

SAGUACHE COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2017



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

SAGUACHE COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Saguache County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Saguache County, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 on pages 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 combining fund financial schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The combining fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 05, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." The signature is written in a cursive, flowing style.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 05, 2018

SAGUACHE COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

SAGUACHE COUNTY, COLORADO

STATEMENT OF NET POSITION

December 31, 2017

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,635,425	\$ 203,285	\$ 2,838,710
Investments	3,749,141	-	3,749,141
Accounts Receivable	-	1,153	1,153
Property Taxes Receivable	1,542,595	-	1,542,595
Due from Other Governments	440,260	-	440,260
Inventory	416,804	-	416,804
Total Current Assets	8,784,225	204,438	8,988,663
Noncurrent Assets:			
Capital Assets:			
Land	293,693	52,000	345,693
Buildings, net	1,972,021	219,453	2,191,474
Vehicles & Heavy Equipment, net	2,072,503	-	2,072,503
Equipment, net	163,836	1,000	164,836
Infrastructure, net	943,560	-	943,560
Total Noncurrent Assets	5,445,613	272,453	5,718,066
TOTAL ASSETS	14,229,838	476,891	14,706,729
LIABILITIES			
Current Liabilities:			
Accounts Payable	215,729	5,415	221,144
Accrued Payroll	-	-	-
Security Deposits	-	7,168	7,168
Compensated Absences	23,198	-	23,198
Leases Payable	70,382	-	70,382
Notes Payable	-	11,386	11,386
Total Current Liabilities	309,309	23,969	333,278
Noncurrent Liabilities:			
Leases Payable	60,177	-	60,177
Notes Payable	-	331,586	331,586
Closure and Post Closure Costs	396,645	-	396,645
Compensated Absences	188,732	-	188,732
Total Noncurrent Liabilities	645,554	331,586	977,140
TOTAL LIABILITIES	954,863	355,555	1,310,418
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Deferred Revenue - Property Tax	1,542,595	-	1,542,595
NET POSITION			
Net Investment in Capital Assets	4,918,409	(70,519)	4,847,890
Restricted for TABOR	250,000	-	250,000
Unrestricted	6,563,971	191,855	6,755,826
TOTAL NET POSITION	\$ 11,732,380	\$ 121,336	\$ 11,853,716

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

SAGUACHE COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government:							
Governmental Activities:							
General Government	\$ 2,171,485	\$ 637,572	\$ 43,702	\$ -	\$ (1,490,211)	\$ -	\$ (1,490,211)
Public Safety	1,301,539	158,196	91,879	-	(1,051,464)	-	(1,051,464)
Health and Welfare	4,330,530	162,726	3,880,189	-	(287,615)	-	(287,615)
Public Works	3,026,239	119,129	2,955,342	-	48,232	-	48,232
Culture and Recreation	145,654	-	42,943	-	(102,711)	-	(102,711)
Interest on Long-Term Debt	12,340	-	-	-	(12,340)	-	(12,340)
Total Governmental Activities	10,987,787	1,077,623	7,014,055	-	(2,896,109)	-	(2,896,109)
Business-Type Activities:							
Housing Authority	206,215	219,639	-	-	-	13,424	13,424
Total Business-Type Activities	206,215	219,639	-	-	-	13,424	13,424
Total Primary Government	\$ 11,194,002	\$ 1,297,262	\$ 7,014,055	\$ -	(2,896,109)	13,424	(2,882,685)
General Revenues:							
Taxes:							
General Property Taxes - Net					1,548,719	-	1,548,719
Sales Taxes					295,381	-	295,381
Other Taxes					380,351	-	380,351
Payment in Lieu of Taxes					755,329	-	755,329
Interest on Investments					57,656	343	57,999
Miscellaneous					206,096	3,550	209,646
Sale of Capital Assets					1,865	-	1,865
Total General Revenues					3,245,397	3,893	3,249,290
Change in Net Position					349,288	17,317	366,605
Net Position - Beginning					11,383,092	104,019	11,487,111
Net Position - Ending					\$ 11,732,380	\$ 121,336	\$ 11,853,716

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

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2017

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 2,977,781	\$ 2,702,282	\$ 410,487	\$ 294,016	\$ 6,384,566
Property Taxes Receivable	1,296,210	-	210,464	35,921	1,542,595
Due from Other Funds	-	95,950	-	5,000	100,950
Due from Other Governments	79,813	222,057	93,128	45,262	440,260
Inventory	-	416,804	-	-	416,804
TOTAL ASSETS	\$ 4,353,804	\$ 3,437,093	\$ 714,079	\$ 380,199	\$ 8,885,175
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 155,257	\$ 47,518	\$ 9,122	\$ 3,832	\$ 215,729
Due to Other Funds	95,950	-	-	5,000	100,950
TOTAL LIABILITIES	251,207	47,518	9,122	8,832	316,679
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenue - Property Tax	1,296,210	-	210,464	35,921	1,542,595
FUND BALANCE					
Nonspendable					
Inventory	-	416,804	-	-	416,804
Restricted					
Tabor	250,000	-	-	-	250,000
Committed					
Highway and Streets	-	2,972,771	-	-	2,972,771
Health and Welfare	-	-	494,493	24,614	519,107
Culture and Recreation	-	-	-	190,741	190,741
Emergency Services	-	-	-	47,296	47,296
Renewable Energy	-	-	-	47,795	47,795
Sales Tax Contingency	-	-	-	25,000	25,000
Unassigned	2,556,387	-	-	-	2,556,387
TOTAL FUND BALANCE	2,806,387	3,389,575	494,493	335,446	7,025,901
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,353,804	\$ 3,437,093	\$ 714,079	\$ 380,199	\$ 8,885,175

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

SAGUACHE COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total governmental fund balances		\$ 7,025,901
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,445,613
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences	\$ (211,930)	
Landfill Closure and Post-Closure Costs	(396,645)	
Capital Lease Payable	(130,559)	
		(739,134)
Net position of governmental activities		\$ 11,732,380

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

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 1,595,599	\$ 2	\$ 257,027	\$ 371,823	\$ 2,224,451
Intergovernmental Revenue	960,606	2,858,121	3,675,751	247,381	7,741,859
Licenses and Permits	243,247	86,377	-	-	329,624
Interest on Deposits	57,567	-	89	-	57,656
Charges for Services	809,029	60,277	-	162,726	1,032,032
Miscellaneous	165,507	37,904	-	2,685	206,096
TOTAL REVENUES	3,831,555	3,042,681	3,932,867	784,615	11,591,718
EXPENDITURES					
Current Expenditures:					
General Government	2,200,335	-	-	-	2,200,335
Public Safety	1,179,694	-	-	84,114	1,263,808
Health and Welfare	4,031	-	3,912,689	464,223	4,380,943
Public Works	-	2,598,920	-	87,125	2,686,045
Culture and Recreation	-	-	-	129,664	129,664
Capital Outlay	114,544	135,611	-	-	250,155
Debt Service	-	160,415	-	-	160,415
TOTAL EXPENDITURES	3,498,604	2,894,946	3,912,689	765,126	11,071,365
Excess (deficiency) of revenues over expenditures	332,951	147,735	20,178	19,489	520,353
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	33,200	33,200
Transfers Out	(33,200)	-	-	-	(33,200)
Sale of Capital Assets	1,865	-	-	-	1,865
TOTAL OTHER FINANCING SOURCES (USES)	(31,335)	-	-	33,200	1,865
Net Change in Fund Balance	301,616	147,735	20,178	52,689	522,218
Fund Balance at Beginning of Year	2,504,771	3,241,840	474,315	282,757	6,503,683
Fund Balance at End of Year	\$ 2,806,387	\$ 3,389,575	\$ 494,493	\$ 335,446	\$ 7,025,901

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

SAGUACHE 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, 2017

Net change in fund balances - total governmental funds \$ 522,218

Amounts reported for governmental activities in the statements 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 expense. This is the activity in capital assets in the current period.

Capital asset additions	\$	269,717	
Depreciation expense		(571,855)	
			(302,138)

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. Repayment of principal include:

Capital Lease Payments			148,075
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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		(18,867)	
Landfill Closure and Post-Closure Costs		-	
			(18,867)

Change in net position of governmental funds \$ 349,288

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF NET POSITION
December 31, 2017

	Business-type Activities
	HOUSING AUTHORITY
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 203,285
Accounts Receivable	1,153
Total Current Assets	204,438
Noncurrent Assets:	
Capital Assets:	
Land	52,000
Buildings and Improvements, net	219,453
Furniture and Equipment, net	1,000
Total Noncurrent Assets	272,453
TOTAL ASSETS	476,891
LIABILITIES	
Current Liabilities:	
Accounts Payable	5,415
Security Deposit	7,168
Notes Payable (current portion)	11,386
Total Current Liabilities	23,969
Noncurrent Liabilities:	
Notes Payable	331,586
Total Noncurrent Liabilities	331,586
TOTAL LIABILITIES	355,555
NET POSITION	
Net Investment in Capital Assets	(70,519)
Unrestricted	191,855
TOTAL NET POSITION	\$ 121,336

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

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2017

	Business-type Activities
	HOUSING AUTHORITY
OPERATING REVENUES	
Rent from Tenants and HUD Operating Subsidy	\$ 219,639
Miscellaneous	3,550
	223,189
Total Charges for Services	223,189
Total operating revenues	223,189
OPERATING EXPENSES	
Administrative	83,063
Utilities	59,751
Operating and Maintenance	25,331
Insurance	2,964
Depreciation Expense	26,174
	197,283
Total operating expenses	197,283
Operating Income (Loss)	25,906
NONOPERATING REVENUES (EXPENSES)	
Interest on Investments	343
Interest Expense	(8,932)
	(8,589)
Total Nonoperating Revenues (Expenses)	(8,589)
Changes in Net Position	17,317
Net Position, Beginning of Year	104,019
Net Position, End of Year	\$ 121,336

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

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Business-type Activities
	HOUSING AUTHORITY
Cash flows from operating activities:	
Cash received from tenants and others	\$ 127,715
Cash received from HUD operating subsidy	97,407
Cash paid to employees for services	(83,063)
Cash paid to suppliers and service providers	(93,660)
	48,399
Net cash provided (used) by operating activities:	48,399
Cash flows from noncapital financing activities:	-
Cash flows from capital and related financing activities:	
Payment of note principal and interest	(32,823)
	(32,823)
Net cash provided (used) by capital and related financing activities	(32,823)
Cash flows from investing activities:	
Interest received	343
	343
Net cash provided (used) by investing activities	343
Increase (decrease) in cash and investments	15,919
Cash and cash equivalents, Beginning of the Year	187,366
Cash and cash equivalents, End of the Year	\$ 203,285
Operating income (loss)	\$ 25,906
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	26,174
(Increase) Decrease in Accounts Receivable	-
Increase (Decrease) in Accounts Payable	(5,614)
Increase (Decrease) in Security Deposits	1,933
	22,493
Total adjustments	22,493
Net cash provided (used) by operating activities	\$ 48,399

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

SAGUACHE COUNTY, COLORADO
FIDUCIARY FUND TYPES
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2017

	<u>PUBLIC TRUSTEE</u>	<u>COUNTY TREASURER</u>	<u>COUNTY CLERK</u>	<u>COUNTY SHERIFF</u>	<u>TOTAL AGENCY FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 5,167	\$ 997,131	\$ 43,507	\$ 14,038	\$ 1,059,843
TOTAL ASSETS	<u>\$ 5,167</u>	<u>\$ 997,131</u>	<u>\$ 43,507</u>	<u>\$ 14,038</u>	<u>\$ 1,059,843</u>
LIABILITIES					
Due to Other Governments	\$ -	\$ 997,131	\$ -	\$ -	\$ 997,131
Deposits held for Others	5,167	-	43,507	14,038	62,712
TOTAL LIABILITIES	<u>\$ 5,167</u>	<u>\$ 997,131</u>	<u>\$ 43,507</u>	<u>\$ 14,038</u>	<u>\$ 1,059,843</u>

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

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

Component Units

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

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

The Saguache County Housing Authority (the Authority) is administered and governed by the Saguache County Commissioners. The Authority is blended into the County's financial statements as an Enterprise Fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include a statement of net position and a statement of activities. Government-wide statements report information on all of the activities of the County and its component units, 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.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 and proprietary 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. 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 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 users fees and other revenue sources.
- The *Social Services Fund* is used to account for the operations of social programs; i.e. Temporary Aid to 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.

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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 based 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. All other revenues and expenses are reported as non-operating.

- The *Housing Authority Fund* is reported as an enterprise fund. The principal operating revenue of the Housing Authority Fund are monthly unit rental fees charged to tenants.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in 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

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.

Investments

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 2017 property tax levy due January 1, 2018 has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources in the financial statements.

Inventories and Prepaid Items

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

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

Capital Assets

Capital Assets, which include land, buildings and improvements, vehicles and equipment, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, underground pipe, traffic signals, and similar items), are reported in the applicable governmental 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.

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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 and Improvements	7-40
Vehicles and Equipment	5-15
Infrastructure	25-40

Compensated Absences

Annual leave may be accrued to the maximum of:

Under 5 years	144 hours
5 but less than 10 years	168 hours
10 - 15 or (20) years	192 hours

Upon separation from the County, an employee shall be paid for the amount of annual leave that he/she has accrued, subject to the limitation above. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

Interest Capitalization

Interest costs are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no interest capitalized in 2017.

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 reports 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.

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- *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 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 the following five categories:

- *Nonspendable Fund Balance*- amounts that cannot be spent because they are not in spendable form-such as inventory and prepaid expenses.
- *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 by the Board of County Commissioners, the highest level of decision making authority, through resolution or ordinance. 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.

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 assignment actions.

Encumbrances

The County does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year.

Use of Estimates

The preparation of the financial statements in conformity with 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.

SAGUACHE COUNTY, COLORADO
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NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Saguache 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), with the exception of the enterprise funds which budget capital outlay versus depreciation expenses.

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 2017. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

Expenditures in the Sales Tax-Youth and Seniors fund exceeded appropriations by \$3,943 during 2017. This may be a violation of Colorado State Statutes.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

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

Cash on Hand	\$ 3,603
Cash Deposited in Banks	3,894,950
ColoTrust	2,449,699
C-SAFE	571,159
Other Investments	728,283
Total Cash, Deposits, and Investments (Book Balance)	7,647,694
Less amounts related to Trust & Agency Fund	(1,059,843)
Total Cash, Deposits, and Investments on Statement of Net Position	\$ 6,587,851

Cash and Deposits

Colorado State Statutes and the County Treasurer's investment policy 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

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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

The County's investment policy addresses custodial credit risk. At December 31, 2017, \$3,777,819 was exposed to custodial credit risk. Those deposits exposed to credit risk 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.

Fair Value

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

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

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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. ColoTrust is rated AAAM by Standard and 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 or redemption notice periods. 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 and Poor's.

Investment Type	97%	Moody's Rating	Up to 120 days	121 days to 5 years	Fair Value Measurements Using: Level 2
Certificate of Deposit	97%	unrated	\$ -	\$ 708,903	\$ 708,903
Money Market Funds	3%	unrated			19,380
					\$ 728,283

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2017, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 1,296,210
Social Services Fund	210,464
Public Health Fund	35,921
	\$ 1,542,595

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NOTE 5 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 receivable and payable balances at December 31, 2017, were as follows:

Receivable Fund	Payable Fund	Amount
Road & Bridge Fund	General Fund	\$ 95,950
Nonmajor Funds	Nonmajor Funds	5,000
		\$ 100,950

Interfund transfers for the year ended December 31, 2017, were as follows:

Transfer In	Transfer Out	Amount
Public Health Fund	General Fund	\$ 33,200
		\$ 33,200

These transfers were made to subsidize operations in the Public Health Fund.

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NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 293,693	\$ -	\$ -	\$ 293,693
Total capital assets not being depreciated	<u>293,693</u>	<u>-</u>	<u>-</u>	<u>293,693</u>
Capital assets being depreciated:				
Buildings and Improvements	\$ 8,569,618	13,479	-	8,583,097
Vehicles and Heavy Equipment	7,860,703	170,319	-	8,031,022
Equipment	603,808	26,250	-	630,058
Infrastructure	1,072,232	59,669	-	1,131,901
Total capital assets being depreciated	<u>18,106,361</u>	<u>269,717</u>	<u>-</u>	<u>18,376,078</u>
Less accumulated depreciation for:				
Buildings and Improvements	6,531,380	79,696	-	6,611,076
Vehicles and Heavy Equipment	5,539,927	418,592	-	5,958,519
Equipment	420,953	45,269	-	466,222
Infrastructure	160,043	28,298	-	188,341
Total accumulated depreciation	<u>12,652,303</u>	<u>571,855</u>	<u>-</u>	<u>13,224,158</u>
Total capital assets being depreciated, net	<u>5,454,058</u>	<u>(302,138)</u>	<u>-</u>	<u>5,151,920</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 5,747,751</u>	<u>\$ (302,138)</u>	<u>\$ -</u>	<u>\$ 5,445,613</u>
<i>Business-type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 52,000	\$ -	\$ -	\$ 52,000
Total capital assets not being depreciated	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>52,000</u>
Capital assets being depreciated:				
Buildings and Improvements	1,105,535	-	-	1,105,535
Furniture and Equipment	71,636	-	-	71,636
Total capital assets being depreciated	<u>1,177,171</u>	<u>-</u>	<u>-</u>	<u>1,177,171</u>
Less accumulated depreciation for:				
Buildings and Improvements	860,908	25,174	-	886,082
Furniture and Equipment	69,636	1,000	-	70,636
Total accumulated depreciation	<u>930,544</u>	<u>26,174</u>	<u>-</u>	<u>956,718</u>
<i>Business-type Activities Capital Assets, net</i>	<u>\$ 298,627</u>	<u>\$ (26,174)</u>	<u>\$ -</u>	<u>\$ 272,453</u>

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

Governmental Activities:	
General Government	\$ 27,556
Public Safety	48,385
Health and Welfare	10,689
Public Works	469,235
Culture and Recreation	<u>15,990</u>
	<u>\$ 571,855</u>
Business-type Activities:	
Housing Authority	<u>\$ 26,174</u>

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, were as follows:

	12/31/2016 Balance	Additions	Deletions	12/31/2017 Balance	Due Within One Year
<i>Governmental Activities:</i>					
Capital Leases	\$ 278,634	\$ -	\$ 148,075	\$ 130,559	\$ 70,382
Landfill Closure and Post-Closure	396,645	-	-	396,645	-
Compensated Absences	<u>193,063</u>	<u>18,867</u>	<u>-</u>	<u>211,930</u>	<u>23,198</u>
Total Governmental Activities	<u>\$ 868,342</u>	<u>\$ 18,867</u>	<u>\$ 148,075</u>	<u>\$ 739,134</u>	<u>\$ 93,580</u>
<i>Business-Type Activities:</i>					
DOLA-Division of Housing	\$ 238,822	\$ -	\$ 10,446	\$ 228,376	\$ 10,656
US Department of Agriculture					
Blue Waters Hacienda Project, 2004	12,761	-	12,761	-	-
Blue Waters Hacienda Project, 2005	<u>115,280</u>	<u>-</u>	<u>683</u>	<u>114,597</u>	<u>730</u>
Total Business-Type Activities	<u>\$ 366,863</u>	<u>\$ -</u>	<u>\$ 23,890</u>	<u>\$ 342,973</u>	<u>\$ 11,386</u>

GOVERNMENTAL ACTIVITIES:

Capital Lease

The County entered into two capital lease agreements with Caterpillar Financial Services on February 6, 2013, in the amount of \$149,800 each, payable in 60 monthly installments of \$5,410, beginning March 2013, at 3.20% interest. Final payments were made in 2017. These leases were entered into for the purchase of two Caterpillar 140M2 motor graders. These payments were made from the Road and Bridge Fund. Principal balance at

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December 31, 2017, was \$0. These assets are recorded in capital assets of the government-wide financial statements for a total of \$471,000, less accumulated depreciation of \$157,000 at December 31, 2017.

The County entered into a capital lease agreement with Caterpillar Financial Services on August 8, 2014, in the amount of \$170,300, payable in 60 monthly installments of \$3,075, beginning September 2014 at 3.20% interest, with final payment due in August 2019 of the outstanding principal balance. This lease was entered into for the purchase of a Caterpillar 140M2 motor grader. These payments were made from the Road and Bridge Fund. Principal balance at December 31, 2017, was \$53,977 This asset is recorded in capital assets of the government-wide financial statements for a total of \$286,220, less accumulated depreciation of \$76,325 at December 31, 2017.

The County entered into a capital lease agreement with Caterpillar Financial Services on February 4, 2015, in the amount of \$169,050, payable in 60 monthly installments of \$3,053, beginning March 2015, at 3.20% interest, with a final payment due in February 2018 of the outstanding principal balance. This lease was entered into for the purchase of a Caterpillar 12M3AWD motor grader. These payments were made from the Road and Bridge Fund. Principal balance at December 31, 2017, was \$76,582 This asset is recorded in capital assets of the government-wide financial statements for a total of \$169,050, less accumulated depreciation of \$33,810 at December 31, 2017.

The annual debt service for the capital leases is as follows:

	Principal	Interest	Total
2018	\$ 70,382	\$ 3,152	\$ 73,534
2019	54,095	988	55,083
2020	6,082	23	6,105
	\$ 130,559	\$ 4,163	\$ 134,722

Landfill Closure and Post-Closure Care Costs

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County uses the “Local Government Finance Test” as its financial mechanism to assure full payment of all closure, post closure, and if applicable, corrective action estimated costs. The estimated liability for landfill closure and post closure care costs represents the County’s total current estimate of such future costs, and is based on the estimated amount to be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2017. As of December 31, 2017, the County estimated that existing landfill capacity was approximately 49% utilized (filled), and that the existing landfill was expected to be filled to capacity in fiscal year 2025. The \$396,645 reported as landfill closure and post-closure care liability at December 31, 2017 represents the cumulative amount reported to date based on the use of 49% of the estimated capacity of the landfill. The aggregate estimated liability of \$736,557 is comprised of \$112,557 of estimated closure costs and \$624,000 of estimated post closure costs. The County will recognize the remaining estimated cost of closure and post-closure care of \$339,912 as the remaining estimated capacity is filled. However, the actual costs of closure and post closure may be higher, due to inflation, changes in technology, or changes in the landfill laws and regulations.

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BUSINESS-TYPE ACTIVITIES:

Colorado Department of Local Affairs – Division of Housing

The Housing Authority has entered into a mortgage note payable with Colorado Department of Local Affairs – Division of Housing (DOH) to refinance the construction of two projects operated by the Housing Authority. The note has an original principal balance in the amount of \$341,000, maturing May 2033, payable in semi-annual blended payments of \$7,585 beginning November 30, 2003, and with a stated interest rate of 2% annum. The mortgage is secured by a deed of trust on the Housing Authority’s Puerto Del Norte Haciendas housing project, which is located in Saguache County.

The 2009 and 2010 payments were deferred due to cash flow shortages. Payments resumed in December 2011. The note maturity date was extended until December 2035.

United States Department of Agriculture

The Housing Authority has entered into a mortgage note payable with the United States Department of Agriculture (USDA), with an original principal amount of \$306,000, maturing September 2013, payable in blended monthly payments of \$1,077, and with a stated interest rate of 8%. The mortgage note was entered into to refinance the construction of two projects operated by the Housing Authority and is secured by a deed of trust on the Housing Authority’s Blue Waters Haciendas housing project, which is located in Saguache County. This note was reamortized in October 2004. Monthly payments began in January 2005 with a maturity date of 2017.

The Housing Authority has entered into a mortgage note payable with the United States Department of Agriculture (USDA), with an original principal amount of \$118,592, maturing December 2054, payable in blended monthly payments of \$528, and with a stated interest rate of 6.75% per annum. The mortgage note was entered into to refinance the construction of two projects operated by the Housing Authority and is secured by a deed of trust on the Housing Authority’s Blue Waters Haciendas housing project, which is located in Saguache County.

The annual debt service for the mortgage notes payable is as follows:

	Principal	Interest	Total
2018	\$ 11,386	\$ 10,119	\$ 21,505
2019	11,651	9,854	21,505
2020	11,924	9,581	21,505
2021	12,205	9,300	21,505
2022	12,495	8,796	21,291
2023-2027	67,143	41,040	108,183
2028-2032	75,904	31,615	107,519
2033-2037	55,474	22,998	78,472
2038-2042	16,122	15,538	31,660
2043-2047	22,572	11,629	34,201
2048-2052	31,604	2,555	34,159
2053-2055	14,492	-	14,492
	<u>\$ 342,972</u>	<u>\$ 173,025</u>	<u>\$ 515,997</u>

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NOTE 8 OPERATING LEASES

The County is committed under various cancellable leases for office equipment and software. These leases are considered, for accounting purposes, as operating leases. Lease expenses for the year totaled \$121,145.

NOTE 9 EMPLOYEE BENEFITS

Pension Plans

The County provides a participatory salary deferral plan under Internal Revenue Code (IRC) section 401(k), a defined contribution plan, administered by Principal Financial Group, for all County employees over the age of 18 with more than six months of employment with the County. Participating employees may contribute, on a tax-deferred basis, any whole percentage 3% or more of their total pay each period to the Plan. Federal law limits the deferral amounts in any tax year. The County matches 100% of the first 4% contributed by each employee. The County's matching contributions vest with the employee over a 4-year period. Nonvested County contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners.

For the year ended December 31, 2017, total employee contributions to the Plan were \$115,743 and the County recognized pension expense of \$80,039. The County recognized \$450 of forfeitures in retirement expense during 2017.

Cafeteria Plan

The County also offers its employees a cafeteria compensation plan organized under Section 125 of the Internal Revenue Code, which includes the following benefits: medical, disability, accident and/or term life insurance, and health expense reimbursement. No cost to the County is recognized, as the plan is a salary reduction plan.

Post-Employment Health Care Benefits

All County employees covered by COBRA insurance may continue their health insurance after a reduction in work hours or termination of employment. The County recognizes no cost for such coverage, as those electing to continue COBRA coverage must reimburse the County for 100% of their premium cost for the extended coverage period.

NOTE 10 COLORADO CONTRABAND FORFEITURE ACT

The County has reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2017.

NOTE 11 TABOR AMENDMENT RESERVE

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

TABOR also required local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending for fiscal years ending after December 31, 1995. Fiscal year spending excludes enterprise spending. The County has reserved a portion of the December 31, 2017 year-end balances in the General Fund for this purpose in the aggregate amount of \$250,000, which is the approximate required emergency reserve.

The County's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

The electorate of the County passed a referendum allowing the County to collect and expend the full revenues generated during 1997 and each subsequent year, from its existing tax rates, to receive and expand all sales and property revenues without regard to Article X, Section 20 of the Colorado Constitution of law. Approval of this question does not authorize any increase in property tax rates of any kind above the 1995 rates.

NOTE 12 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, 2017, CAPP had assets of \$24,284,660, liabilities of \$9,537,262 (including \$7,397,260 reserved for losses and claims), and members' equity of \$14,747,398. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2017, amounted to \$6,753,835 and total expenses were \$5,989,546, resulting in net income before return of surplus of \$764,289.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Colorado Workers' Compensation Pool (CWCP)

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

At December 31, 2017, CWCP had assets of \$42,592,056, liabilities of \$25,179,086 (including \$23,745,055 reserved for losses and claims) and members' equity of \$17,412,970. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2017, amounted to \$11,357,033, total expenses were \$12,061,986, resulting in net loss before return of surplus of \$(704,953).

NOTE 13 COMMITMENTS AND CONTINGENCIES

Grant Programs

The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The 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.

Litigation

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

Insurance Pools

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

SAGUACHE 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.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 1,706,100	\$ 1,698,100	\$ 1,595,599	\$ (102,501)
Intergovernmental Revenue	1,980,147	2,146,484	960,606	(1,185,878)
Licenses and Permits	105,381	105,381	243,247	137,866
Interest Revenue	32,104	32,104	57,567	25,463
Charges for Services	851,343	851,343	809,029	(42,314)
Miscellaneous	98,895	98,895	165,507	66,612
TOTAL REVENUES	4,773,970	4,932,307	3,831,555	(1,100,752)
EXPENDITURES				
General Government	3,376,469	3,375,689	2,200,335	1,175,354
Public Safety	1,137,893	1,137,893	1,179,694	(41,801)
Health and Welfare	(37,764)	87,053	4,031	83,022
Public Works	52,000	52,000	-	52,000
Capital Outlay	167,587	167,587	114,544	53,043
TOTAL BUDGETED EXPENDITURES	4,696,185	4,820,222	3,498,604	1,321,618
Excess (deficiency) of revenues over expenditures	77,785	112,085	332,951	220,866
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(42,300)	(33,200)	9,100
Sale of Capital Assets	20,000	780	1,865	1,085
TOTAL OTHER FINANCING SOURCES (USES)	20,000	(41,520)	(31,335)	10,185
Net Change in Fund Balance	97,785	70,565	301,616	231,051
Fund Balance at Beginning of Year	2,349,548	2,349,548	2,504,771	155,223
Fund Balance at End of Year	\$ 2,447,333	\$ 2,420,113	\$ 2,806,387	\$ 386,274

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ -	\$ -	\$ 2	\$ 2
Intergovernmental Revenue	2,750,000	2,798,332	2,858,121	59,789
Charges for Services	-	-	60,277	60,277
License and Permits	142,000	142,000	86,377	(55,623)
Miscellaneous	-	-	37,904	37,904
TOTAL REVENUES	2,892,000	2,940,332	3,042,681	102,349
EXPENDITURES				
Public Works	2,871,640	2,919,972	2,598,920	321,052
Capital Outlay	-	-	135,611	(135,611)
Debt Service	-	-	160,415	(160,415)
TOTAL EXPENDITURES	2,871,640	2,919,972	2,894,946	25,026
Net Change in Fund Balance	20,360	20,360	147,735	127,375
Fund Balance at Beginning of Year	2,880,369	2,880,369	3,241,840	361,471
Fund Balance at End of Year	\$ 2,900,729	\$ 2,900,729	\$ 3,389,575	\$ 488,846

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SERVICES FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 266,772	\$ 266,772	\$ 257,027	\$ (9,745)
Intergovernmental Revenue	4,856,200	4,856,200	3,675,751	(1,180,449)
Interest Revenue	-	-	89	89
TOTAL REVENUES	5,122,972	5,122,972	3,932,867	(1,190,105)
EXPENDITURES				
Health and Welfare	5,122,972	5,122,972	3,912,689	1,210,283
TOTAL EXPENDITURES	5,122,972	5,122,972	3,912,689	1,210,283
Net Change in Fund Balance	-	-	20,178	20,178
Fund Balance at Beginning of Year	460,168	460,168	474,315	14,147
Fund Balance at End of Year	\$ 460,168	\$ 460,168	\$ 494,493	\$ 34,325

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

SAGUACHE 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.

**SAGUACHE COUNTY, COLORADO
NONMAJOR 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 multiple programs of providing health services to County residents. Financing is provided by grants and fees for services.

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.

TOURISM FUND – This fund is used to account for the County share of the lodging tax collected on each hotel/motel that is rented in Saguache County. The monies may be expended to promote Saguache County to tourists.

SALES TAX – EMERGENCY SERVICES FUND, SALES TAX – YOUTH AND SENIORS FUND, AND SALES TAX – RENEWABLE ENERGY FUND – These funds are used to account for the expenditure of County sales tax collected for emergency services, youth and senior activities, and renewable energy activities, respectively.

SAGUACHE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2017

	NONMAJOR SPECIAL REVENUE FUNDS						
	PUBLIC HEALTH FUND	CONSERVATION TRUST FUND	TOURISM FUND	SALES TAX- EMERGENCY SERVICES FUND	SALES TAX- YOUTH AND SENIORS FUND	SALES TAX- RENEWABLE ENERGY FUND	TOTAL NONMAJOR GOVERNMENTAL
ASSETS							
Cash and Cash Equivalents	\$ (16,816)	\$ 69,485	\$ 68,285	\$ 52,296	\$ 72,971	\$ 47,795	\$ 294,016
Property Tax Recievable	35,921	-	-	-	-	-	35,921
Due from Other Funds	-	-	-	-	5,000	-	5,000
Due from Other Governments	45,262	-	-	-	-	-	45,262
TOTAL ASSETS	\$ 64,367	\$ 69,485	\$ 68,285	\$ 52,296	\$ 77,971	\$ 47,795	\$ 380,199
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 3,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,832
Due to Other Funds	-	-	-	5,000	-	-	5,000
TOTAL LIABILITIES	3,832	-	-	5,000	-	-	8,832
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue - Property Tax	35,921	-	-	-	-	-	35,921
FUND BALANCE							
Committed							
Health and Welfare	24,614	-	-	-	-	-	24,614
Culture and Recreation	-	69,485	68,285	-	52,971	-	190,741
Emergency Services	-	-	-	47,296	-	-	47,296
Renewable Energy	-	-	-	-	-	47,795	47,795
Sales Tax Contingency	-	-	-	-	25,000	-	25,000
TOTAL FUND BALANCE	24,614	69,485	68,285	47,296	77,971	47,795	335,446
TOTAL LIABILITIES AND FUND BALANCE	\$ 64,367	\$ 69,485	\$ 68,285	\$ 52,296	\$ 77,971	\$ 47,795	\$ 380,199

SAGUACHE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	NONMAJOR SPECIAL REVENUE FUNDS						TOTAL NONMAJOR GOVERNMENTAL
	PUBLIC HEALTH FUND	CONSERVATION TRUST FUND	TOURISM FUND	SALES TAX- EMERGENCY SERVICES FUND	SALES TAX- YOUTH AND SENIORS FUND	SALES TAX- RENEWABLE ENERGY FUND	
REVENUES							
Taxes	\$ 39,827	\$ -	\$ 47,799	\$ 96,732	\$ 93,733	\$ 93,732	\$ 371,823
Intergovernmental Revenue	204,438	42,943	-	-	-	-	247,381
Charges for Services	162,726	-	-	-	-	-	162,726
Miscellaneous	2,685	-	-	-	-	-	2,685
TOTAL REVENUES	409,676	42,943	47,799	96,732	93,733	93,732	784,615
EXPENDITURES							
Current Expenditures							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	84,114	-	-	84,114
Health and Welfare	464,223	-	-	-	-	-	464,223
Public Works	-	-	-	-	-	87,125	87,125
Culture and Recreation	-	17,991	17,730	-	93,943	-	129,664
TOTAL EXPENDITURES	464,223	17,991	17,730	84,114	93,943	87,125	765,126
Excess (deficiency) of revenues over expenditures	(54,547)	24,952	30,069	12,618	(210)	6,607	19,489
OTHER FINANCING SOURCES (USES)							
Transfer In	33,200	-	-	-	-	-	33,200
TOTAL OTHER FINANCING SOURCES (USES)	33,200	-	-	-	-	-	33,200
Net Change in Fund Balance	(21,347)	24,952	30,069	12,618	(210)	6,607	52,689
Fund Balance at Beginning of Year	45,961	44,533	38,216	34,678	78,181	41,188	282,757
Fund Balance at End of Year	\$ 24,614	\$ 69,485	\$ 68,285	\$ 47,296	\$ 77,971	\$ 47,795	\$ 335,446

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF NET POSITION
December 31, 2017

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 102,944	\$ 100,341	\$ 203,285
Accounts Receivable	664	489	1,153
Total Current Assets	<u>103,608</u>	<u>100,830</u>	<u>204,438</u>
Noncurrent Assets:			
Capital Assets:			
Land	36,000	16,000	52,000
Buildings and Improvements, net	6,494	212,959	219,453
Furniture & Equipment, net	500	500	1,000
Total Noncurrent Assets	<u>42,994</u>	<u>229,459</u>	<u>272,453</u>
TOTAL ASSETS	<u>146,602</u>	<u>330,289</u>	<u>476,891</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,439	2,976	5,415
Security Deposit	2,654	4,514	7,168
Notes Payable (current portion)	730	10,656	11,386
Total Current Liabilities	<u>5,823</u>	<u>18,146</u>	<u>23,969</u>
Noncurrent Liabilities:			
Notes Payable	113,867	217,719	331,586
Total Noncurrent Liabilities	<u>113,867</u>	<u>217,719</u>	<u>331,586</u>
TOTAL LIABILITIES	<u>119,690</u>	<u>235,865</u>	<u>355,555</u>
NET POSITION			
Net Investment in Capital Assets	(71,603)	1,084	(70,519)
Unrestricted	98,515	93,340	191,855
TOTAL NET POSITION	<u>\$ 26,912</u>	<u>\$ 94,424</u>	<u>\$ 121,336</u>

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2017

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
OPERATING REVENUES			
Rent from Tenants	\$ 33,073	\$ 89,159	\$ 122,232
HUD Operating Subsidy	87,686	9,721	97,407
Miscellaneous	982	2,568	3,550
Total operating revenues	121,741	101,448	223,189
OPERATING EXPENSES			
Administrative	49,641	33,422	83,063
Utilities	27,878	31,873	59,751
Operating and Maintenance	17,817	7,514	25,331
Insurance	1,189	1,775	2,964
Depreciation Expense	15,012	11,162	26,174
Total operating expenses	111,537	85,746	197,283
Operating Income (Loss)	10,204	15,702	25,906
NONOPERATING REVENUES (EXPENSES)			
Interest on Investments	195	148	343
Interest Expense	(4,207)	(4,725)	(8,932)
Total Nonoperating Revenues (Expenses)	(4,012)	(4,577)	(8,589)
Changes in Net Position	6,192	11,125	17,317
Net Position, Beginning of Year	20,720	83,299	104,019
Net Position, End of Year	\$ 26,912	\$ 94,424	\$ 121,336

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended December 31, 2017

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
Cash flows from operating activities:			
Cash received from tenants and others	\$ 34,389	\$ 93,326	\$ 127,715
Cash received from HUD operating subsidy	87,686	9,721	97,407
Cash paid to employees for services	(49,641)	(33,422)	(83,063)
Cash paid to suppliers and service providers	(51,756)	(41,904)	(93,660)
Net cash provided (used) by operating activities:	20,678	27,721	48,399
Cash flows from noncapital financing activities:	-	-	-
Cash flows from capital and related financing activities:			
Payment of note principal and interest	(17,651)	(15,172)	(32,823)
Net cash provided (used) by capital and related financing activities	(17,651)	(15,172)	(32,823)
Cash flows from investing activities:			
Interest received	195	148	343
Net cash provided (used) by investing activities	195	148	343
Increase (decrease) in cash and investments	3,222	12,697	15,919
Cash and cash equivalents, Beginning of the Year	99,722	87,644	187,366
Cash and cash equivalents, End of the Year	\$ 102,944	\$ 100,341	\$ 203,285
Operating income (loss)	\$ 10,204	\$ 15,702	\$ 25,906
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation	15,012	11,162	26,174
(Increase) Decrease in Accounts Receivable	-	-	-
Increase (Decrease) in Accounts Payable	(4,872)	(742)	(5,614)
Increase (Decrease) in Security Deposits	334	1,599	1,933
Total adjustments	10,474	12,019	22,493
Net cash provided (used) by operating activities	\$ 20,678	\$ 27,721	\$ 48,399

SAGUACHE COUNTY, COLORADO
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
ALL NON-MAJOR GOVERNMENTAL FUNDS AND ALL PROPRIETARY FUNDS
BUDGET AND ACTUAL
For the Year Ended December 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES</u>		<u>EXPENDITURES VARIANCE WITH</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>REPORTED ON</u>	<u>ADJUSTMENTS</u>	<u>ON THE</u>	<u>FINAL BUDGET</u>
			<u>THE GAAP</u>	<u>TO BUDGETARY</u>	<u>BUDGETARY</u>	<u>POSITIVE</u>
			<u>BASIS</u>	<u>BASIS</u>	<u>BASIS</u>	<u>(NEGATIVE)</u>
Governmental Funds						
Non-major Governmental Funds						
Special Revenue Funds						
Public Health Fund	\$ 489,036	\$ 531,336	\$ 464,223	\$ -	\$ 464,223	\$ 67,113
Conservation Trust Fund	33,000	33,000	17,991	-	17,991	15,009
Tourism Fund	20,500	20,500	17,730	-	17,730	2,770
Sales Tax - Emergency Services Fund	90,000	90,000	84,114	-	84,114	5,886
Sales Tax - Youth and Seniors Fund	90,000	90,000	93,943	-	93,943	(3,943)
Sales Tax - Renewable Energy Fund	90,000	90,000	87,125	-	87,125	2,875
Total Non-major Governmental Funds	<u>\$ 812,536</u>	<u>\$ 854,836</u>	<u>\$ 765,126</u>	<u>\$ -</u>	<u>\$ 765,126</u>	<u>\$ 89,710</u>
Proprietary Funds						
Enterprise Funds						
Blue Waters Housing Authority	\$ 120,588	\$ 120,588	\$ 115,744	\$ (1,568)	\$ 114,176	\$ 6,412
Puerto Del Norte Haciendas Housing Authority	92,217	92,217	90,471	(716)	89,755	2,462
Total Proprietary Funds	<u>\$ 212,805</u>	<u>\$ 212,805</u>	<u>\$ 206,215</u>	<u>\$ (2,284)</u>	<u>\$ 203,931</u>	<u>\$ 8,874</u>

Adjustments to budgetary basis include costs of capitalized assets, depreciation expense and principal payments.

SAGUACHE COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

SAGUACHE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
CCDF Cluster			
Department of Health and Human Services			
Child Care and Development Block Grant	93.575	Colorado Department of Human Services,N/A	\$ 40,005
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Colorado Department of Human Services,N/A	6,597
<i>Total Department of Health and Human Services</i>			46,602
Total CCDF Cluster			46,602
Food Distribution Cluster			
Department of Agriculture			
Commodity Supplemental Food Program	10.565	Colorado Department of Human Services and Care and Share Food Bank,N/A	63,101
Emergency Food Assistance Program (Food Commodities)	10.569	Colorado Department of Human Services and Care and Share Food Bank,N/A	48,210
<i>Total Department of Agriculture</i>			111,311
Total Food Distribution Cluster			111,311
TANF Cluster			
Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Colorado Department of Human Services,N/A	222,157
<i>Total Department of Health and Human Services</i>			222,157
Total TANF Cluster			222,157
Medicaid Cluster			
Department of Health and Human Services			
Medical Assistance Program	93.778	Colorado Department of Human Services,N/A	82,195
<i>Total Department of Health and Human Services</i>			82,195
Total Medicaid Cluster			82,195
SNAP Cluster			
Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Colorado Department of Human Services,N/A	61,146
<i>Total Department of Agriculture</i>			61,146
Total SNAP Cluster			61,146

SAGUACHE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Forest Service Schools and Roads Cluster</i>			
Department of Agriculture			
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury,N/A	5,500
<i>Total Department of Agriculture</i>			5,500
<i>Total Forest Service Schools and Roads Cluster</i>			5,500
<i>Section 8 Project-Based Cluster</i>			
Department of Housing and Urban Development			
Section 8 Housing Assistance Payments Program	14.195	Colorado Housing and Finance Authority,N/A	87,686
<i>Total Department of Housing and Urban Development</i>			87,686
<i>Total Section 8 Project-Based Cluster</i>			87,686
<i>Housing Voucher Cluster</i>			
Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871	Center Housing Authority,N/A	9,721
<i>Total Department of Housing and Urban Development</i>			9,721
<i>Total Housing Voucher Cluster</i>			9,721
<i>Total All Clusters</i>			626,318
<i>Other Programs</i>			
Department of Homeland Security			
Emergency Management Performance Grants	97.042	Colorado Department of Local Affairs,N/A	2,817
<i>Total Department of Homeland Security</i>			2,817
United States Department of Justice			
Violence Against Women Formula Grants	16.588	Colorado Division of Criminal Justice,N/A	40,090
<i>Total United States Department of Justice</i>			40,090
Department of Health and Human Services			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Colorado Department of Public Health and Environment, HI17J/HW17J/HW18J	18,342
<i>Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements</i>			18,342
Guardianship Assistance	93.090	Colorado Department of Human Services,N/A	672
<i>Total Guardianship Assistance</i>			672

SAGUACHE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
		Colorado Department of Public Health and Environment, KA16H/KA17H	
Immunization Cooperative Agreements	93.268		3,357
Total Immunization Cooperative Agreements			<u>3,357</u>
		Colorado Department of Human Services,N/A	
Child Support Enforcement	93.563		78,309
Total Child Support Enforcement			<u>78,309</u>
		Colorado Department of Human Services,N/A	
Low-Income Home Energy Assistance	93.568		326,444
Total Low-Income Home Energy Assistance			<u>326,444</u>
		Colorado Department of Human Services,N/A	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		5,696
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>5,696</u>
		Colorado Department of Human Services,N/A	
Foster Care_Title IV-E	93.658		83,098
Total Foster Care_Title IV-E			<u>83,098</u>
		Colorado Department of Human Services,N/A	
Adoption Assistance	93.659		24,637
Total Adoption Assistance			<u>24,637</u>
		Colorado Department of Human Services,N/A	
Social Services Block Grant	93.667		51,465
Total Social Services Block Grant			<u>51,465</u>
		Colorado Department of Public Health and Environment,ND17L	
Maternal and Child Health Services Block Grant to the States	93.994		10,653
Total Maternal and Child Health Services Block Grant to the States			<u>10,653</u>
<i>Total Department of Health and Human Services</i>			<u>602,673</u>
Department of Agriculture			
Rural Rental Housing Loans	10.415		118,804
Total Rural Rental Housing Loans			<u>118,804</u>
<i>Total United States Department of Agriculture</i>			<u>118,804</u>
Total Other Programs			<u>764,384</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,390,702</u></u>

SAGUACHE COUNTY, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Saguache County, Colorado under programs of the federal government for the year ended December 31, 2017. 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 Saguache County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Saguache County, Colorado.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The County did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2017. 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.

NOTE 4 RURAL RENTAL HOUSING LOAN

The Rural Rental Housing Loan are administered by Rural Development payable by the County. The outstanding loan balance at December 31, 2017 is included in the financial statements. The detail of the loan outstanding at the beginning and end of the year are included in Note 7 of the Notes to the Basic Financial Statements.

**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
Saguache County, Colorado
Saguache, 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, business-type activities, each major fund, and the aggregate remaining fund information of Saguache County, Colorado (the County), as of and for the year ended December 31, 2017, 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 05, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a material weakness.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

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

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 05, 2018

**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
Saguache County, Colorado
Saguache, Colorado

Report on Compliance for Each Major Federal Program

We have audited Saguache County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Basis for Qualified Opinion on the Low-Income Home Energy Assistance Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.568 Low-Income Home Energy Assistance Program as described in Finding 2017-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Basis for Qualified Opinion on the Temporary Assistance for Needy Families (TANF) Cluster

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.558 TANF Cluster as described in Finding 2017-003 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the TANF Cluster and Low-Income Home Energy Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, 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 the TANF Cluster and the Low-Income Home Energy Assistance Program for the year ended December 31, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

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 its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

The County's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2017-002 and 2017-003 to be material weaknesses.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the 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 05, 2018

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

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? yes X 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:

- Qualified for the Temporary Assistance for Needy Families (TANF) Cluster
- Qualified for the Low-Income Home Energy Assistance Program
- Unmodified for the Supplemental Nutrition Assistance Program (SNAP) Cluster

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	TANF Cluster
93.568	Low-Income Home Energy Assistance
10.561	SNAP Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes X no

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section II – Financial Statement Findings

Finding 2017-001: Internal Control Over Financial Reporting

**(Repeat of Finding 09-1, 10-1, 11-1, 12-1, 2013-001, 2014-001, 2015-001,
2016-001)**

Type of finding: Internal Control (material weakness)

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, antifraud programs, non-routine transactions, financial statement preparation and safeguarding of assets.

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

1. The Social Services Fund cash, due to/from Colorado Department of Human Services, and accounts receivable were not accurately reconciled at December 31, 2017. Transactions recorded in the County's general ledger were not recorded in the State system within the same month. In addition, credit card transactions were not allocated to the appropriate program at the time of payment, with a delay of eight months noted in one instance. Therefore, reimbursements were not drawn from the State in a timely manner. This created reconciliation difficulties and unnecessary voided and re-entered transactions, and subsequent journal entries to correct the errors.
2. The Public Health Fund accounts receivable was not reconciled during 2017. A change in the Medicaid billing system resulted in claim denials or requirements for additional information. Timely reconciliation allows the County to easily identify amounts that have not yet been received, for proper and timely rebilling to ensure payments are received.
3. Audit adjustments were proposed to properly state the General Fund, Road and Bridge Fund, and Housing Authority Fund in the County financial statements as of December 31, 2017, in accordance with generally accepted accounting principles.

Recommendation:

The County should continue to strengthen its internal controls with adopted policies and procedures to address, segregation of duties in the Social Services Fund accounting process, timely reconciliations in the Public Health Fund and Social Services Fund that investigate and correct discrepancies, and reconciliation of year end account balances to record necessary adjustments when performing financial close and reporting.

Management's Response: See corrective action plan.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section III – Federal Award Findings and Questioned Costs

Finding 2017-002: Low-Income Home Energy Assistance, CFDA No. 93.568
U.S. Department of Health and Human Services

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility

Grant No.: Not applicable

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

Condition: The County Department of Social Services did not ensure that information input into the eligibility and benefit calculation system is accurate and consistent. Four of the forty cases reviewed had discrepancies as described below:

- Two instances of income received by participants were not entered into the system
- Two instances of the rate used for the estimated home heating costs was not input correctly

Context: We examined 40 of an average of 457 total case files for LEAP benefits with \$309,338 in total expenditures.

Cause: The Department does not have a complete system of internal control that provides for the preparation and review of case files to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: A system of internal controls over compliance includes the design, documentation, and ongoing monitoring of control activities to provide reasonable assurance that only eligible individuals and organizations receive assistance under federal award programs, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements.

Questioned Costs: Undetermined

Effect: The lack of routine case file reviews resulted in a failure to detect and correct noncompliance with eligibility requirements.

Recommendation: The County Department of Social Services should implement a system of internal control over compliance that includes monitoring of control activities. Supervisory review of case file documentation will assure that errors or fraud are detected and corrected on a timely basis.

Grantee's Response: See corrective action plan.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Finding 2017-003: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility and Special Tests and Provisions

Grant No.: Not applicable

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

Condition: The County Department of Social Services is not maintaining complete and accurate case files or obtaining information in a timely manner for TANF program clients. Two of the five cases reviewed had discrepancies as described below:

- One instance of income received by a participant was not verified
- One instance of missing Initial Assessment

Context: We examined 5 of an average of 22 total case files for TANF benefits with \$81,905 in total expenditures.

Cause: The Department does not have a complete system of internal control that provides for the preparation and review of case files to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: A system of internal controls over compliance includes the design, documentation, and ongoing monitoring of control activities to provide reasonable assurance that only eligible individuals and organizations receive assistance under federal award programs, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements.

Questioned Costs: Undetermined

Effect: The lack of routine case file reviews resulted in a failure to detect and correct noncompliance with eligibility requirements.

Recommendation: The County Department of Social Services should implement a system of internal control over compliance that includes monitoring of control activities. Supervisory review of case file documentation will assure that errors or fraud are detected and corrected on a timely basis.

Grantee's Response: See corrective action plan.

SAGUACHE COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2017

Section II – Financial Statement Findings

Finding 2016-001: Internal Control Over Financial Reporting and on Compliance
(Repeat of Finding 09-1, 10-1, 11-1, 12-1, 2013-001, 2014-001, and 2015-001)

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

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Status: Partially Implemented. (See Finding 2017-001.)



SAGUACHE COUNTY GOVERNMENT

501 Fourth Street • P. O. Box 326

Saguache, Colorado 81149

Phone: (719) 655-2321 • Fax: (719) 655-2321

CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Health and Human Services

Saguache County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2017.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended December 31, 2017

The findings from the December 31, 2017 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 2017-001: Internal Control over Financial Reporting (Repeat of Findings 09-1, 10-1, 11-1, 12-1, 2013-001, 2014-001, 2015-001, 2016-001)

Type of finding: Internal Control (material weakness)

Recommendation: The County should continue to strengthen its internal controls with adopted policies and procedures to address, segregation of duties in the Social Services Fund accounting process, timely reconciliations in the Public Health Fund and Social Services Fund that investigate and correct discrepancies, and reconciliation of year end account balances to record necessary adjustments when performing financial close and reporting.

Action Taken:

1. When this finding was discovered early in 2018, a process of 4 reports with tie-out and reconciliation was implemented to replace the one report previously used. Reports are submitted to Director monthly. Employee evaluation was done with further information on the impact of the findings, and disciplinary actions taken for accuracy and timeliness.
2. Director is fully informed as to appropriate checks for reconciliation process, and will take all necessary measures to assure this process is followed. The Director established appropriate checks starting March 2018. In addition, Director will follow up on the issue with Medicaid.

3. The County will make every effort to strengthen its internal controls that follow adopted policies and procedures for reconciling accounts and year-end audit adjustments.

Section III – Federal Award Findings and Questioned Costs

**Finding 2017-002: Low-Income Home Energy Assistance, CFDA No. 93.568
U.S. Department of Health and Human Services**

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility

Grant No.: Not applicable

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

Recommendation: The County Department of Social Services should implement a system of internal control over compliance that includes monitoring of control activities. Supervisory review of case file documentation will assure that errors or fraud are detected and corrected on a timely basis.

Action Taken:

The following steps will be taken by the Department during the next LEAP season:

- The Department currently uses a tool for monitoring and evaluating cases that was issued by CDHS LEAP. We will start using a more comprehensive monitoring and evaluation tool, 5 cases to be reviewed per month per technician, and sent to CDHS for further review.
- All technicians will attend worker training for review of current and new rule changes, conducted in sept., 2018.
- Monthly staff meetings will utilize the evaluation tool to review cases by peers.
- Accuracy will be maintained at a minimum of 95% for the total year, as designated by CDHS staff and CStats, or the department will allow CDHS to transfer this program to the State contract.

**Finding 2017-003: TANF Cluster, CFDA No. 93.558
U.S. Department of Health and Human Services**

Passed through Colorado Department of Human Services

Compliance Requirement: Eligibility and Special Tests and Provisions

Grant No.: Not applicable

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

Recommendation: The County Department of Social Services should implement a system of internal control over compliance that includes monitoring of control activities. Supervisory review of case file documentation will assure that errors or fraud are detected and corrected on a timely basis.

Action Taken:

- Supervisor will check random files on a monthly basis according to a review tool, and send reviews to Director with monthly reports. This will occur with Food Assistance, Medicaid and TANF cases, to the extent to 5 cases per month per technician, to be chosen from the Adhoc Report already run monthly for Director.

If the U.S. Department of Health and Human Services have questions regarding this plan, please call the responsible parties listed below.

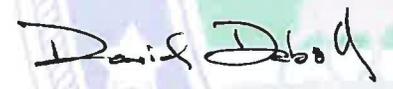
Sincerely yours,



Wendi Maez
County Administrator
Saguache County, Colorado



Linda Warsh
Department of Social Services Director
Saguache County, Colorado



David Daboll
Department of Public Health Director
Saguache County, Colorado



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

LOCAL HIGHWAY FINANCE REPORT	City or County: Saguache County
	YEAR ENDING : December 2017
This Information From The Records Of (example - City of _ or County of County of Saguache)	Prepared By: Rhiannon Curry Phone: 719-655-2554

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,400,884
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	10,055
2. General fund appropriations		b. Snow and ice removal	19,933
3. Other local imposts (from page 2)	61,256	c. Other	122,541
4. Miscellaneous local receipts (from page 2)	98,181	d. Total (a. through c.)	152,529
5. Transfers from toll facilities		4. General administration & miscellaneous	181,118
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,734,531
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	159,437	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	2,883,244	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	12,340
E. Total receipts (A.7 + B + C + D)	3,042,681	b. Redemption	148,075
		c. Total (a. + b.)	160,415
		3. Total (1.c + 2.c)	160,415
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,894,946

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)	278,634	0	148,075	130,559

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,241,840	3,042,681	2,894,946	3,389,575	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	2	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	61,254	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	6,329
4. Licenses		f. Charges for Services	60,277
5. Specific Ownership &/or Other		g. Other Misc. Receipts	31,575
6. Total (1. through 5.)	61,254	h. Other	
c. Total (a. + b.)	61,256	i. Total (a. through h.)	98,181
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,858,121	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	25,123	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	25,123	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	2,883,244	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments: