized with securities held by the financial institutions' agents but not in the County's name.

Investments

The County is required to comply with State statutes which specify investments meeting defined rating, maturity, and concentration risk criteria in which the County may invest, which include the following. Custodial risk is not addressed by State statutes.

- Obligations of the United States and certain U.S. Agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts (GICs).

At December 31, 2022, the County had the following investments with the following maturities:

| | S&P Rating | Carrying Amount | Less Than One Year | Less Than Five Years |
|-------------------------|-------------|---------------------|-----------------------|-------------------------|
| Mutual Funds | N/A | \$ 688,483 | \$ 688,483 | \$ - |
| Local Government Pools | N/A | 2,266,887 | 2,266,887 | - |
| Money Market Funds | N/A | 526,464 | 526,464 | - |
| Government Bonds | AA+ | 304,533 | - | 304,533 |
| Corporate Bonds | BB- to BBB- | 432,378 | - | 432,378 |
| Municipal Bonds | AA to A2 | 597,264 | - | 597,264 |
| Certificate of Deposits | N/A | 880,854 | - | 880,854 |
| | | <u>\$ 5,696,863</u> | <u>\$ 3,481,834</u> | <u>\$ 2,215,029</u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 2: Cash and Investments (Continued)

Investments (Continued)

Fair Value Measurements - The County reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2022, the County's investments as shown above were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Local Government Investment Pools - At December 31, 2022, the County had \$831,111 and \$1,435,776 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2022, is summarized below:

| | Balance 2021 | Additions | Transfer | Deletions | Balance 2022 |
|--|-------------------------|---------------------|-----------------|------------------|-------------------------|
| Governmental Activities | | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | | |
| Land | \$ 579,334 | \$ 60,000 | \$ - | \$ - | \$ 639,334 |
| Construction in Progress | - | 59,183 | - | - | 59,183 |
| Total Capital Assets, Not Being Depreciated | 579,334 | 119,183 | - | - | 698,517 |
| <i>Capital Assets, Being Depreciated</i> | | | | | |
| Infrastructure | 1,098,994 | - | - | - | 1,098,994 |
| Buildings | 28,407,559 | 771,563 | - | - | 29,179,122 |
| Machinery & Equipment | 9,406,310 | 649,243 | - | - | 10,055,553 |
| Right to Use Leases | - | 466,885 | - | - | 466,885 |
| Total Capital Assets, Being Depreciated | 38,912,863 | 1,887,691 | - | - | 40,800,554 |
| <i>Less Accumulated Depreciation</i> | | | | | |
| Infrastructure | (87,918) | (14,653) | - | - | (102,571) |
| Buildings | (10,083,963) | (590,444) | - | - | (10,674,407) |
| Machinery & Equipment | (8,221,428) | (296,773) | - | - | (8,518,201) |
| Right to Use Leases | - | (55,052) | - | - | (55,052) |
| Total Accumulated Depreciation | (18,393,309) | (956,922) | - | - | (19,350,231) |
| Total Capital Assets, Being Depreciated, Net | 20,519,554 | 930,769 | - | - | 21,450,323 |
| Governmental Activities, Capital Assets, Net | \$ 21,098,888 | \$ 1,049,952 | \$ - | \$ - | \$ 22,148,840 |
| Business-type Activities | | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | | |
| Land - Thorne Ranch | \$ - | \$ 2,100,000 | \$ - | \$ - | \$ 2,100,000 |
| Construction in Progress | - | - | - | - | - |
| Total Capital Assets, Not Being Depreciated | - | 2,100,000 | - | - | 2,100,000 |
| <i>Capital Assets, Being Depreciated</i> | | | | | |
| Distribution Assets | 1,538,137 | - | - | - | 1,538,137 |
| Equipment and Vehicles | 622,853 | - | - | - | 622,853 |
| Total Capital Assets, Being Depreciated | 2,160,990 | - | - | - | 2,160,990 |
| <i>Less Accumulated Depreciation</i> | | | | | |
| Distribution Assets | (467,874) | (39,735) | - | - | (507,609) |
| Equipment and Vehicles | (260,494) | (6,775) | - | - | (267,269) |
| Total Accumulated Depreciation | (728,368) | (46,510) | - | - | (774,878) |
| Total Capital Assets, Being Depreciated, Net | 1,432,622 | (46,510) | - | - | 1,386,112 |
| Business-type Activities, Capital Assets, Net | \$ 1,432,622 | \$ 2,053,490 | \$ - | \$ - | \$ 3,486,112 |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 3: Capital Assets (Continued)

Depreciation expense for the governmental activities was charged to programs of the County as follows:

| Governmental Activities | |
|--------------------------------|-------------------|
| General Government | \$ 285,301 |
| Public Safety | 530,627 |
| Public Works | 138,030 |
| Culture and Recreation | 2,964 |
| Human Services | - |
| | <u>956,922</u> |
| | <u>\$ 956,922</u> |

Depreciation expense for the business-type activities was charged to programs of the County as follows:

| Business-Type Activities | |
|--|------------------|
| Correctional Facility | \$ 6,775 |
| Gardner Water & Sewer Improvement District | <u>39,735</u> |
| | <u>\$ 46,510</u> |

Note 4: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2022:

| Governmental Activities | Balance 12/31/21 | Additions | Payments | Balance 12/31/22 | Due Within One Year |
|--------------------------------------|-----------------------------|-------------------|-----------------------|-----------------------------|--------------------------------|
| COP - Judicial Center | \$ 8,240,000 | \$ - | \$ (250,000) | \$ 7,990,000 | \$ 265,000 |
| Premium on COPs | 992,838 | - | (145,020) | 847,818 | 78,074 |
| Equipment | 34,649 | 303,962 | (338,611) | - | - |
| CAT 140 Motor Grader | 157,125 | 34,128 | (191,253) | - | - |
| Leases Payable (GASB 87) | - | 466,885 | (52,671) | 414,214 | 71,858 |
| Compensated Absences | <u>78,555</u> | <u>8,113</u> | <u>(60,485)</u> | <u>26,183</u> | <u>26,183</u> |
| Total Governmental Activities | <u>\$ 9,503,167</u> | <u>\$ 813,088</u> | <u>\$ (1,038,040)</u> | <u>\$ 9,278,215</u> | <u>\$ 441,115</u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 4: Long-Term Debt (Continued)

Governmental Activities (Continued)

Following is a summary of long-term debt transactions of the Business-Type activities for the year ended December 31, 2022

| <u>Business-Type Activities</u> | <u>Balance 12/31/21</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/22</u> | <u>Due Within One Year</u> |
|---------------------------------------|-----------------------------|---------------------|--------------------|-----------------------------|--------------------------------|
| Note Payable | \$ - | \$ 1,680,000 | \$ (20,555) | \$ 1,659,445 | \$ 55,371 |
| Total Business-type Activities | <u>\$ -</u> | <u>\$ 1,680,000</u> | <u>\$ (20,555)</u> | <u>\$ 1,659,445</u> | <u>\$ 55,371</u> |

Certificates of Participation

During 2019, the County issued Certificates of Participation (COPs) for a new Judicial Center, the Judicial Center Facilities Project. The COPs will end at one of three occurrences; the County does not appropriate enough money to make the annual payments, the lease is paid in full before the maturity of the lease, or all the lease payments are made as required. Upon making all lease payments as required the property will belong to the County.

The lease requires semi-annual interest payments due on June 1 and December 1 of each year beginning December 1, 2020. The interest on the lease is 4.0% annually. The bonds are callable in 2029.

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

Annual debt service for the Certificates of Participation are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|----------------------|
| 2023 | \$ 265,000 | \$ 319,600 | \$ 584,600 |
| 2024 | 280,000 | 309,000 | 589,000 |
| 2025 | 300,000 | 297,000 | 597,000 |
| 2026 | 315,000 | 285,800 | 600,800 |
| 2027 | 330,000 | 273,200 | 603,200 |
| 2028 - 2032 | 1,990,000 | 1,149,400 | 3,139,400 |
| 2033 - 2037 | 2,585,000 | 705,800 | 3,290,800 |
| 2038 - 2039 | 1,925,000 | 130,000 | 2,055,000 |
| | <u>\$ 7,990,000</u> | <u>\$ 3,469,800</u> | <u>\$ 11,459,800</u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 4: Long-Term Debt (Continued)

Lease Liabilities

During 2019 the County entered into a lease purchase agreement for certain equipment. The agreement calls for five annual payments of \$41,167 which comprise of both principal and interest. Interest on the lease is at a rate of 6.45%. The first payment was made April 2019. The County paid off the lease balance as of December 31, 2022.

During 2020, the County entered into a lease purchase agreement for a CAT 140 motor grader. The terms of the agreement call for monthly payments of \$5,076 for 60 months including interest at 3.65%. At the end of the lease the county has the option to purchase the motor grader for \$1. The county exercised this option as it paid off the lease balance as of December 31, 2022.

During September 2021, the Huerfano County Sheriff's Office entered into an agreement with Motorola Solutions, Inc. for the purchase on new radio equipment. The terms of the lease were for 5 years, with a nominal interest rate of 2.870% with principal and interest payments in the amount of 65,747 were to commence on 10.1.2022. The equipment was not delivered and not become operational until summer of 2023. Title and interest of equipment therefore became effective in 2023. The first principal and interest payment were made on 10.26.2022. Subsequently, the lease was paid in full on December 5, 2022.

The County, as a lessee, has entered into lease agreements involving equipment and sand and gravel quarries. The annual principal and interest installments total approximately \$60,000 to \$80,000. Interest rates range from 1.00% to 2.06%.

The annual debt service for the leases are as follows:

| | <u>Payment</u> | <u>Interest</u> | <u>Principal</u> |
|------------|-------------------|------------------|-------------------|
| 2023 | \$ 79,332 | \$ 7,474 | \$ 71,858 |
| 2024 | 77,062 | 6,098 | 70,964 |
| 2025 | 77,060 | 4,704 | 72,356 |
| 2026 | 76,831 | 3,288 | 73,543 |
| 2027 | 59,539 | 1,946 | 57,593 |
| Thereafter | <u>69,869</u> | <u>2,101</u> | <u>67,768</u> |
| Total | <u>\$ 439,693</u> | <u>\$ 25,611</u> | <u>\$ 414,082</u> |

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 4: Long-Term Debt (Continued)

Note Payable

During June of 2022, Huerfano County, through its blended component unit the Huerfano County Asset Management Corporation, acquired land known as the Thorne Ranch for \$2,100,000. The funds used to acquire the property were obtained with a loan \$420,000 from the Special Projects Fund and a \$1,680,000 bank loan.

The note payable bank loan matures on August 1, 2042. The agreement calls for annual payments of \$129,548 which comprise of both principal and interest, beginning on August 1, 2023.

The annual debt service for the note payable is as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 55,371 | \$ 74,177 | \$ 129,548 |
| 2024 | 57,846 | 71,702 | 129,548 |
| 2025 | 60,431 | 69,116 | 129,547 |
| 2026 | 63,133 | 66,415 | 129,548 |
| 2027 | 65,955 | 63,593 | 129,548 |
| 2028-2032 | 376,722 | 271,017 | 647,739 |
| 2033-2037 | 468,791 | 178,949 | 647,740 |
| 2038-2042 | <u>511,196</u> | <u>64,379</u> | <u>575,575</u> |
| | <u>\$ 1,659,445</u> | <u>\$ 859,348</u> | <u>\$ 2,518,793</u> |

Note 5: Retirement Plans

Defined Contribution Plan

The County provides pension benefits for all eligible full-time employees through an agent multi-employer public retirement system, the Colorado County Officials and Employees Retirement Association (CCOERA), a defined contribution plan.

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 5: Retirement Plans (Continued)

Defined Contribution Plan (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees are eligible to participate after completing 1 year of service. The County has established that employees contribute 4% and the County contributes a matching 4% of the employee's wages each bi-weekly pay period. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous plan participation. The participants in this plan are offered various investment options through the plan and are allowed to invest all monies in their account, at their own discretion, among the options.

County contributions for, and interest forfeited by, employees who leave employment before five years of participation are used to reduce the County's current contribution requirements.

The County's total payroll in 2022 was approximately \$6,390,117, of which qualifying compensation was \$4,717,211. Both the County and the covered employees made the required contributions, amounting to approximately \$188,688 from each the County and from employees. The County had forfeitures of \$10,000 that were used to pay part of their contributions. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. That report may be obtained by writing to Colorado Retirement Association, formerly CCOERA, 751 South Park Drive, Littleton, CO 80120 or by calling 1-800-352-0313.

Note 6: Colorado Contraband Forfeiture Act

The County has reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2022.

Note 7: TABOR Amendment Reserve

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding section 20; commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate policy change directly causing a net tax revenue gain to any local government.

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

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 7: TABOR Amendment Reserve (Continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also required local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending for fiscal years ending after December 31, 1995. Fiscal year spending excludes enterprise spending. The County has reserved a portion of the December 31, 2022 year-end balances in the General Fund for this purpose in the aggregate amount of \$300,000, which is the approximate required emergency reserve.

Note 8: Risk Management

Colorado Counties Casualty and Property Pool (CAPP)

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

Colorado Workers' Compensation Pool (CWCP)

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

Huerfano County, Colorado
Notes to the Financial Statements
December 31, 2022

Note 9: Commitments and Contingencies

Grant Programs

The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The number of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the County expects any such amounts to be immaterial.

Litigation

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

Insurance Pools

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

Note 10: Restatement

The 2021 financial statements have been restated. Fund balances were restated to correct accrued payroll expenses not recorded in FY2021. This restatement affected the beginning net position of the governmental activities in the government-wide statements.

Required Supplementary Information

Huerfano County, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Taxes | | | | |
| Property Tax | \$ 2,488,889 | \$ 2,488,889 | \$ 2,442,610 | \$ (46,279) |
| Specific Ownership Tax | 234,052 | 234,052 | 273,821 | 39,769 |
| Sales and Other Tax | 1,936,960 | 1,936,960 | 2,203,331 | 266,371 |
| Licenses and Permits | 166,220 | 166,220 | 259,791 | 93,571 |
| Charges for Services | 1,532,590 | 1,532,590 | 1,532,151 | (439) |
| Intergovernmental | 38,130 | 38,130 | 164,772 | 126,642 |
| Grant Income | 65,286 | 65,286 | 52,266 | (13,020) |
| Investment Income | 31,750 | 31,750 | 40,747 | 8,997 |
| Miscellaneous | 57,543 | 57,543 | 208,183 | 150,640 |
| Total Revenues | <u>6,551,420</u> | <u>6,551,420</u> | <u>7,177,672</u> | <u>626,252</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,690,777 | 2,690,777 | 3,013,346 | (322,569) |
| Public Safety | 2,593,901 | 2,593,901 | 3,278,355 | (684,454) |
| Public Works | 373,247 | 373,247 | 453,130 | (79,883) |
| Health Services | 155,607 | 155,607 | 218,348 | (62,741) |
| Capital Outlay | 10,000 | 10,000 | 222,028 | (212,028) |
| Debt Service | | | | |
| Principal | 235,000 | 235,000 | 272,613 | (37,613) |
| Interest and Fiscal Charges | 339,000 | 339,000 | 329,600 | (9,400) |
| Total Expenditures | <u>6,397,532</u> | <u>6,397,532</u> | <u>7,787,420</u> | <u>(1,408,688)</u> |
| Excess Revenues Over (Under) Expenditures | 153,888 | 153,888 | (609,748) | (763,636) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | 150,000 | - | (150,000) |
| Net Change in Fund Balance | 153,888 | 303,888 | (609,748) | (913,636) |
| Fund Balance, Beginning of Year | <u>2,412,469</u> | <u>2,412,469</u> | <u>2,412,469</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 2,566,357</u> | <u>\$ 2,716,357</u> | <u>\$ 1,802,721</u> | <u>\$ (913,636)</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Road and Bridge Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Taxes | | | | |
| Property Tax | \$ 14,395 | \$ 14,395 | \$ 12,563 | \$ (1,832) |
| Specific Ownership Tax | 1,470 | 1,470 | 1,523 | 53 |
| Sales and Other Tax | 129 | 129 | 88 | (41) |
| Licenses and Permits | 28,750 | 28,750 | 28,394 | (356) |
| Charges for Services | 75,000 | 75,000 | 149,566 | 74,566 |
| Intergovernmental | 1,820,000 | 1,820,000 | 1,893,917 | 73,917 |
| Grant Income | 18,337 | 18,337 | - | (18,337) |
| Investment Income | - | - | 4 | 4 |
| Miscellaneous | 59,194 | 59,194 | 43,375 | (15,819) |
| Total Revenues | <u>2,017,275</u> | <u>2,017,275</u> | <u>2,129,430</u> | <u>112,155</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works | <u>2,410,100</u> | <u>2,410,100</u> | <u>2,396,547</u> | <u>13,553</u> |
| Total Expenditures | 2,410,100 | 2,410,100 | 2,396,547 | 13,553 |
| Excess Revenues Over (Under) Expenditures | (392,825) | (392,825) | (267,117) | 125,708 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | <u>500,000</u> | <u>500,000</u> | <u>400,000</u> | <u>(100,000)</u> |
| Net Change in Fund Balance | 107,175 | 107,175 | 132,883 | 25,708 |
| Fund Balance, Beginning of Year | <u>228,638</u> | <u>228,638</u> | <u>512,729</u> | <u>284,091</u> |
| Fund Balance, End of Year | <u>\$ 335,813</u> | <u>\$ 335,813</u> | <u>\$ 645,612</u> | <u>\$ 309,799</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Department of Human Services Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------------|--------------------------|--------------------------|------------------------------------|
| Revenues | | | | |
| Taxes | | | | |
| Property Tax | \$ 359,710 | \$ 359,710 | \$ - | \$ (359,710) |
| County Revenues/tax | 37,000 | 37,000 | - | (37,000) |
| Intergovernmental | <u>1,858,724</u> | <u>1,858,724</u> | <u>13,952,072</u> | <u>12,093,348</u> |
| Total Revenues | <u>2,255,434</u> | <u>2,255,434</u> | <u>13,952,072</u> | <u>11,696,638</u> |
| Expenditures | | | | |
| Current: | | | | |
| Health Services | <u>2,385,634</u> | <u>2,385,634</u> | <u>13,830,640</u> | <u>(11,445,006)</u> |
| Total Expenditures | <u>2,385,634</u> | <u>2,385,634</u> | <u>13,830,640</u> | <u>(11,445,006)</u> |
| Net Change in Fund Balance | (130,200) | (130,200) | 121,432 | 251,632 |
| Fund Balance, Beginning of Year | <u>409,492</u> | <u>409,492</u> | <u>395,517</u> | <u>(13,975)</u> |
| Fund Balance, End of Year | <u><u>\$ 279,292</u></u> | <u><u>\$ 279,292</u></u> | <u><u>\$ 516,949</u></u> | <u><u>\$ 237,657</u></u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Special Projects/Capital Expenditure Fund
 For the Year Ended December 31, 2022

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|---------------------|------------------------------------|
| Revenues | | | |
| Intergovernmental | \$ 1,507,920 | \$ 2,550,000 | \$ 1,042,080 |
| Investment Income | - | 8,457 | 8,457 |
| Other | - | 38,428 | 38,428 |
| | <u>1,507,920</u> | <u>2,596,885</u> | <u>1,088,965</u> |
| Total Revenues | | | |
| Expenditures | | | |
| Capital Outlay | 3,947,400 | 2,098,285 | 1,849,115 |
| | <u>3,947,400</u> | <u>2,098,285</u> | <u>1,849,115</u> |
| Total Expenditures | | | |
| Excess Revenues Over (Under) Expenditures | (2,439,480) | 498,600 | 2,938,080 |
| Other Financing Source (Uses) | | | |
| Transfers In | - | 200,000 | 200,000 |
| Transfers Out | - | (15,000) | (15,000) |
| | <u>-</u> | <u>(15,000)</u> | <u>(15,000)</u> |
| Net Change in Fund Balance | (2,439,480) | 683,600 | 3,123,080 |
| Fund Balance, Beginning of Year | 2,675,456 | 1,685,741 | (989,715) |
| | <u>2,675,456</u> | <u>1,685,741</u> | <u>(989,715)</u> |
| Fund Balance, End of Year | <u>\$ 235,976</u> | <u>\$ 2,369,341</u> | <u>\$ 2,133,365</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Emergency Services Fund
 For the Year Ended December 31, 2022

| | Original and Final Budget | Actual | Variance <i>Positive (Negative)</i> |
|--|------------------------------|--------------|--|
| Revenues | | | |
| Taxes | | | |
| Sales and Other Tax | \$ 820,000 | \$ 1,152,866 | \$ 332,866 |
| Charges for Services | - | 127,646 | 127,646 |
| Intergovernmental | - | (5,936) | (5,936) |
| Grant Income | 50,652 | - | (50,652) |
| Investment Income | - | - | - |
| Miscellaneous | - | 33,071 | 33,071 |
| | | | |
| Total Revenues | 870,652 | 1,307,647 | 436,995 |
| Expenditures | | | |
| Current: | | | |
| Public Safety | 1,418,848 | 688,576 | 730,272 |
| Capital Outlay | 160,000 | 116,557 | 43,443 |
| | | | |
| Total Expenditures | 1,578,848 | 805,133 | 773,715 |
| Excess Revenues Over (Under) Expenditures | (708,196) | 502,514 | 1,210,710 |
| Other Financing Sources (Uses) | | | |
| Transfers Out | (350,000) | (200,000) | (150,000) |
| Net Change in Fund Balance | (1,058,196) | 302,514 | 1,060,710 |
| Fund Balance, Beginning of Year | 911,894 | 812,029 | (99,865) |
| Fund Balance, End of Year | \$ (146,302) | \$ 1,114,543 | \$ 960,845 |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Disaster Recovery Fund
 For the Year Ended December 31, 2022

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|------------|------------------------------------|
| Revenues | | | |
| Grant Income | \$ 669,831 | \$ 669,831 | \$ - |
| Investment Income | - | (1) | (1) |
| Miscellaneous | - | - | - |
| | 669,831 | 669,830 | (1) |
| Total Revenues | | | |
| Expenditures | | | |
| Current: | | | |
| Public Safety | 1,339,661 | 167,145 | 1,172,516 |
| | 1,339,661 | 167,145 | 1,172,516 |
| Total Expenditures | | | |
| Other Financing Source (Uses) | | | |
| Transfers Out | - | - | - |
| | - | - | - |
| Net Change in Fund Balance | (669,830) | 502,685 | 1,172,515 |
| Fund Balance, Beginning of Year | 764,831 | (48,791) | (813,622) |
| Fund Balance, End of Year | \$ 95,001 | \$ 453,894 | \$ 358,893 |

Huerfano County, Colorado
Notes to Required Supplementary Information
December 31, 2022

Note 1: Stewardship, Compliance, and Accountability

Budgets

Formal budgetary integration in all funds is employed as a management control device during the year. Budgets are adopted for all governmental fund types on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governmental units. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the County Budget Officer submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The budget is prepared by fund and department, and includes actual data from the prior year, current year and budget year estimated revenues and expenditures.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 16, the budget is legally enacted, and the required mill levy is adopted through the passage of a resolution. This resolution authorizes an appropriation at each fund level and lapses at year end. The fund then becomes the level of control upon which expenditures cannot legally exceed appropriations.
- All appropriations lapse at the end of the year.
- Budgeted amounts in this report are as originally adopted or as amended by the Board of Commissioners during the year through supplemental appropriation.

Supplementary Information

Huerfano County, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

| | Parks and Recreation | P.I.L.T. | Conservation Trust Fund | Waster Transfer Station | Retirement | Federal Forest Project | Lodging Tax & Tourism | Total Non-major Fund |
|---|----------------------|-------------------|-------------------------|-------------------------|-------------------|------------------------|-----------------------|----------------------|
| Assets | | | | | | | | |
| Cash and Investments | \$ 43,204 | \$ 64,302 | \$ 46,403 | \$ 60,816 | \$ 110,438 | \$ 72,258 | \$ 111,243 | \$ 508,664 |
| Taxes receivable | - | - | - | - | 131,529 | - | - | 131,529 |
| Due from Other Funds | - | 723,765 | - | - | - | - | - | 723,765 |
| Total Assets | \$ 43,204 | \$ 788,067 | \$ 46,403 | \$ 60,816 | \$ 241,967 | \$ 72,258 | \$ 111,243 | \$ 1,363,958 |
| Liabilities | | | | | | | | |
| Accounts Payable | 29 | - | - | 4,960 | (8,148) | - | 27,255 | 24,096 |
| Accrued Salaries | 4,027 | - | - | 1,268 | - | - | - | 5,295 |
| Total Liabilities | 4,056 | - | - | 6,228 | (8,148) | - | 27,255 | 29,391 |
| Deferred Inflows of Resources | | | | | | | | |
| Property Taxes | - | - | - | - | 131,529 | - | - | 131,529 |
| Fund Balance | | | | | | | | |
| Restricted for Emergency Committed | 39,148 | 788,067 | 46,403 | 54,588 | 113,586 | 72,258 | 83,988 | 1,198,038 |
| Total Fund Balance | 39,148 | 788,067 | 46,403 | 54,588 | 118,586 | 72,258 | 83,988 | 1,203,038 |
| Total Liabilities and Fund Balance | \$ 43,204 | \$ 788,067 | \$ 46,403 | \$ 60,816 | \$ 241,967 | \$ 72,258 | \$ 111,243 | \$ 1,363,958 |

Huerfano County, Colorado
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

| | Parks and Recreation | P.I.L.T. | Conservation Trust Fund | Waste Transfer Station | Retirement | Federal Forest Project | Lodging Tax & Tourism | Total Non-major Fund |
|---|----------------------|-------------------|-------------------------|------------------------|-------------------|------------------------|-----------------------|----------------------|
| Revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property Tax | \$ - | \$ - | \$ - | \$ - | 128,111 | \$ - | \$ - | 128,111 |
| Specific Ownership Tax | - | - | - | - | 12,765 | - | - | 12,765 |
| Sales and Other Tax | - | - | - | - | 870 | - | - | 870 |
| Licenses and Permits | - | - | - | - | - | - | 91,092 | 91,092 |
| Charges for Services | 21,775 | - | - | 96,601 | 40,890 | - | - | 159,266 |
| Intergovernmental | - | 573,882 | 18,455 | - | - | 18,124 | - | 610,461 |
| Grant Income | - | - | - | - | - | - | 40,000 | 40,000 |
| Investment Income | - | 1 | 27 | - | - | - | (1) | 28 |
| Miscellaneous | - | 73,471 | - | 16,765 | - | 501 | - | 90,737 |
| Total Revenues | 21,775 | 647,354 | 18,482 | 113,367 | 182,636 | 18,625 | 131,091 | 1,133,330 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General Government | - | 51,383 | - | 9,567 | 182,557 | - | 117,849 | 361,356 |
| Public Safety | - | - | - | - | - | 128 | - | 128 |
| Health Services | - | - | - | 95,200 | - | - | - | 95,200 |
| Culture and Recreation | 182,627 | 299,675 | 10,000 | - | - | - | - | 492,302 |
| Capital Outlay | - | 57,914 | - | 348 | - | - | - | 58,262 |
| Total Expenditures | 182,627 | 408,972 | 10,000 | 105,115 | 182,557 | 128 | 117,849 | 1,007,248 |
| Excess Revenues Over (Under) Expenditures | <u>(160,852)</u> | <u>238,382</u> | <u>8,482</u> | <u>8,252</u> | <u>79</u> | <u>18,497</u> | <u>13,242</u> | <u>126,082</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers In | 200,000 | - | 15,000 | - | - | - | - | 215,000 |
| Transfers Out | - | (600,000) | - | - | - | - | - | (600,000) |
| Net Change in Fund Balance | 39,148 | (361,618) | 23,482 | 8,252 | 79 | 18,497 | 13,242 | (258,918) |
| Fund Balance, Beginning of Year | - | 1,149,685 | 22,921 | 46,336 | 118,507 | 53,761 | 70,746 | 1,461,956 |
| <i>As previously stated</i> | | | | | | | | |
| Restatement | - | - | - | - | - | - | - | - |
| <i>As Restated</i> | | | | | | | | |
| Fund Balance, End of Year | \$ 39,148 | \$ 788,067 | \$ 46,403 | \$ 54,588 | \$ 118,586 | \$ 72,258 | \$ 83,988 | \$ 1,203,038 |

See Accompanying Independent Auditor's Report.

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Correctional Facility Fund
 For the Year Ended December 31, 2022

| | Original and Final Budget | Actual | Variance <i>Positive</i> <i>(Negative)</i> |
|--|------------------------------|-----------|--|
| Revenues | | | |
| Investment Income | \$ 13 | \$ 10 | \$ (3) |
| Total Revenues | 13 | 10 | (3) |
| Expenditures | | | |
| Professional Fees | 25 | - | 25 |
| Depreciation | 11,008 | 6,775 | 4,233 |
| Total Expenditures | 11,033 | 6,775 | 4,258 |
| Net Change in Fund Balance | (11,020) | (6,765) | 4,255 |
| Fund Balance, Beginning of Year | 11,020 | 24,587 | 13,567 |
| Fund Balance, End of Year | - | \$ 17,822 | \$ 17,822 |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Gardner Water and Sewer Improvement District
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Charges for Services | \$ 88,500 | \$ 88,500 | \$ 80,176 | \$ (8,324) |
| Operating Grants and Contributions | - | - | 5,181 | 5,181 |
| Miscellaneous | 170 | 170 | 144 | (26) |
| | <u>88,670</u> | <u>88,670</u> | <u>85,501</u> | <u>(3,169)</u> |
| Expenses | | | | |
| Monitoring, Security Services and Wages | 11,401 | 11,401 | 20,323 | (8,922) |
| Contractual Services | 9,100 | 9,100 | 39,137 | (30,037) |
| Utilities | 14,600 | 14,600 | 11,200 | 3,400 |
| Repairs and Maintenance | 5,000 | 5,000 | 7,256 | (2,256) |
| Other Supplies and Expenses | 3,513 | 3,513 | - | 3,513 |
| Professional Fees | 6,123 | 6,123 | - | 6,123 |
| Miscellaneous Expenses | 65,219 | 65,219 | 28,954 | 36,265 |
| Capital Outlay | - | - | - | - |
| Depreciation | - | - | 39,735 | (39,735) |
| | <u>114,956</u> | <u>114,956</u> | <u>146,605</u> | <u>(31,649)</u> |
| Net Change in Fund Balance | (26,286) | (26,286) | (61,104) | (34,818) |
| Fund Balance, Beginning of Year | <u>37,245</u> | <u>37,245</u> | <u>1,424,819</u> | <u>1,387,574</u> |
| Fund Balance, End of Year | <u>\$ 10,959</u> | <u>\$ 10,959</u> | <u>\$ 1,363,715</u> | <u>\$ 1,352,756</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 P.I.L.T Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 550,000 | \$ 550,000 | \$ 573,882 | \$ 23,882 |
| Investment Income | - | - | 1 | 1 |
| Miscellaneous | - | - | 73,471 | 73,471 |
| Total Revenue | <u>550,000</u> | <u>550,000</u> | <u>647,354</u> | <u>97,354</u> |
| Expenses | | | | |
| Current: | | | | |
| General Government | 895,000 | 895,000 | 51,383 | 843,617 |
| Culture and Recreation | 5,850 | 5,850 | 159,675 | (153,825) |
| Capital Outlay | 200,000 | 200,000 | 57,914 | 142,086 |
| Total Expenses | <u>1,100,850</u> | <u>1,100,850</u> | <u>268,972</u> | <u>831,878</u> |
| Excess Revenues Over (Under) Expenditures | (550,850) | (550,850) | 378,382 | 929,232 |
| Other Financing Source (Uses) | | | | |
| Transfers Out | (250,000) | (250,000) | (740,000) | (490,000) |
| Net Change in Fund Balance | (800,850) | (800,850) | (361,618) | 439,232 |
| Fund Balance, Beginning of Year | <u>1,046,836</u> | <u>1,046,836</u> | <u>1,149,685</u> | <u>102,849</u> |
| Fund Balance, End of Year | <u>\$ 245,986</u> | <u>\$ 245,986</u> | <u>\$ 788,067</u> | <u>\$ 542,081</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 14,000 | \$ 14,000 | \$ 18,455 | \$ 4,455 |
| Investment Income | 32 | 32 | 27 | (5) |
| Total Revenue | <u>14,032</u> | <u>14,032</u> | <u>18,482</u> | <u>4,450</u> |
| Expenses | | | | |
| Current: | | | | |
| Culture and Recreation | <u>14,000</u> | <u>14,000</u> | <u>10,000</u> | <u>(4,000)</u> |
| Total Expenses | <u>14,000</u> | <u>14,000</u> | <u>10,000</u> | <u>(4,000)</u> |
| Excess Revenues Over (Under) Expenditures | 14,000 | 14,000 | 8,482 | (5,518) |
| Other Financing Source (Uses) | | | | |
| Transfers In | <u>-</u> | <u>-</u> | <u>15,000</u> | <u>15,000</u> |
| Net Change in Fund Balance | 32 | 32 | 23,482 | 23,450 |
| Fund Balance, Beginning of Year | <u>6,241</u> | <u>6,241</u> | <u>22,921</u> | <u>16,680</u> |
| Fund Balance, End of Year | <u>\$ 6,273</u> | <u>\$ 6,273</u> | <u>\$ 46,403</u> | <u>\$ 40,130</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Water Transfer Station
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| Revenues | | | | |
| Licenses and Permits | \$ 65,000 | \$ 65,000 | \$ 96,601 | \$ 31,601 |
| Investment Income | - | - | 1 | 1 |
| Transfer in | 50,000 | 50,000 | - | - |
| Miscellaneous | 5 | 5 | 16,765 | 16,760 |
| | <u>115,005</u> | <u>115,005</u> | <u>113,367</u> | <u>48,362</u> |
| Expenses | | | | |
| Current: | | | | |
| General Government | 13,640 | 13,640 | 9,915 | (3,725) |
| Health Services | 108,261 | 108,261 | 95,200 | (13,061) |
| | <u>121,901</u> | <u>121,901</u> | <u>105,115</u> | <u>(16,786)</u> |
| Excess Revenues Over Net Change in Fund Balance | (6,896) | (6,896) | 8,252 | 65,148 |
| Fund Balance, Beginning of Year | <u>38,329</u> | <u>38,329</u> | <u>46,336</u> | <u>8,007</u> |
| Fund Balance, End of Year | <u>\$ 31,433</u> | <u>\$ 31,433</u> | <u>\$ 54,588</u> | <u>\$ 73,155</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Retirement Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Taxes | | | | |
| Property Tax | \$ 129,890 | \$ 129,890 | \$ 128,111 | \$ (1,779) |
| Specific Ownership Tax | 13,150 | 13,150 | 12,765 | (385) |
| Sales and Other Tax | - | - | 870 | 870 |
| Charges for Services | 35,650 | 35,650 | 40,890 | 5,240 |
| Investment Income | - | - | - | - |
| Miscellaneous | 250 | 250 | - | (250) |
| Total Revenue | <u>178,940</u> | <u>178,940</u> | <u>182,636</u> | <u>3,696</u> |
| Expenses | | | | |
| Current: | | | | |
| General Government | <u>204,744</u> | <u>204,744</u> | <u>182,557</u> | <u>22,187</u> |
| Total Expenses | <u>204,744</u> | <u>204,744</u> | <u>182,557</u> | <u>22,187</u> |
| Net Change in Fund Balance | (25,804) | (25,804) | 79 | 25,883 |
| Fund Balance, Beginning of Year | <u>108,496</u> | <u>108,496</u> | <u>118,507</u> | <u>10,011</u> |
| Fund Balance, End of Year | <u>\$ 82,692</u> | <u>\$ 82,692</u> | <u>\$ 118,586</u> | <u>\$ 35,894</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Federal Forest Project Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 15,000 | \$ 15,000 | \$ 18,124 | \$ 3,124 |
| Other Income | - | - | 501 | 501 |
| | <u>15,000</u> | <u>15,000</u> | <u>18,625</u> | <u>3,625</u> |
| Total Revenue | | | | |
| Expenses | | | | |
| Current: | | | | |
| Public Safety | 39,331 | 39,331 | 128 | 39,203 |
| | <u>39,331</u> | <u>39,331</u> | <u>128</u> | <u>39,203</u> |
| Total Expenses | | | | |
| Net Change in Fund Balance | (24,331) | (24,331) | 18,497 | 42,828 |
| Fund Balance, Beginning of Year | <u>24,331</u> | <u>24,331</u> | <u>53,761</u> | <u>29,430</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 72,258</u> | <u>\$ 72,258</u> |

Huerfano County, Colorado
 Budgetary Comparison Schedule
 Lodging Tax and Tourism Fund
 For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| Revenues | | | | |
| Lodging Tax | \$ 62,500 | \$ 62,500 | \$ 91,092 | \$ 28,592 |
| Grant Income | 55,000 | 55,000 | 40,000 | (15,000) |
| Investment Income | - | - | (1) | (1) |
| | <u>117,500</u> | <u>117,500</u> | <u>131,091</u> | <u>13,591</u> |
| Expenses | | | | |
| Current: | | | | |
| General Government | <u>131,147</u> | <u>131,147</u> | <u>117,849</u> | <u>13,298</u> |
| Total Expenses | <u>131,147</u> | <u>131,147</u> | <u>117,849</u> | <u>13,298</u> |
| Net Change in Fund Balance | (13,647) | (13,647) | 13,242 | 26,889 |
| Fund Balance, Beginning of Year | <u>31,356</u> | <u>31,356</u> | <u>70,746</u> | <u>39,390</u> |
| Fund Balance, End of Year | <u>\$ 17,709</u> | <u>\$ 17,709</u> | <u>\$ 83,988</u> | <u>\$ 66,279</u> |

Compliance Section



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**Independent Auditor's Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Based on An Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

Board of County Commissioners
Huerfano County, Colorado
Walsenburg, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Huerfano County, Colorado (the County) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County, and have issued our report thereon dated October 18, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the on 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Huerfano County, Colorado's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Englewood, Colorado
October 18, 2023





Independent Auditor's Report on Compliance for Each Major Federal Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards Required by The Uniform Guidance

Board of County Commissioners
Huerfano County, Colorado
Walsenburg, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Huerfano County, Colorado (the County) 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 the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the County's compliance with the compliance requirements referred to above.

Office Locations:

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Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

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 contracts or grant agreements applicable to the 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 the 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 GAAS, *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 judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, 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 the 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 the 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 an opinion on the effectiveness of the 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.



Report on Internal Control Over Compliance (Continued)

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 were not identified.

Our audit was not designed for the purpose of expressing an opinion on 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County. We issued our report thereon dated October 18, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
October 18, 2023



Huerfano County, Colorado
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

| Federal Grantor/Pass - Through Grantor Program Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|--|---|--|----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed Through Colorado Department of Human Services | | | |
| <i>SNAP Cluster</i> | | | |
| Supplemental Nutrition Assistance Program (SNAP) | 10.551 | N/A | \$ 280 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | N/A | 140,713 |
| Total U.S. Department of Agriculture | | | <u>140,993</u> |
| U.S. DEPARTMENT OF COMMERCE | | | |
| Direct | | | |
| <i>Economic Development Cluster</i> | | | |
| Economic Adjustment Assistance | 11.307 | N/A | <u>171,145</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct | | | |
| Community Development Block Grant | 14.228 | N/A | <u>126,679</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Direct | | | |
| Airport Improvement Program | 20.106 | N/A | 350,754 |
| Passed Through Colorado Department of Transportation | | | |
| <i>Highway Planning and Construction Cluster</i> | | | |
| Highway Planning and Construction | 20.205 | | <u>110,331</u> |
| Total U.S. Department of Transportation | | | <u>461,085</u> |
| U.S. DEPARTMENT OF TREASURY | | | |
| Direct | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 167,145 |
| Local Assistance and Tribal Consistency Fund | 21.032 | N/A | 505,852 |
| Passed Through Colorado Department of Human Services | | | |
| Coronavirus Relief Fund | 21.019 | | (164) |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 14,674 |
| Total U.S. Department of Treasury | | | <u>687,506</u> |
| U.S. DEPARTMENT OF HUMAN SERVICES | | | |
| Passed Through Colorado Department of Human Services | | | |
| <i>Child Care Disaster Relief Cluster</i> | | | |
| Child Care and Development Block Grant | 93.575 | N/A | 48,482 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | N/A | 43,183 |
| <i>Subtotal Child Care Disaster Relief Cluster</i> | | | |
| Guardianship Assistance | 93.090 | N/A | 1,318 |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | N/A | 127,639 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | N/A | 429,907 |
| Child Support Enforcement | 93.563 | N/A | 138,510 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | N/A | 9,400 |
| Foster Care Title IV-E | 93.658 | N/A | 241,374 |
| Adoption Assistance | 93.659 | N/A | 64,256 |
| Social Services Block Grant | 93.667 | N/A | 29,442 |
| Elder Abuse Prevention Interventions Program | 93.747 | N/A | 5,334 |
| <i>Medicaid Cluster</i> | | | |
| Medical Assistance Program | 93.778 | N/A | 160,553 |
| Total U.S. Department of Human Services | | | <u>1,299,398</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Colorado Division of Homeland and Emergency Management | | | |
| Emergency Management Performance Grants | 97.042 | 22EM-23-25 | <u>51,488</u> |
| TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,938,294</u> |

Huerfano County, Colorado
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards 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*, using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are generally reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the Cost Principles in Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments or the cost principles contained in the Uniform Guidance. As such, certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Subrecipients

The County did not pass through any federal funds to sub-recipients during the year ended December 31, 2022.

Note 4: De minimis Cost Rate

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

Huerfano County, Colorado
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2022

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

- Unmodified Qualified Adverse Disclaimed

The independent auditor's report on internal control over financial reporting described:

- Material weaknesses identified? Yes No
- Significant deficiencies? Yes None reported
- Noncompliance considered material to the financial statements noted? Yes No

Federal Awards

The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

- Material weaknesses? Yes No
- Significant deficiencies? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

- Unmodified Qualified Adverse Disclaimed

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

| Cluster/Program | CFDA Number |
|--|-------------|
| Community Development Block Grant | 14.228 |
| Local Assistance and Tribal Consistency Fund | 21.032 |
| Airport Improvement Program | 20.106 |
| Highway Planning and Construction Cluster | 20.205 |
| Coronavirus State & Local Fiscal Recovery Fund | 21.027 |

Dollar threshold used to distinguish
 Between Type A and Type B programs: \$750,000.

Auditee qualified as a low-risk auditee as that term is defined in Uniform Guidance? Yes No

Huerfano County, Colorado
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

No current year findings or questioned costs were reported.

Huerfano County, Colorado
Schedule of Prior Year Findings
For the Year Ended December 31, 2022

I. Financial Statement Prior Audit Findings

None.

II. Findings Required to be Reported by the Uniform Guidance

Finding 2021-001:

The County does not have the internal accounting controls to timely and accurately produce annual financial reporting.

Criteria: Current accounting standards require an organization to have the policies and procedures in place to be able to generate timely and accurate financial statements.

Condition: The County was not able to generate the underlying financial information necessary to produce accurate financial reporting on a timely basis. The County needed substantial assistance and direction throughout the financial reporting process.

Cause: The County does not have sufficient financial reporting policies and procedures in place to prepare financial statements in a timely manner.

Effect: The County does not have the ability to produce timely and accurate financial statements.

Questioned Costs: None reported.

Repeat Finding: No

Recommendation: We recommend the County establish financial reporting policies and procedures and take appropriate measures to ensure timely submission of the reporting package and data collection form within the required deadlines.

Follow up Status: Based upon current-year testing, we determined the County implemented the above procedures. This finding is considered resolved.

State Compliance

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

| | |
|---|-----------------------------------|
| This Information From The Records Of: HUERFANO COUNTY, COLORADO | Prepared By: CARL YOUNG |
|---|-----------------------------------|

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|-----------------|--|-----------------|
| A. Receipts from local sources: | | A. Local highway expenditures: | |
| 1. Local highway-user taxes | | 1. Capital outlay (from page 2) | \$ 147,175.32 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | \$ 1,950,453.04 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | |
| 2. General fund appropriations | \$ - | b. Snow and ice removal | \$ 22,408.72 |
| 3. Other local imposts (from page 2) | \$ 15,854.48 | c. Other | \$ 390,021.50 |
| 4. Miscellaneous local receipts (from page 2) | \$ 652,715.40 | d. Total (a. through c.) | \$ 412,430.22 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | \$ - |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | \$ - |
| a. Bonds - Original Issues | \$ - | 6. Total (1 through 5) | \$ 2,510,058.58 |
| b. Bonds - Refunding Issues | \$ - | B. Debt service on local obligations: | |
| c. Notes | \$ - | 1. Bonds: | |
| d. Total (a. + b. + c.) | \$ - | a. Interest | \$ - |
| 7. Total (1 through 6) | \$ 668,569.88 | b. Redemption | \$ - |
| B. Private Contributions | | c. Total (a. + b.) | \$ - |
| C. Receipts from State government (from page 2) | \$ 1,953,247.78 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | \$ - | a. Interest | \$ 10,001.57 |
| E. Total receipts (A.7 + B + C + D) | \$ 2,621,817.66 | b. Redemption | \$ 87,000.68 |
| | | c. Total (a. + b.) | \$ 97,002.25 |
| | | 3. Total (1.c + 2.c) | \$ 97,002.25 |
| | | C. Payments to State for highways | |
| | | D. Payments to toll facilities | |
| | | E. Total expenditures (A.6 + B.3 + C + D) | \$ 2,607,060.83 |

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) | | | | \$ - |

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 |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | \$ 488,779.00 | \$ 2,621,817.66 | \$ 2,607,060.83 | \$ 503,535.83 | \$ - |

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 Assessments | \$ 14,331.30 | a. Interest on investments | |
| b. Other local imposts: | | b. Traffic Fines & Penalties | \$ 7,400.00 |
| 1. Sales Taxes | \$ - | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | |
| 4. Licenses | | f. Charges for Services | \$ 51,329.00 |
| 5. Specific Ownership &/or Other | \$ 1,523.18 | g. Other Misc. Receipts | \$ 43,375.00 |
| 6. Total (1. through 5.) | \$ 1,523.18 | h. Other | \$ 550,611.40 |
| c. Total (a. + b.) | \$ 15,854.48 | i. Total (a. through h.) | \$ 652,715.40 |
| <i>(Carry forward to page 1)</i> | | <i>(Carry forward to page 1)</i> | |

| ITEM | AMOUNT | ITEM | AMOUNT |
|--|-----------------|--|--------|
| C. Receipts from State Government | | D. Receipts from Federal Government | |
| 1. Highway-user taxes (from Item I.C.5.) | \$ 1,893,917.22 | 1. FHWA (from Item I.D.5.) | |
| 2. State general funds | | 2. Other Federal agencies: | |
| 3. Other State funds: | | a. Forest Service | |
| a. State bond proceeds | | b. FEMA | |
| b. Project Match | \$ 10,000.00 | c. HUD | |
| c. Motor Vehicle Registrations | \$ 20,993.56 | d. Federal Transit Administration | |
| d. DOLA Grant | \$ - | e. U.S. Corps of Engineers | |
| e. Other | \$ 28,337.00 | f. Other Federal | |
| f. Total (a. through e.) | \$ 59,330.56 | g. Total (a. through f.) | \$ - |
| 4. Total (1. + 2. + 3.f) | \$ 1,953,247.78 | 3. Total (1. + 2.g) | \$ - |
| <i>(Carry forward to page 1)</i> | | <i>(Carry forward to page 1)</i> | |

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 | | \$ 147,175.32 | \$ 147,175.32 |
| (4). System Enhancement And Operation | | | \$ - |
| (5). Total Construction (1)+(2)+(3)+(4) | \$ - | \$ 147,175.32 | \$ 147,175.32 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4) | \$ - | \$ 147,175.32 | \$ 147,175.32 |
| <i>(Carry forward to page 1)</i> | | | |

Notes and Comments: