COSTILLA COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2025



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

COSTILLA COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT

Wall, Smith, Bateman Inc.

To the Board of County Commissioners
Costilla County, Colorado
San Luis, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Costilla County, Colorado (the County), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2025, 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 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 Auditors' 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.

Emphasis of Matter – Restatement of Beginning Fund Balance

As discussed in Note 14 to the financial statements, the beginning net position of the governmental activities and the beginning fund balance of the Social Services Fund have been restated to correct a misstatement in the previously issued financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial 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

Management 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining fund financial schedules, 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,* and the Local Highway Finance Report, 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 combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2026 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 29, 2026

COSTILLA COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

COSTILLA COUNTY, COLORADO
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current Assets			
Cash and Investments	$ 3,273,768	$ 84,681	$ 3,358,449
Property Taxes Receivable	3,047,840	-	3,047,840
Accounts Receivable	106,117	1,738	107,855
Due from Custodial Fund	-	-	-
Due from Other Governments	965,527	-	965,527
Prepaid Expenses	-	-	-
Inventory	116,557	-	116,557
Total Current Assets	7,509,809	86,419	7,596,228
Noncurrent Assets			
Capital Assets			
Construction In Progress	149,732	-	149,732
Land and Land Improvements	3,718,739	-	3,718,739
Buildings	10,362,739	-	10,362,739
Equipment	11,279,389	-	11,279,389
Infrastructure	9,541,913	-	9,541,913
Water and Sewer Plant	-	5,174,408	5,174,408
Less: Accumulated Depreciation/Depletion	(17,505,789)	(3,586,528)	(21,092,317)
Subscription assets, net of accumulated amortization	77,915	-	77,915
Total Noncurrent Assets	17,624,638	1,587,880	19,212,518
TOTAL ASSETS	25,134,447	1,674,299	26,808,746
LIABILITIES			
Current Liabilities			
Accounts Payable and Other Payables	294,121	35,530	329,651
Due to Other Governments	-	-	-
Unearned Revenue - Other	323,973	-	323,973
Financed Purchase Agreement	188,030	-	188,030
Subscription Agreements	47,330	-	47,330
Compensated Absences	139,800	-	139,800
Total Current Liabilities	993,254	35,530	1,028,784
Noncurrent Liabilities			
Financed Purchase Agreement	724,548	-	724,548
Subscription Agreements	30,585	-	30,585
Compensated Absences	30,185	-	30,185
Total Noncurrent Liabilities	785,318	-	785,318
TOTAL LIABILITIES	1,778,572	35,530	1,814,102
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Tax	3,047,840	-	3,047,840
TOTAL DEFERRED INFLOWS OF RESOURCES	3,047,840	-	3,047,840
NET POSITION			
Net Investment in Capital Assets	16,634,145	1,587,880	18,222,025
Restricted for TABOR	384,800	-	384,800
Unrestricted	3,289,090	50,889	3,339,979
TOTAL NET POSITION	$ 20,308,035	$ 1,638,769	$ 21,946,804

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

COSTILLA COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: TOTAL
Primary Government:							
Governmental Activities:							
General Government	$ 3,619,470	$ 569,660	$ 104,832	$ 1,404,429	$ (1,540,549)	$ -	$ (1,540,549)
Public Safety	1,811,909	161,773	68,558	-	(1,581,578)	-	(1,581,578)
Health and Welfare	7,510,614	489,187	6,607,912	-	(413,515)	-	(413,515)
Highways and Streets	5,084,827	18,710	4,894,284	674,000	502,167	-	502,167
Auxiliary Services	221,432	-	22,145	-	(199,287)	-	(199,287)
Culture and Recreation	463,979	-	487,563	-	23,584	-	23,584
Interest Expense	43,754	-	-	-	(43,754)	-	(43,754)
Total Governmental Activities	18,755,985	1,239,330	12,185,294	2,078,429	(3,252,932)	-	(3,252,932)
Business-Type Activities							
Water	179,534	111,215	-	-	-	(68,319)	(68,319)
Sanitation	137,025	49,858	-	-	-	(87,167)	(87,167)
Total Business-Type Activities	316,559	161,073	-	-	-	(155,486)	(155,486)
Total Primary Government	$ 19,072,544	$ 1,400,403	$ 12,185,294	$ 2,078,429	(3,252,932)	(155,486)	(3,408,418)
		General Revenues:					
		Taxes					
		General Property Taxes - Net			2,907,725	-	2,907,725
		Sales Taxes			596,118	-	596,118
		Other Taxes			221,350	-	221,350
		Payment in Lieu of Taxes			742	-	742
		Interest on Investments			2,733	-	2,733
		Miscellaneous			122,310	-	122,310
		Gain on Sale of Asset			20,000	-	20,000
		Transfers:			(568,275)	568,275	-
		Total General Revenues and Transfers			3,302,703	568,275	3,870,978
		Change in Net Position			49,771	412,789	462,560
		Net Position - Beginning of Year, As Previously Stated			19,995,982	1,225,980	21,221,962
		Correction of an Error, See Note 14			262,282	-	262,282
		Net Position - Beginning of Year, Restated			20,258,264	1,225,980	21,484,244
		Net Position - End of Year			$ 20,308,035	$ 1,638,769	$ 21,946,804

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

COSTILLA COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2025

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	$ 325,574	$ 2,101,265	$ 572,545	$ 274,384	$ 3,273,768
Receivables					
Property Taxes Receivable	2,519,150	-	446,723	81,967	3,047,840
Accounts Receivable	65,318	-	-	40,799	106,117
Due From Other Funds	96,982	-	-	-	96,982
Due From Other Governments	277,264	494,051	101,489	92,723	965,527
Inventory	-	116,557	-	-	116,557
TOTAL ASSETS	$ 3,284,288	$ 2,711,873	$ 1,120,757	$ 489,873	$ 7,606,791
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts Payable and Other Payables	$ 37,999	$ 248,078	$ -	$ 8,044	$ 294,121
Due to Other Funds	-	-	73,889	23,093	96,982
Unearned Revenue - Other	280,120	-	43,853	-	323,973
TOTAL LIABILITIES	318,119	248,078	117,742	31,137	715,076
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Tax	2,519,150	-	446,723	81,967	3,047,840
Unavailable Revenue - Grants	67,205	-	-	15,244	82,449
TOTAL DEFERRED INFLOWS OF RESOURCES	2,586,355	-	446,723	97,211	3,130,289
FUND BALANCE					
Nonspendable	-	116,557	-	-	116,557
Restricted	138,000	148,300	74,100	24,400	384,800
Committed	-	2,198,938	482,192	337,125	3,018,255
Assigned	-	-	-	-	-
Unassigned	241,814	-	-	-	241,814
TOTAL FUND BALANCE	379,814	2,463,795	556,292	361,525	3,761,426
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 3,284,288	$ 2,711,873	$ 1,120,757	$ 489,873	$ 7,606,791

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

COSTILLA COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
December 31, 2025

Total governmental fund balances			$ 3,761,426
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets and subscription assets used in governmental activities are not financial resources and therefore are not reported in the funds.			17,624,638
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Financed Purchase Agreement	$ (912,578)		
Subscription Agreements	(77,915)		
Compensated Absences	(169,985)		
			(1,160,478)
Certain revenue was earned and accrued in the statement of net position, but has been deferred in the governmental funds balance sheet.			82,449
Net position of governmental activities			$ 20,308,035

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

COSTILLA COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 3,197,216	$ -	$ 446,235	$ 81,742	$ 3,725,193
Intergovernmental Revenue	1,990,324	4,912,209	6,093,833	485,756	13,482,122
Licenses and Permits	11,027	-	-	-	11,027
County Ordinances	83,706	-	-	-	83,706
Charges for Services	620,360	-	-	489,187	1,109,547
Interest on Deposits	2,238	-	-	495	2,733
Miscellaneous	91,726	36,995	-	54,534	183,255
TOTAL REVENUES	5,996,597	4,949,204	6,540,068	1,111,714	18,597,583
EXPENDITURES					
Current Expenditures					
General Government	2,764,520	-	-	-	2,764,520
Public Safety	1,717,778	-	-	-	1,717,778
Health and Welfare	-	-	6,350,916	1,006,816	7,357,732
Highways and Streets	-	3,938,224	-	-	3,938,224
Auxiliary Services	221,432	-	-	-	221,432
Culture and Recreation	352,908	-	-	107,140	460,048
Capital Outlay	1,060,746	2,864,373	-	-	3,925,119
Debt Service	75,317	125,666	71,800	-	272,783
TOTAL EXPENDITURES	6,192,701	6,928,263	6,422,716	1,113,956	20,657,636
Excess (deficiency) of revenues over expenditures	(196,104)	(1,979,059)	117,352	(2,242)	(2,060,053)
OTHER FINANCING SOURCES (USES)					
Transfers In	92,894	-	-	5,228	98,122
Transfers Out	(573,503)	(47,894)	-	(45,000)	(666,397)
Sale of Fixed Assets	-	-	-	20,000	20,000
Lease Proceeds	-	774,821	-	-	774,821
TOTAL OTHER FINANCING SOURCES (USES)	(480,609)	726,927	-	(19,772)	226,546
Net Change in Fund Balance	(676,713)	(1,252,132)	117,352	(22,014)	(1,833,507)
Fund Balance at Beginning of Year, as Previously Stated	1,056,527	3,715,927	176,658	383,539	5,332,651
Correction of an Error, See Note 14	-	-	262,282	-	262,282
Fund Balance - Beginning of Year, Restated	1,056,527	3,715,927	438,940	383,539	5,594,933
Fund Balance at End of Year	$ 379,814	$ 2,463,795	$ 556,292	$ 361,525	$ 3,761,426

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

COSTILLA COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

Net change in fund balances - total governmental funds		$ (1,833,507)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the activity in the capital assets in the current period.		
Capital Asset Additions	$ 3,913,989	
Capital Asset Deletions, net of Accumulated Depreciation	(17,892)	
Depreciation and Amortization Expense	(1,591,498)	
		2,304,599
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the activity in debt in the current period.		
Financed Purchase Agreement Payments	229,029	
Subscription Agreement Payments	73,823	
Financed Purchase Agreement Proceeds	(774,822)	
		(471,970)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(31,800)
Certain revenue was earned and accrued in the statement of net position, but has been deferred in the governmental funds balance sheet. This is the current year change in those balances.		82,449
Change in net position of governmental activities		$ 49,771

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

COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2025

	WATER AND SANITATION FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 84,681
Accounts Receivable	1,738
Total Current Assets	86,419
Noncurrent Assets	
Capital Assets	
Water and Sewer Plant	5,174,408
Less: Accumulated Depreciation/Depletion	(3,586,528)
Total Noncurrent Assets	1,587,880
TOTAL ASSETS	1,674,299
LIABILITIES	
Current Liabilities	
Accounts Payable	35,530
Total Current Liabilities	35,530
TOTAL LIABILITIES	35,530
NET POSITION	
Net Investment in Capital Assets	1,587,880
Unrestricted	50,889
TOTAL NET POSITION	$ 1,638,769

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

COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2025

	WATER AND SANITATION FUND
OPERATING REVENUES	
Charges for Services	$ 160,753
Miscellaneous Revenue	320
Total operating revenues	161,073
OPERATING EXPENSES	
Salaries and Benefits	116,434
Supplies	13,386
Utilities	32,715
Professional Services	18,765
Repairs and Maintenance	17,563
Permits and Fees	6,463
Depreciation Expense	105,520
Miscellaneous	5,713
Total operating expenses	316,559
Operating Income (Loss)	(155,486)
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Tap Fees	-
Transfer In	568,275
Total Capital Contributions and Transfers	568,275
Change in Net Position	412,789
Net Position, Beginning of Year	1,225,980
Net Position, End of Year	$ 1,638,769

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

COSTILLA COUNTY, COLORADO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	WATER AND SANITATION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 161,226
Cash Payments to Suppliers for Goods and Services	(69,929)
Cash Payments to Employees for Services	(116,435)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(25,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer from General Fund for capital improvements	568,275
Acquisition of capital improvements	(568,275)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	109,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 84,681
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (155,486)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	105,520
(Increase) Decrease in Accounts Receivable	152
Increase (Decrease) in Accounts Payable	24,676
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (25,138)

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

COSTILLA COUNTY, COLORADO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2025

	PUBLIC TRUSTEE	COUNTY CLERK	COUNTY SHERIFF	COUNTY TREASURER	TOTAL CUSTODIAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 3,811	$ 163,422	$ 2,524	$ 310,391	$ 480,148
Property Tax Receivable	-	-	-	9,081,953	9,081,953
TOTAL ASSETS	3,811	163,422	2,524	9,392,344	9,562,101
LIABILITIES					
Funds Held for Others	-	-	-	309,378	309,378
Due to General Fund	-	-	-	-	-
Due to Other Governments	-	163,422	-	-	163,422
TOTAL LIABILITIES	-	163,422	-	309,378	472,800
DEFERRED INFLOWS OF RESOURCES - CURRENT					
Unavailable Revenue - Property Tax	-	-	-	9,081,953	9,081,953
NET POSITION					
Restricted for:					
Individuals, Organizations, and Other Governments	3,811	-	2,524	1,013	7,348
TOTAL NET POSITION	$ 3,811	$ -	$ 2,524	$ 1,013	$ 7,348

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

COSTILLA COUNTY, COLORADO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2025

	PUBLIC TRUSTEE	COUNTY CLERK	COUNTY SHERIFF	COUNTY TREASURER	TOTAL CUSTODIAL FUNDS
ADDITIONS					
Tax Collections for Other Governments	$ -	$ -	$ -	$ 9,231,117	$ 9,231,117
Public Trustee Activity	12,260	-	-	-	12,260
County Clerk Collections	-	1,432,131	-	-	1,432,131
Sheriff Bond Collections	-	-	30,633	-	30,633
Miscellaneous	-	-	-	296,777	296,777
Total Additions	12,260	1,432,131	30,633	9,527,894	11,002,918
DEDUCTIONS					
Taxes and Other Collections Disbursed	-	-	-	9,568,113	9,568,113
Public Trustee Disbursements	10,719	-	-	-	10,719
Sheriff Bond Disbursements	-	-	28,600	-	28,600
County Clerk Disbursements	-	1,432,131	-	-	1,432,131
Total Deductions	10,719	1,432,131	28,600	9,568,113	11,039,563
Net Increase (Decrease) in Fiduciary Net Position	1,541	-	2,033	(40,219)	(36,645)
Net position - Beginning of the Year	2,270	-	491	41,232	43,993
Net position - End of the Year	$ 3,811	$ -	$ 2,524	$ 1,013	$ 7,348

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards.*

REPORTING ENTITY

Primary Government

Costilla County was created as a quasi-municipal corporation by the legislature in 1913 for the purpose of exercising a part of the political power 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 five other elected officials - assessor, clerk and recorder, coroner, sheriff, and treasurer. The treasurer is also the County Public Trustee. The County provides the following services: public safety (sheriff), highways and streets, health and welfare, water and sanitation system, property tax collection and distribution, land use planning and regulations, culture and recreation, library, and general administrative services.

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 a majority of the funds held; and the funds that are accessible are also significant to the County

Based on the aforementioned criteria, Costilla County has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the County and its component units, if any, except for County fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- 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 in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental 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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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 when all applicable eligibility requirements imposed by the provider are 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- The ***General Fund*** is the general operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The ***Road and Bridge Fund*** is used to account for the maintenance and improvements of streets and highways. The sources of funds include highway user's fees and other revenue sources.
- The ***Social Services Fund*** is used to account for the operations of social programs; i.e. Temporary Assistance for Needy Families, Old Age Pension, Aid to the Blind, Aid to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenue.

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

proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sanitation Fund are service fees charged to customers. Operating expenses for the Water and Sanitation Fund consist primarily of salaries and operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is 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 year, are accrued.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The fiduciary fund financial statements consist of custodial funds that are fiduciary in nature and present changes in fiduciary net position. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the County holds for others in a fiduciary capacity.

- The *Public Trustee Fund* was established to account for expenditures for the Public Trustee's Office. The Public Trustee is appointed by the Governor of Colorado for a four-year term. This office administers foreclosures including issuance of Public Trustee deeds, cure of default and lien redemptions.
- The *County Treasurer Fund* accounts for monies collected (principally tax collections) by the Costilla County Treasurer for various local government entities within the County.
- The *Clerk and Recorder Fund* accounts for the receipt and disbursement of revenues received by the clerk and recorder office for disbursement to other governments and recording funds to be used by the clerk and recorder.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable. The 2025 property tax levy due January 1, 2026, has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources.

Inventories

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 nonspendable fund balance, which indicates that it does not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets, which include land, construction in progress, buildings, equipment, infrastructure (e.g. roads, bridges, sidewalks, and similar items) and water and sewer plant are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-30
Equipment	5-15
Infrastructure	20-50

Subscription-Based Information Technology Arrangements (SBITA)

Subscriber: The County recognizes a subscription liability and intangible right to use subscription asset in the government-wide financial statements. The County recognizes subscription liabilities with an initial, individual value of $15,000 or more.

At the commencement of a subscription-based information technology arrangement (SBITA), the County initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the County determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription terms, and (3) subscription payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

- The subscription term includes the noncancellable period of the subscriptions. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Compensated Absences

The County's policy allows employees to accumulate unused vacation leave up to 80 hours. However, not all of the County offices adhere to this policy. The Treasurer does not carry over any unused leave. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental funds only if they have matured, for example as a result of employee retirements or resignations.

Unearned Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – 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 components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the County is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.

- *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of County Commissioners, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of County Commissioners or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
FUND BALANCE					
Nonspendable					
Inventory	$ -	$ 116,557	$ -	$ -	$ 116,557
Restricted					
TABOR Amendment Reserve	138,000	148,300	74,100	24,400	384,800
Committed					
Capital Projects	-	-	-	27,745	27,745
Health and Welfare	-	-	482,192	255,606	737,798
Highway and Streets	-	2,198,938	-	-	2,198,938
Culture and Recreation	-	-	-	53,774	53,774
Total Committed	-	2,198,938	482,192	337,125	3,018,255
Assigned					
Designated for Future Use	-	-	-	-	-
Unassigned	241,814	-	-	-	241,814
	$ 379,814	$ 2,463,795	$ 556,292	$ 361,525	$ 3,761,426

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned and unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assigned actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Costilla County follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

- Preparation of budget documents by administrative staff, which shall be submitted to the Board no later than October 15 of each year.
- Publication of a notice stating that the budget is available for public inspection.
- Discussion of the budget in a meeting open to the public.
- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the County. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2025. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

Total expenditures exceeded budgeted appropriations in the Road and Bridge Fund by $607,230. This may be a violation of Colorado Revised Statutes 29-1-110.

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

A summary of cash, deposits, and investments for the County are as follows:

Cash on hand	$ 4,014
Cash deposited with banks	3,771,268
Investments	63,315
Total cash, deposits, and investments: (Book Balance)	3,838,597
Less: amounts related to Fiduciary Funds	(480,148)
Total cash, deposits, and investments on Statement of Net Position	$ 3,358,449

Cash and Deposits

Colorado State Statutes govern the County's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2025, $4,005,812 was exposed to credit risk. Deposits exposed to credit risk, if any, are collateralized with securities held by the pledging financial institutions through PDPA.

Investments

The County's investment policy and Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. They include:

- Obligations of the United States and certain U.S. Government 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
- Repurchase agreements
- Money market funds
- Guaranteed investments contracts
- Corporate or bank debt issued by eligible corporations or banks

Custodial Credit Risk – Investments

The County's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The policy allows for the investment in local government investment pools.

Interest Rate Risk

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

The Colorado Government Liquid Asset Trust (ColoTrust), is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. ColoTrust operates similarly to a money market fund and each share is equal in value to $1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pools consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. As of December 31, 2025, the local government investment pools (Colotrust) in which the County had invested were rated AAAm by Standard & Poor's.

The Colorado Surplus Asset Fund Trust (C-SAFE) investments are valued using the net asset value per share (or its equivalent) of the investments. The investments do not have any unfunded commitments, redemption restrictions, redemption notice periods or withdrawal restrictions. C-SAFE investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado

depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. C-SAFE measures all of its investments at amortized cost. C-SAFE is rated AAAm by Standard & Poor's.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2025, the County had an estimated property tax receivable split between the funds as follows:

General Fund	$ 2,519,150
Social Services Fund	446,723
Library Fund	81,967
	$ 3,047,840

NOTE 5 ACCOUNTS RECEIVABLE

At December 31, 2025, the County had accounts receivable as follows:

General Fund	$ 65,318
Public Health Fund (net of allowance for uncollectible accounts of ($978))	40,799
Water and Sanitation Fund (net of allowance for uncollectible accounts of $856)	1,738
Total Accounts Receivable, Net	$ 107,855

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between many of its funds. The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivables and payables for the year ended December 31, 2025, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Fund	$ 73,889
General Fund	Conservation Trust Fund	23,093
		$ 96,982

Interfund transfers for the year ended December 31, 2025, were as follows:

Transfers In	Transfers Out	Amount
General Fund	Road and Bridge Fund	$ 47,894
General Fund	Conservation Trust Fund	45,000
Public Health Fund	General Fund	5,228
Water and Sanitation Fund	General Fund	568,275
		$ 666,397

The Road and Bridge Fund transferred $47,894 to the General Fund for professional fee reimbursements. The Conservation Trust Fund transferred $50,000 to the General Fund as matching funds for the Rito Seco Expansion Project property purchase. The General Fund transferred $5,000 to the Conservation Trust Fund to correct costs paid

in error. The General Fund transferred $5,228 to the Public Health Fund as a 2025 contribution. The General Fund transferred $568,275 to the Water and Sanitation Fund for wastewater treatment plant capital improvements.

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Governmental Activities				
Capital assets not being depreciated				
Land and Land Improvements	$ 2,977,699	$ 741,040	$ -	$ 3,718,739
Construction in Progress	25,641	124,091	-	149,732
Total capital assets not being depreciated	3,003,340	865,131	-	3,868,471
Capital assets being depreciated				
Buildings	10,301,949	60,790	-	10,362,739
Equipment	9,885,856	2,069,818	676,285	11,279,389
Infrastructure	8,623,663	918,250	-	9,541,913
Total capital assets being depreciated	28,811,468	3,048,858	676,285	31,184,041
Less accumulated depreciation for:				
Buildings	6,251,400	299,076	-	6,550,476
Equipment	7,674,616	779,128	658,393	7,795,351
Infrastructure	2,720,491	439,471	-	3,159,962
Total accumulated depreciation	16,646,507	1,517,675	658,393	17,505,789
Total capital assets being depreciated, net	12,164,961	1,531,183	17,892	13,678,252
Assets being amortized				
Subscription Assets	801,398	-	-	801,398
Total assets being amortized	801,398	-	-	801,398
Less accumulated amortization for				
Subscription Assets	649,660	73,823	-	723,483
Total accumulated amortization	649,660	73,823	-	723,483
Total assets being amortized, net	151,738	(73,823)	-	77,915
Governmental Activities Capital Assets, net	$ 15,320,039	$ 2,322,491	$ 17,892	$ 17,624,638

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Business-type Activities				
Capital assets being depreciated				
Water and Sewer Plant	$ 4,606,133	$ 568,275	$ -	$ 5,174,408
Less: accumulated depreciation	(3,481,008)	(105,520)	-	(3,586,528)
Total capital assets being depreciated, net	1,125,125	462,755	-	1,587,880
Business-type Activities Capital Assets, net	$ 1,125,125	$ 462,755	$ -	$ 1,587,880

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

Governmental activities:	
General Government	$ 217,061
Public Safety	91,555
Health and Welfare	150,240
Highways and Streets	1,128,711
Culture and Recreation	3,931
Total depreciation and Amortization Expense - governmental activities	$ 1,591,498
Business-type activities:	
Water	$ 48,066
Sanitation	57,454
Total depreciation expense - business-type activities	$ 105,520

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability balances for the year ended December 31, 2025, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financed Purchase Agreement					
2007 Health and Human Services	$ 166,000	$ -	$ (64,000)	$ 102,000	$ 67,000
2022 Patrol Vehicles	45,962	-	(40,531)	5,431	5,430
2023 Police Responder	37,435	-	(8,619)	28,816	9,094
2024 Police Trucks	91,268	-	(15,991)	75,277	17,050
2024 Assessor Vehicle	26,120	-	(8,213)	17,907	8,697
2025 John Deere Motor Grader 005	-	418,827	(51,534)	367,293	45,768
2025 John Deere Motor Grader 006	-	355,995	(40,141)	315,854	34,991
Total Financed Purchase Agreements	366,785	774,822	(229,029)	912,578	188,030
Subscription Agreements	151,738	-	(73,823)	77,915	47,330
Compensated Absences	138,185	31,800*	-	169,985	139,800
Total Governmental Activities	$ 656,708	$ 806,622	$ (302,852)	$ 1,160,478	$ 375,160

*The change in the compensated absences liability is presented as a net change.

Financed Purchase Agreements

Health and Human Services Complex - An annually renewable financed purchase agreement, dated June 15, 2007, was entered into between Alpine Bank (the "Bank"), as lessor, and Costilla County, Colorado (the "County"), as lessee. The bank issued $869,000 at 5.2% interest, to the County for the purchase of the Health and Human Services Complex under construction. The County is leasing the building back via the financed purchase agreement. The County used the proceeds from the sale to construct and equip the Social Services wing of the Costilla County Health and Human Services Complex. The complex is included in fixed assets at a cost of $2,547,072 with accumulated depreciation of $1,528,237.

Payments are due to the Bank in semi-annual installments through June 15, 2027. The County can purchase the building back at any time for the purchase option price included in the agreement. Principal and interest were paid during 2025 in the amount of $64,000 and $5,502 respectively, from the Social Services Fund. The principal balance at December 31, 2025 was $102,000.

Patrol Vehicles - The County entered into a $72,703 government obligation contract with Kansas State Bank, payable in annual installments of $17,058 beginning on December 27, 2022, at 5.57% interest for the purchase of police patrol vehicles. Final payment is due December 27, 2026. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2025 was $5,431. This capital asset is recorded in the fixed assets of the governmental activities at $87,175 less accumulated depreciation of $52,305.

Police Responder Vehicle - On March 20, 2023 the County entered into a $45,603 government obligation contract with Kansas State Bank, payable in annual installments of $10,685 beginning on March 20, 2024, at 6.07% interest for the purchase of a police responder vehicle. Final payment is due March 20, 2028. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2025 was $28,816. This capital asset is recorded in the fixed assets of the governmental activities at $50,670 less accumulated depreciation of $30,402.

Two 2024 Ford F-150 Police Trucks – On August 1, 2024 the County entered into a $91,266 government obligation contract with Kansas State Bank, payable in annual installments of $22,033 beginning on August 1, 2025, at 6.62% interest for the purchase of police responder vehicles. Final payment is due August 1, 2029. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2025 was $75,277. These capital assets are recorded in the fixed assets of the governmental activities at $91,268 less accumulated depreciation $36,508.

2024 Ford E7BT Bronco – On December 19, 2024 the County entered into a $26,120 government obligation contract with Kansas State Bank, payable in annual installments of $9,752 beginning on December 19, 2025, at 5.89% interest for the purchase of an assessor vehicle. Final payment is due December 19, 2027. Principal and interest payments are paid from the General Fund. The principal balance at December 31, 2025 was $17,907. The capital asset is recorded in the fixed assets of the governmental activities at $26,120 less accumulated depreciation of $8,224.

2025 JD Motor Grader 675-005 – On April 14, 2025 the County entered into a $418,827 lease-purchase agreement with John Deere Credit, Inc, payable in annual installments of $67,957 beginning on May 14, 2025, at 6.35% interest for the lease of a 2025 JD 772G Motor Grader. Final balloon payment of $169,000 is due April 14, 2030 with the option to purchase the Motor Grader for $1. Principal and interest payments are paid from the Road and Bridge Fund. The principal balance at December 31, 2025 was $367,293. The capital asset is recorded in the fixed assets of the governmental activities at $418,837 less accumulated depreciation of $41,884.

2025 JD Motor Grader 675-006 – On April 14, 2025 the County entered into a $355,995 lease-purchase agreement with John Deere Credit, Inc, payable in annual installments of $54,186 beginning on May 14, 2025, at 6.35% interest for the lease of a 2024 JD 772G Motor Grader. Final balloon payment of $165,000 is due April 14, 2030 with the option to purchase the Motor Grader for $1. Principal and interest payments are paid from the Road and Bridge Fund.

The principal balance at December 31, 2025 was $315,854. The capital asset is recorded in the fixed assets of the governmental activities at $355,995 less accumulated depreciation of $35,600.

	Principal	Interest	Total
2026	$ 188,031	$ 53,815	$ 241,846
2027	158,025	42,499	200,524
2028	121,174	33,688	154,862
2029	118,325	25,852	144,177
2030	327,023	6,976	333,999
	$ 912,578	$ 162,830	$ 1,075,408

Subscription Agreements

The County, as a subscriber, has entered into several subscription-based information technology arrangements, with the longest expiring in 2028. The subscriptions require annual payments ranging from $5,410 to $32,303.

The required principal and interest payments to maturity are found in the table below:

	Principal	Interest	Total
2026	$ 47,330	$ 2,295	$ 49,625
2027	14,911	918	15,829
2028	15,674	470	16,144
	$ 77,915	$ 3,683	$ 81,598

Compensated Absences

The County's policy allows employees to accumulate unused vacation leave based on years of service, subject to the following maximum accrual limits: 0–5 years: 160 hours; 6–10 years: 184 hours; 11–15 years: 208 hours; and 16 or more years: 232 hours. However, not all the County offices adhere to this policy. All vacation leave pay is accrued when incurred in the government-wide financial statements. Employees are allowed to accumulate sick leave up to a maximum of 384 hours. However, unused sick leave will not be paid upon separation of employment. A long-term liability is reported in the government-wide financial statements for accrued time.

NOTE 9 RETIREMENT

Pension Plans

All eligible employees, participate in the Colorado Retirement Association (CRA) (the Plan), a defined contribution plan, authorized by state statute. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Employees are eligible after completing twelve months of service with Costilla County, and participation is mandatory. Employee contributions are always 100% vested, and the employer match follows a five-year vesting schedule of 20% per year after the first year of participation. Employees are fully vested after a five-year participation period. Elected officials are 100% vested immediately upon participation.

The County must contribute 4% of the compensation of each participant. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2025, employee contributions totaled $157,890 and the County recognized pension expense of $157,890. The County recognized $18,458 of forfeitures in retirement expense during 2025.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. The Plan may be amended by resolution of the Board of County Commissioners but it may not be amended beyond the limits established by state statute.

Deferred Compensation Plan

The County also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(f), administered by Colorado Retirement Association (CRA) (the Plan).

The Plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. The County has no other liability other than to make the required monthly contribution.

NOTE 10 TABOR AMENDMENT RESERVE

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

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. In November 1997, the voters of Costilla County passed a ballot issue which stated that the County shall "be permitted to collect, retain, and expend the full proceeds of the County taxes, grants, fees and other revenues, and other funds collected, notwithstanding Article X, Section 20 of the Colorado Constitution from the date of January 1, 1996, provided that no local tax rate or mill levy shall be increased without further voter approval."

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. The Emergency Reserve has been presented as a restricted net position/fund balance in the financial statements. The County is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 11 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.

At December 31, 2025, CAPP had assets of $34,299,751, liabilities of $26,669,759 (including $25,875,070 reserved for losses and claims), and members' equity of $7,629,992. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2025, amounted to $15,980,540 and total expenses were $16,505,933, resulting in net income before return of surplus/(loss) of $(525,393).

NOTE 12 SEGMENT INFORMATION FOR ENTERPRISE FUND

Because water and sanitation services are provided for in one fund, several items cannot be allocated between each segment. Therefore, a condensed statement of cash flows, as well as some line items have been omitted in the segment information. The following is a summary of operating income and expense information on the various segments of the Water and Sanitation Fund. All services are provided from a single enterprise fund.

	Water	Sanitation	Total
Charges for Services	$ 111,215	$ 49,538	$ 160,753
Miscellaneous Revenue	160	160	320
Total Operating Revenue	111,375	49,698	161,073
Operating Expenses	131,468	79,571	211,039
Depreciation Expenses	48,066	57,454	105,520
Total Operating Expenses	179,534	137,025	316,559
OPERATING INCOME (LOSS)	(68,159)	(87,327)	(155,486)
Capital Contributions (Water and Sewer Taps)	-	-	-
Transfers (to)/from Other Funds	-	568,275	568,275
Change in Net Position	(68,159)	480,948	412,789
BEGINNING NET POSITION			1,225,980
ENDING NET POSITION			$ 1,638,769
Current Assets			$ 86,419
Capital Assets (net of accumulated depreciation of $3,586,528)	435,795	1,152,085	1,587,880
TOTAL ASSETS			1,674,299
Current Liabilities	17,765	17,765	35,530
TOTAL LIABILITIES			35,530
Net Investment in Capital Assets			1,587,880
Net Working Capital			50,889
TOTAL EQUITY			$ 1,638,769

NOTE 13 COMMITMENTS AND CONTINGENCIES

Grants

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 amount 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.

Insurance Pools

The County is a member of the Colorado Counties Casualty and Property Pool (CAPP). CAPP has 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 has 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 is not presently determinable.

Litigation

The County is currently the defendant in several lawsuits arising principally in the normal course of operations. Such litigation could result in a loss to the County, however, such amount is undetermined as of audit date.

Wastewater Sewage Treatment Aerator Replacement Project

The County is currently in the second phase of this project. The project is estimated to be completed by end of 2026. Project funding consists of $575,475 in Community Development Block Grant Funds and approximately $108,000 of Coronavirus State and Local Fiscal Recovery Funds, resulting in a total estimated project cost of $700,000.

NOTE 14 ERROR CORRECTION

During the year ended December 31, 2025, an error was identified in the Social Services Fund related to a payment that was not properly voided in 2024 resulting in an understatement of cash and overstatement of expenditures. In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the County recorded the correction as a restatement of beginning fund balance. The correction increased the beginning fund balance/net position of the Social Services Fund and governmental activities by $262,282, from $176,658 as previously reported to $438, 940 as restated in the Social Service Fund, and from $19,995,982, as previously reported to $20,258,264, as restated in the governmental activities.

COSTILLA COUNTY, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the County's major special revenue funds.

COSTILLA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$ 3,031,620	$ 3,031,620	$ 3,197,216	$ 165,596
Intergovernmental Revenue	2,986,051	2,986,051	1,990,324	(995,727)
Licenses and Permits	15,000	15,000	11,027	(3,973)
County Ordinance	-	-	83,706	83,706
Charges for Services	768,079	783,632	620,360	(163,272)
Interest on Deposits	-	-	2,238	2,238
Miscellaneous	199,685	199,685	91,726	(107,959)
TOTAL REVENUES	7,000,435	7,015,988	5,996,597	(1,019,391)
EXPENDITURES				
General Government	5,275,350	5,290,903	2,764,520	2,526,383
Public Safety	1,426,315	1,426,315	1,717,778	(291,463)
Health and Welfare	169,407	169,407	-	169,407
Auxiliary Services	933,736	933,736	221,432	712,304
Culture and Recreation	-	-	352,908	(352,908)
Capital Outlay	-	-	1,060,746	(1,060,746)
Debt Service	-	-	75,317	(75,317)
TOTAL EXPENDITURES	7,804,808	7,820,361	6,192,701	1,627,660
Excess (deficiency) of revenues over expenditures	(804,373)	(804,373)	(196,104)	608,269
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	92,894	92,894
Financed Purchase Agreement Proceeds	-	-	-	-
Subscription Proceeds	-	-	-	-
Transfers to Other Funds	(5,500)	(5,500)	(573,503)	(568,003)
TOTAL OTHER FINANCING SOURCES (USES)	(5,500)	(5,500)	(480,609)	(475,109)
Net change in fund balance	(809,873)	(809,873)	(676,713)	133,160
Fund Balance at beginning of year	1,295,971	1,295,971	1,056,527	(239,444)
Fund Balance at end of year	$ 486,098	$ 486,098	$ 379,814	$ (106,284)

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

COSTILLA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Intergovernmental Revenue	$ 5,031,930	$ 5,031,930	$ 4,912,209	$ (119,721)
Miscellaneous	52,699	52,699	36,995	(15,704)
TOTAL REVENUES	5,084,629	5,084,629	4,949,204	(135,425)
EXPENDITURES				
Highways and Streets	6,368,928	6,368,927	3,938,224	2,430,703
Capital Outlay	-	-	2,864,373	(2,864,373)
Debt Service	-	-	125,666	(125,666)
TOTAL EXPENDITURES	6,368,928	6,368,927	6,928,263	(559,336)
Excess (deficiency) of revenues over expenditures	(1,284,299)	(1,284,298)	(1,979,059)	(694,761)
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	774,821	774,821
Transfers Out	-	-	(47,894)	(47,894)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	726,927	726,927
Net change in fund balance	(1,284,299)	(1,284,298)	(1,252,132)	32,166
Fund Balance at beginning of year	3,191,663	3,191,663	3,715,927	524,264
Fund Balance at end of year	$ 1,907,364	$ 1,907,365	$ 2,463,795	$ 556,430

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

COSTILLA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SERVICES FUND
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$ 490,884	$ 490,884	$ 446,235	$ (44,649)
Intergovernmental Revenue	7,809,787	8,146,187	6,093,833	(2,052,354)
TOTAL REVENUES	8,300,671	8,637,071	6,540,068	(2,097,003)
EXPENDITURES				
Health and Welfare	8,364,956	8,701,356	6,350,916	2,350,440
Debt Service	-	-	71,800	(71,800)
TOTAL EXPENDITURES	8,364,956	8,701,356	6,422,716	2,278,640
Excess (deficiency) of revenues over expenditures	(64,285)	(64,285)	117,352	181,637
Fund Balance at beginning of year, as previously stated	249,524	249,524	176,658	(72,866)
Correction of an Error, See Note 14	-	-	262,282	262,282
Fund Balance at beginning of year, restated	249,524	249,524	438,940	189,416
Fund Balance at end of year	$ 185,239	$ 185,239	$ 556,292	$ 371,053

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

COSTILLA COUNTY, COLORADO

SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the County. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

COSTILLA COUNTY, COLORADO
OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Public Health Fund – This fund is used to account for the multiple programs of providing health services. Financing is provided by grants and fees for services.

Library Fund – This fund is used to account for property tax revenues of the library district. These funds are used for the operation of the library.

Conservation Trust Fund – This fund is used to account for the County share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks and other public recreational facilities.

CAPITAL PROJECTS FUNDS

Capital Projects Fund – Capital project funds are used to account for and report on financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

COSTILLA COUNTY, COLORADO
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2025

	OTHER SPECIAL REVENUE FUNDS				
	PUBLIC HEALTH FUND	LIBRARY FUND	CONSERVATION TRUST FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
ASSETS					
Cash and Cash Equivalents	$ 166,944	$ 37,401	$ 42,294	$ 27,745	$ 274,384
Property Taxes Receivable	-	81,967	-	-	81,967
Accounts Receivable	40,799	-	-	-	40,799
Due from Other Funds	-	-	-	-	-
Due from Other Governments	92,723	-	-	-	92,723
TOTAL ASSETS	$ 300,466	$ 119,368	$ 42,294	$ 27,745	$ 489,873
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	$ 3,716	$ 328	$ -	$ -	$ 4,044
Security Deposit Payable	4,000	-	-	-	4,000
Due to Other Funds	-	-	23,093	-	23,093
TOTAL LIABILITIES	7,716	328	23,093	-	31,137
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Tax	-	81,967	-	-	81,967
Unavailable Revenue - Grants	15,244	-	-	-	15,244
TOTAL DEFERRED INFLOWS OF RESOURCES	15,244	81,967	-	-	97,211
FUND BALANCE					
Restricted					
TABOR Amendment Reserve	21,900	2,500	-	-	24,400
Committed					
Capital Projects	-	-	-	27,745	27,745
Health and Welfare	255,606	-	-	-	255,606
Culture and Recreation	-	34,573	19,201	-	53,774
Total Committed	255,606	34,573	19,201	27,745	337,125
TOTAL FUND BALANCE	277,506	37,073	19,201	27,745	361,525
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 300,466	$ 119,368	$ 42,294	$ 27,745	$ 489,873

COSTILLA COUNTY, COLORADO
OTHER GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	OTHER SPECIAL REVENUE FUNDS				
	PUBLIC HEALTH FUND	LIBRARY FUND	CONSERVATION TRUST FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL
REVENUES					
Taxes	$ -	$ 81,742	$ -	$ -	$ 81,742
Intergovernmental Revenue	456,344	-	29,412	-	485,756
Charges for Services	489,187	-	-	-	489,187
Interest on Deposits	462	-	33	-	495
Miscellaneous	54,425	109	-	-	54,534
TOTAL REVENUES	1,000,418	81,851	29,445	-	1,111,714
EXPENDITURES					
Current Expenditures					
Health and Welfare	1,006,816	-	-	-	1,006,816
Culture and Recreation	-	64,018	43,122	-	107,140
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	1,006,816	64,018	43,122	-	1,113,956
Excess (deficiency) of revenues over expenditures	(6,398)	17,833	(13,677)	-	(2,242)
OTHER FINANCING SOURCES (USES)					
Transfer In	5,228	-	-	-	5,228
Transfer Out	-	-	(45,000)	-	(45,000)
Sale of Fixed Assets	20,000	-	-	-	20,000
TOTAL OTHER FINANCING SOURCES (USES)	25,228	-	(45,000)	-	(19,772)
Net Change in Fund Balance	18,830	17,833	(58,677)	-	(22,014)
Fund Balance at Beginning of Year	258,676	19,240	77,878	27,745	383,539
Fund Balance at End of Year	$ 277,506	$ 37,073	$ 19,201	$ 27,745	$ 361,525

COSTILLA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES/EXPENSES AND TRANSFERS OUT
BUDGET AND ACTUAL
ALL OTHER GOVERNMENTAL FUNDS,
AND MAJOR PROPRIETARY FUND
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON THE GAAP	ADJUSTMENTS TO BUDGETARY	EXPENDITURES ON THE BUDGETARY	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	BASIS	BASIS	BASIS	(NEGATIVE)
Governmental Funds						
Non-major Governmental Funds						
Special Revenue Funds						
Public Health Fund	$ 1,071,899	$ 1,146,355	$ 1,006,816	$ -	$ 1,006,816	$ 139,539
Library Fund	75,165	75,165	64,018	-	64,018	11,147
Conservation Trust Fund	93,178	93,178	43,122	-	43,122	50,056
Total Special Revenue Funds	1,240,242	1,314,698	1,113,956	-	1,113,956	200,742
Capital Projects Funds						
Capital Projects Fund	27,745	27,745	-	-	-	27,745
Total Capital Projects Funds	27,745	27,745	-	-	-	27,745
Total Non-major Governmental Funds	$ 1,267,987	$ 1,342,443	$ 1,113,956	$ -	$ 1,113,956	$ 228,487
Proprietary Fund						
Major Proprietary Fund						
Water and Sanitation Fund	$ 281,229	$ 281,229	$ 316,559	$ (105,520)	$ 211,039	$ 70,190
Total Major Proprietary Fund	$ 281,229	$ 281,229	$ 316,559	$ (105,520)	$ 211,039	$ 70,190

Adjustments to budgetary basis include depreciation expense.

COSTILLA COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

COSTILLA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

Federal Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-through Grantor and Number*	*Federal Expenditures($)*
CCDF Cluster			
U.S. Department of Health and Human Services			
Child Care and Development Block Grant	93.575	Colorado Department of Human Services,N/A	$ 84,287
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Colorado Department of Human Services,N/A	29,914
Total U.S. Department of Health and Human Services			114,201
Total CCDF Cluster			114,201
Food Distribution Cluster			
U.S. Department of Agriculture			
Commodity Supplemental Food Program	10.565	Colorado Department of Human Services and Care and Share Food Bank, N/A	35,015
Emergency Food Assistance Program (Food Commodities)	10.569	Colorado Department of Human Services and Care and Share Food Bank, N/A	35,936
Total U.S. Department of Agriculture			70,951
Total Food Distribution Cluster			70,951
Medicaid Cluster			
U.S. Department of Health and Human Services			
Grants to States for Medicaid	93.778	Colorado Department of Health Care Policy & Financing,N/A	132,466
Total U.S. Department of Health and Human Services			132,466
Total Medicaid Cluster			132,466
SNAP Cluster			
U.S. Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Colorado Department of Human Services,N/A	59,571
Total U.S. Department of Agriculture			59,571
Total SNAP Cluster			59,571
Total All Clusters			377,189
Other Programs			

COSTILLA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

Federal Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-through Grantor and Number*	*Federal Expenditures($)*
U.S. Department of Homeland Security			
Emergency Management Performance Grants	97.042	Colorado Department of Local Affairs,N/A	34,792
Total U.S. Department of Homeland Security			34,792
U.S. Department of Treasury			
Local Assistance and Tribal Consistency Fund	21.032		12,155
Coronavirus State and Local Fiscal Recovery Funds	21.027	Colorado Department of Local Affairs, N/A	568,275
Coronavirus State and Local Fiscal Recovery Funds	21.027	Colorado Department of Human Services, N/A	(962)
Total U.S. Department of the Treasury			579,468
U.S. Department of Health and Human Services			
Public Health Emergency Preparedness	93.069	Colorado Department of Public Health and Environment, PHEP	27,113
Guardianship Assistance	93.090	Colorado Department of Human Services, N/A	1,089
COVID-19 Immunization Cooperative Agreements	93.268	Colorado Department of Public Health and Environment, IMM#3	42,829
Immunization Cooperative Agreements	93.268	Colorado Department of Public Health and Environment, IMM	13,382
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Colorado Department of Public Health and Environment, ELC 2.2	56,578
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	Colorado Department of Public Health and Environment, COVID	13,247
Title IV-E Kinship Navigator Program	93.471	Colorado Department of Human Services,N/A	5,887
Title IV-E Prevention Program	93.472	Colorado Department of Human Services,N/A	2,623
Temporary Assistance for Needy Families	93.558	Colorado Department of Human Services,N/A	216,538
Child Support Services	93.563	Colorado Department of Human Services,N/A	52,307
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Colorado Department of Human Services,N/A	13,474
Foster Care-Title IV-E	93.658	Colorado Department of Human Services,N/A	(6,813)

COSTILLA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

Federal Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-through Grantor and Number*	*Federal Expenditures($)*
Adoption Assistance	93.659	Colorado Department of Human Services,N/A	130,504
Social Services Block Grant	93.667	Colorado Department of Human Services,N/A	3,844
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	Colorado Department of Public Health and Environment, OPHP LPHA CDC	64,528
Maternal and Child Health Services Block Grant to the States	93.994	Colorado Department of Public Health and Environment,OPHP LPHA	3,074
Total U.S. Department of Health and Human Services			640,204
Total Other Programs			1,254,464
Total Expenditures of Federal Awards			$ 1,631,653

COSTILLA COUNTY, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Costilla County, Colorado under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Costilla County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Costilla County, Colorado.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, except for funds passed-through the Colorado Department of Human Services, Department of Public Health and Environment, Department of Health Care Policy and Financing, and Care and Share Food Bank. These funds are reported on the cash basis. 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. Pass-through identifying numbers are presented where available. The County did not elect to use the 10-percent or 15-percent de minimis indirect cost rate, as applicable, as allowed under Uniform Guidance for the year ended December 31, 2025. In addition, the County did not pass-through federal funds to subrecipients.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

INDEPENDENT AUDITORS' 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*

Wall, Smith, Bateman Inc.

To the Board of County Commissioners
Costilla County, Colorado
San Luis, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Costilla County, Colorado (the County), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2025-001, 2025-002, and Finding 2025-003 that we consider to be material weaknesses.

Report on 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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as Finding 2025-001.

County's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying corrective action plan. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 29, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Wall, Smith, Bateman Inc.

To the Board of County Commissioners
Costilla County, Colorado
San Luis, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Costilla County, Colorado's (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, 2025. The County's major federal programs are identified in the summary of auditors' 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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.

Auditors' 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency,

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2025-004 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying corrective action plan. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 29, 2026

COSTILLA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___yes _____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ___X___none reported
- Noncompliance material to financial statements noted? ___X___yes _____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___X___yes _____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ___X___none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___X___yes _____no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

Auditee qualified as a low-risk auditee? _____yes ___X___no

Section II – Financial Statement Findings

Finding 2025-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness) and Noncompliance

Criteria: A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, routine and non-routine transactions, financial statement preparation, and compliance with laws and regulations.

Condition: The County does not have a complete system of internal controls to prevent, or detect and correct, financial misstatements and to ensure compliance with laws and regulations.

Cause: Internal controls were not designed and/or operating effectively to ensure timely reconciliations, consistent supporting schedules, and adequate review of routine and non-routine transactions and financial reporting processes.

Effect: As a result of this condition, the following areas were affected:

1. The Treasurer's cash reconciliation was out of balance approximately $29,000 on December 31, 2025.

2. The County does not have a process to ensure Road and Bridge inventory items are consistently counted from year to year.

3. Capital asset records contained errors related to additions in 2025 that did not qualify for capitalization and dispositions that were not properly deleted in prior years. The incorrect addition and the fully depreciated items were removed during 2025.

4. Audit adjustments, including an error correction to prior year, were proposed to properly state the financial statements as of December 31, 2025.

5. The Road and Bridge Fund expenditures exceeded budgeted appropriations for the year ended December 31, 2025. The overexpenditure was primarily attributable to a capital financing transaction that was not included in the adopted or amended budget. This may result in noncompliance with C.R.S. § 29-1-110.

6. Lodging tax distributions received by the County Treasurer were remitted directly to the Costilla County Lodging Tax Board, outside the County's general ledger. Because the lodging tax activity was not recorded in a County fund and was not included in the budget and appropriation process, it was omitted from the County's financial reporting. This may result in noncompliance with C.R.S. §§ 29-1-103, 29-1-108, and 29-1-110.

Recommendation: Management should strengthen month-end and year-end review controls; enhance review and documentation of the Treasurer's cash allocations by fund/entity; implement consistent inventory and capital asset procedures; timely identify and report error corrections; record all County-controlled activity, including lodging tax, in the general ledger; and ensure all fund activity is budgeted and appropriated before expenditure or remittance.

Management's Response: See corrective action plan.

Finding 2025-002: Compensated Absences
(Repeat of Finding 2024-001)

Type of finding: Internal Control (material weakness)

Criteria: GASB Statement No. 101, *Compensated Absences*, requires governments to recognize a liability for compensated absences when earned by employees, based on leave policies and historical usage patterns. Additionally, Government Auditing Standards (GAS) requires entities to maintain adequate records to support financial reporting and ensure the reliability of reported liabilities.

Condition: The County was unable to provide sufficient supporting documentation to verify employee leave balances for all departments.

Cause: The County has not implemented standardized policies or procedures across departments to ensure consistent tracking and reporting of employee leave balances.

Effect: Due to the lack of consistent tracking and supporting documentation in some departments, we were unable to substantiate a portion of the County's estimated liability for compensated absences which may hinder the accuracy and reliability of financial reporting.

Recommendation: The County should develop and implement county-wide policies and procedures to ensure that all departments are consistently tracking employee leave balances. These policies should support accurate and complete reporting of compensated absences liabilities, regardless of the specific time reporting systems used by individual departments.

Management's Response: See corrective action plan.

Finding 2025-003: County Clerk Collections

Type of finding: Internal Control (material weakness)

Criteria: Under Colorado Revised Statute (C.R.S.) § 30-1-112, the County Clerk is required to collect office fees, remit the fees to the County Treasurer on a monthly basis, and submit a monthly itemized report of all fees collected to the County Treasurer.

Condition: The County Clerk's Office deposits funds into a bank account maintained by the Clerk's Office and subsequently remits the County portion of those collections to the County Treasurer's Office. During 2025, the Clerk's Office made only one deposit to the County Treasurer for the County portion of collections received during the period from January – October 2025. The November and December collections were not remitted to the Treasurer until June 2026.

Cause: The County Clerk's Office did not have procedures in place to ensure the County portion of collections were remitted to the County Treasurer on a timely basis in accordance with statutory requirements.

Effect: Failure to remit County revenues timely increases the risk that funds may be lost, misused, or misappropriated, or not properly reflected in the County's financial records on a timely basis. In addition, untimely remittance of County revenues may result in noncompliance with C.R.S. § 30-1-112.

Recommendation: The County should develop and implement written procedures to ensure the County portion of collections by the County Clerk's Office is remitted to the County Treasurer timely in accordance with C.R.S. § 30-1-112. These procedures should include a documented review or monitoring process to verify that required remittances and monthly itemized statements are prepared, submitted, and retained timely.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

Finding 2025-004: Temporary Assistance for Needy Families (TANF), Assistance Listing No. 93.558, U.S. Department of Health and Human Services

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility, Special Tests and Provisions

Grant No.: Not applicable

Type of finding: Internal Control (material weakness)

Criteria: Effective internal controls over the TANF program should include periodic monitoring and review procedures designed to ensure that program case files are complete, accurate, properly supported, and maintained in accordance with program requirements.

Condition: During 2025, the County did not complete any reviews of TANF program case files.

Cause: The County did not implement or maintain a process during 2025 to ensure TANF case file reviews were completed and documented.

Effect: The lack of periodic TANF case file reviews increases the risk that eligibility errors, unsupported determinations, or other noncompliance with program requirements could occur and not be detected or corrected in a timely manner.

Recommendation: The County should develop, document, and implement a formal TANF case file review process, including supervisory review and retention of evidence of reviews performed, to help ensure compliance with program requirements.

Management's Response: See corrective action plan.

COSTILLA COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2025

Section II – Financial Statement Findings

Finding 2024-001: Compensated Absences

Type of finding: Internal Control (material weakness)

Condition: The County was unable to provide sufficient supporting documentation to verify employee leave balances for all departments.

Recommendation: The County should develop and implement county-wide policies and procedures to ensure that all departments are consistently tracking employee leave balances. These policies should support accurate and complete reporting of compensated absences liabilities, regardless of the specific time reporting systems used by individual departments.

Status: Not Implemented (see Finding 2025-002).

Finding 2024-002: Treasurer's Fees

Type of finding: Internal Control (material weakness) and Noncompliance (material noncompliance)

Condition: The County Treasurer did not assess or collect fees as required under Colorado Revised Statutes (C.R.S) 30-1-102. Specifically, certain statutory fees – such as those on town and city taxes, school taxes, and other types of collections – were omitted following a software conversion.

Recommendation: We recommend that the Treasurer's Office review and update the software configuration to ensure statutory fees are correctly assessed, train staff on statutory requirements and system controls, and implement internal controls and periodic reviews to ensure ongoing compliance.

Status: Implemented

COSTILLA COUNTY
BOARD OF COUNTY COMMISSIONERS
"Where Colorado Began··

352 Main Street
PO Box 100
San Luis, CO 81152

(719) 672-3372
(719) 672-3962 fax

www.costillacounty-co.gov

CORRECTIVE ACTION PLAN

Oversight Agencies:
U.S. Department of Treasury
U.S. Department of Health and Human Services

Costilla County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2025.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle
Alamosa, CO 81101

Audit period: Year ended December 31, 2025

The findings from the December 31, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II - Financial Statement Findings

Finding 2025-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness) and Noncompliance

Recommendation: Management should strengthen month-end and year-end review controls; enhance review and documentation of the Treasurer's cash allocations by fund/entity; implement consistent inventory and capital asset procedures; timely identify and report error corrections; record all County-controlled activity, including lodging tax, in the general ledger; and ensure all fund activity is budgeted and appropriated before expenditure or remittance.

Action Taken: Costilla County will ensure that month-end and year-end reviews are completed and in a timely manner. Tyler Technology is currently reviewing the Treasurer's cash allocations by fund/entity. Costilla County will implement consistent and accurate inventory and capital asset procedures. Costilla County will ensure to set up a fund specific for the Lodging Tax. Costilla County will review and correct county controlled activity in a timely manner, and ensure that all fund activity is budgeted and appropriated accordingly.

STEVEN ROMERO - CHAIR ROBERT ESPINOZA - VICE CHAIR LORRAINE QUINTANA - COMMISSIONER TO CONVEY

Finding 2025-002: Compensated Absences (Repeat of Finding 2024-001)

Type of Finding: Internal Control (material weakness)

Recommendation: The County should develop and implement county-wide policies and procedures to ensure that all departments are consistently tracking employee leave balances. These policies should support accurate and complete reporting of compensated absences liabilities, regardless of the specific time reporting systems used by individual departments.

Action Taken: Costilla County will ensure the development and implementation of county-wide policies and procedures pertaining to employee leave. Costilla County will ensure that all departments consistently track employee leave, which will enable the county to provide an accurate and complete compensated absence liability report.

Finding 2025-003: County Clerk Collections

Type of finding: Internal Control (material weakness)

Recommendation: The County should develop and implement written procedures to ensure the County portion of collections by the County Clerk's Office is remitted to the County Treasurer timely in accordance with C.R.S. § 30-1-112. These procedures should include a documented review or monitoring process to verify that required remittances and monthly itemized statements are prepared, submitted, and retained timely.

Action Taken: Going forward, the office will follow written monthly procedures to reconcile collections, determine the County portion due, and submit the remittance and an itemized statement to the County Treasurer. Staff will document each submission, and the Clerk will review the reconciliation and verify that the remittance and statement were submitted timely. Supporting records and evidence of review will be retained for each month.

Section III – Federal Award Findings and Questioned Costs

Finding 2025-004: **Temporary Assistance for Needy Families (TANF), Assistance Listing No. 93.558, U.S. Department of Health and Human Services**

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility, Special Tests and Provisions

Grant No.: Not applicable

Type of finding: Internal Control (material weakness)

Recommendation: The County should develop, document, and implement a formal TANF case file review process, including supervisory review and retention of evidence of reviews performed, to help ensure compliance with program requirements.

Action Taken: Costilla County DSS will develop and fully document a formal TANF case review process that will include supervisor reviews. Costilla County DSS will retain evidence of reviews completed monthly, to ensure program requirements.

If there are questions regarding this plan, please call the responsible parties listed below.

Sincerely yours,

Julie Albert
Chief Financial Officer
Costilla County, Colorado

Najondine Placek
County Clerk
Costilla County, Colorado

Tommy Vigil
County Social Services Director
Costilla County, Colorado

LOCAL HIGHWAY FINANCE REPORT

STATE:		
COLORADO		
THIS INFORMATION FROM THE RECORDS OF:	**PREPARED BY:**	**REPORT YEAR ENDING DATE(mm/yyyy):**
Costilla County	Julie Albert 719.672.3372	12/2025

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. Total (1 - (2 through 4))				

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other Local Imposts:		**A.4. Miscellaneous Local Receipts:**	
a. Property Taxes and Assesments		a. Interest on investments	
b. Non-property Taxes and Assessments Imposts		b. Other Misc. Local Receipts	36,892.00
c. Total (a + b)	$ -	**c. Total (a + b)**	$ 36,892.00
ITEM	**AMOUNT**	**ITEM**	**AMOUNT**
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	4,815,431.00	1. FHWA (from Item I.D.5.)	0.00
2. State General Funds		2. Other Federal Agencies:	103.00
3. Other State funds:			
a. State Bond Proceeds			
b. Non-State Bond Proceeds	96,778.00		
c. Total (a + b)	$ 96,778.00		
4. Total (1 + 2 + 3c)	$ 4,912,209.00	**3. Total (1 + 2)**	$ 103.00

III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT
A.1. Capital outlay:	
a. Right-Of-Way Costs	0.00
b. Engineering Costs	0.00
c. Construction Costs	975,742.00
d. Total Capital Outlay (a+ b + c)	$ 975,742.00

LOCAL HIGHWAY FINANCE REPORT

STATE: COLORADO

REPORT YEAR ENDING DATE(mm/yyyy): 12/2025

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. Amount used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from Local Sources:	
1. Local Highway-user Taxes	
a. Motor Fuel (from Item I.A.1)	
b. Motor Vehicle (from Item I.B.1)	
c. Total (a + b)	
2. General Fund Appropriations	
3. Other Local Imposts (from page 1, Item II.A3.c)	$ –
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ 36,892.00
5. Transfers from Toll Facilities	0.00
6. Proceeds of Sale of Bonds and Notes:	
a. Bonds - Original Issues	0.00
b. Bonds - Refunding Issues	0.00
c. Notes	774,821.00
d. Total (a + b + c)	$ 774,821.00
7. Total (1 through 6)	$ 811,713.00
B. Private Contributions	
C. Receipts from State government (from page 1, Item II.C.4)	$ 4,912,209.00
D. Receipts from Federal government (from page 1, Item II.D.3)	$ 103.00
E. Total receipts (A.7 + B + C + D)	$ 5,724,025.00

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital Outlay (from page 1, Item III.A1.d)	$ 975,742.00
2. Maintenance:	5,727,082.00
3. Road and Street Services:	
a. Snow and Ice Removal	14,311.00
b. Other & Traffic Control Operations	6,497.00
c. Total (a + b)	$ 20,808.00
4. General Administration & Miscellaneous	126,859.00
5. Highway Law Enforcement and Safety	
6. Total (1 through 5)	$ 6,850,491.00
B. Debt Service on Local Obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ –
2. Notes:	
a. Interest	33,991.00
b. Redemption	91,675.00
c. Total (a + b)	$ 125,666.00
3. Total (1c + 2c)	$ 125,666.00
C. Payments to State for Highways	0.00
D. Payments to Toll Facilities	0.00
E. Total Expenditures (A6 + B3 + C + D)	$ 6,976,157.00

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

ITEM	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)		$ –	$ –	$ –
1. Bonds (Refunding Portion)		$ –		
B. Notes (Total)	0	$ 774,821.00	$ 91,675.00	$ 683,146.00