

RIO GRANDE COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2018



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

RIO GRANDE COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Rio Grande County, Colorado
Del Norte, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande County, Colorado (the County), as of and for the year ended December 31, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 25 through 27 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 nonmajor fund 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* (CFR) 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 nonmajor fund schedules, the Local Highway Finance Report, and the schedule of expenditures of federal awards 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 nonmajor fund schedules, the Local Highway Finance Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 3, 2019

RIO GRANDE COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS

RIO GRANDE COUNTY, COLORADO
STATEMENT OF NET POSITION
December 31, 2018

| | Primary Government |
|--|---------------------------|
| | Governmental |
| | Activities |
| ASSETS | |
| Current Assets: | |
| Cash and Investments | \$ 11,350,076 |
| Accounts Receivable | 39,640 |
| Due from Other Governments | 1,033,231 |
| Property Taxes Receivable | 3,039,698 |
| Prepaid Expenses | 94,797 |
| Inventories | 520,540 |
| Total Current Assets | 16,077,982 |
| Noncurrent Assets: | |
| Capital Assets: | |
| Land | 458,301 |
| Construction in Progress | 101,216 |
| Buildings | 8,085,268 |
| Machinery and Equipment | 7,452,305 |
| Infrastructure | 62,291,700 |
| Less: Accumulated Depreciation/Depletion | (37,475,486) |
| Total Noncurrent Assets | 40,913,304 |
| TOTAL ASSETS | 56,991,286 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 758,079 |
| Due to Other Governments | 43,653 |
| Unearned Grant Revenue | 228,147 |
| Accrued Interest Payable | 12,684 |
| Lease Purchase Agreement | 229,402 |
| Compensated Absences | 12,347 |
| Total Current Liabilities | 1,284,312 |
| Noncurrent Liabilities: | |
| Lease Purchase Agreement | 1,173,939 |
| Compensated Absences | 258,135 |
| Total Noncurrent Liabilities | 1,432,074 |
| TOTAL LIABILITIES | 2,716,386 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Revenue - Property Tax | 3,039,698 |
| NET POSITION | |
| Net Investment in Capital Assets | 39,509,963 |
| Restricted for: | |
| TABOR | 375,700 |
| DSS Programs - SEP and CHRP | 89,839 |
| Title III | 40,486 |
| Clerk's Filing Surcharge | 73,947 |
| Culture and Recreation | 595,565 |
| Unrestricted | 10,549,702 |
| TOTAL NET POSITION | \$ 51,235,202 |

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

RIO GRANDE COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position Primary Government |
|--------------------------------------|----------------------|-------------------------------------|---|---|---|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 3,536,697 | \$ 672,654 | \$ 341,142 | \$ - | \$ (2,522,901) |
| Public safety | 2,200,282 | 86,257 | 346,080 | - | (1,767,945) |
| Health and welfare | 8,698,386 | 144,159 | 8,141,460 | - | (412,767) |
| Highways and streets | 2,155,759 | 150 | 2,931,415 | - | 775,806 |
| Judicial | 236,000 | - | - | - | (236,000) |
| Auxiliary services | 64,547 | 11,700 | - | - | (52,847) |
| Culture and recreation | 335,046 | 2,710 | 69,417 | - | (262,919) |
| Interest on debt | 62,796 | - | - | - | (62,796) |
| Total Governmental Activities | \$ 17,289,513 | \$ 917,630 | \$ 11,829,514 | \$ - | (4,542,369) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| General Property Taxes - Net | | | | | 2,884,335 |
| Sales Taxes | | | | | 1,048,066 |
| Other Taxes | | | | | 544,613 |
| Payment in Lieu of Taxes | | | | | 873,159 |
| Interest on Investments | | | | | 187,870 |
| Gain on Sale of Capital Assets | | | | | 42,300 |
| Miscellaneous | | | | | 94,780 |
| Total General Revenues | | | | | 5,675,123 |
| Change in Net Position | | | | | 1,132,754 |
| Net Position - Beginning | | | | | 50,102,448 |
| Net Position - Ending | | | | | \$ 51,235,202 |

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

RIO GRANDE COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2018

| | GENERAL FUND | ROAD AND BRIDGE FUND | SOCIAL SERVICES FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------------|-------------------------------------|-------------------------------------|---|---|
| ASSETS | | | | | |
| Cash and Investments | \$ 4,334,228 | \$ 4,440,047 | \$ 1,310,300 | \$ 1,265,501 | \$ 11,350,076 |
| Accounts Receivable - Net | - | - | 39,640 | - | 39,640 |
| Property Taxes Receivable | 2,078,706 | 380,820 | 433,308 | 146,864 | 3,039,698 |
| Due From Other Governments | 479,219 | 134,883 | 142,018 | 277,111 | 1,033,231 |
| Prepaid Expenditures | - | 94,797 | - | - | 94,797 |
| Inventory | - | 520,540 | - | - | 520,540 |
| TOTAL ASSETS | \$ 6,892,153 | \$ 5,571,087 | \$ 1,925,266 | \$ 1,689,476 | \$ 16,077,982 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 122,807 | \$ 11,618 | \$ 525,061 | \$ 98,593 | \$ 758,079 |
| Due to Other Governments | - | - | 43,653 | - | 43,653 |
| Unearned Revenue - Grants | - | - | 228,147 | - | 228,147 |
| TOTAL LIABILITIES | 122,807 | 11,618 | 796,861 | 98,593 | 1,029,879 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Revenue - Property Tax | 2,078,706 | 380,820 | 433,308 | 146,864 | 3,039,698 |
| FUND BALANCE | | | | | |
| Nonspendable - Inventory & Prepaid | - | 615,337 | - | - | 615,337 |
| Restricted for: | | | | | |
| TABOR | 170,000 | 92,000 | 78,000 | 35,700 | 375,700 |
| DSS Programs - SEP and CHRP | - | - | 89,839 | - | 89,839 |
| Title III | 40,486 | - | - | - | 40,486 |
| Clerk's Filing Surcharge | 73,947 | - | - | - | 73,947 |
| Culture and Recreation | - | - | - | 595,565 | 595,565 |
| Committed: | | | | | |
| Capital Projects | - | - | - | 8,180 | 8,180 |
| Public Safety | 32,478 | - | - | - | 32,478 |
| Highways and Streets | - | 4,471,312 | - | - | 4,471,312 |
| Health and Welfare | - | - | 527,258 | 401,157 | 928,415 |
| Weed Control | - | - | - | 200,956 | 200,956 |
| Astronaut Rominger Airport | - | - | - | 202,461 | 202,461 |
| Assigned - Designated for Subsequent Years | 1,211,990 | - | - | - | 1,211,990 |
| Unassigned | 3,161,739 | - | - | - | 3,161,739 |
| TOTAL FUND BALANCE | 4,690,640 | 5,178,649 | 695,097 | 1,444,019 | 12,008,405 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 6,892,153 | \$ 5,571,087 | \$ 1,925,266 | \$ 1,689,476 | \$ 16,077,982 |

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

RIO GRANDE COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2018

| | | |
|---|-------------|----------------------|
| Total governmental fund balances | | \$ 12,008,405 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | | 40,913,304 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p> | | |
| Lease Purchase Agreement | (1,403,341) | |
| Compensated Absences | (270,482) | |
| Accrued Interest Payable | (12,684) | |
| | (1,686,507) | (1,686,507) |
| Net position of governmental activities | | \$ 51,235,202 |

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

RIO GRANDE COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2018

| | GENERAL FUND | ROAD AND BRIDGE FUND | SOCIAL SERVICES FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------------|-------------------------------------|-------------------------------------|---|---|
| REVENUES | | | | | |
| Taxes | \$ 3,431,587 | \$ 260,277 | \$ 470,667 | \$ 314,483 | \$ 4,477,014 |
| Intergovernmental Revenue | 1,775,912 | 2,814,848 | 7,210,157 | 973,710 | 12,774,627 |
| Licenses and Permits | 131,031 | 150 | - | - | 131,181 |
| Investment Income | 187,536 | - | - | 334 | 187,870 |
| Charges for Services | 475,880 | - | - | 189,249 | 665,129 |
| Miscellaneous | 137,400 | 8,031 | - | 52,747 | 198,178 |
| TOTAL REVENUES | 6,139,346 | 3,083,306 | 7,680,824 | 1,530,523 | 18,433,999 |
| EXPENDITURES | | | | | |
| Current Expenditures: | | | | | |
| General Government | 2,711,929 | - | 522,907 | 104,985 | 3,339,821 |
| Public Safety | 2,083,003 | - | - | - | 2,083,003 |
| Judicial | 236,000 | - | - | - | 236,000 |
| Highways and Streets | - | 2,894,235 | - | - | 2,894,235 |
| Health and Welfare | 84,825 | - | 7,504,082 | 1,139,038 | 8,727,945 |
| Auxiliary Services | 64,547 | - | - | - | 64,547 |
| Culture and Recreation | 68,880 | - | - | 245,881 | 314,761 |
| Capital Outlay | 203,684 | 506,862 | 31,664 | 60,255 | 802,465 |
| Debt Service | 225,184 | - | - | - | 225,184 |
| TOTAL EXPENDITURES | 5,678,052 | 3,401,097 | 8,058,653 | 1,550,159 | 18,687,961 |
| Excess (deficiency) of revenues over expenditures | 461,294 | (317,791) | (377,829) | (19,636) | (253,962) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Lease Proceeds | 101,216 | - | - | - | 101,216 |
| Sale of Capital Assets | - | 42,300 | - | - | 42,300 |
| TOTAL OTHER FINANCING SOURCES (USES) | 101,216 | 42,300 | - | - | 143,516 |
| Net Change in Fund Balance | 562,510 | (275,491) | (377,829) | (19,636) | (110,446) |
| Fund Balance at beginning of year | 4,128,130 | 5,454,140 | 1,072,926 | 1,463,655 | 12,118,851 |
| Fund Balance at end of year | \$ 4,690,640 | \$ 5,178,649 | \$ 695,097 | \$ 1,444,019 | \$ 12,008,405 |

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

RIO GRANDE 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, 2018

Net change in fund balances - total governmental funds \$ (110,446)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of
Activities the cost of those assets is allocated over their estimated useful lives and reported
as depreciation expense. This is the activity for the current period.

| | | |
|-----------------------|--------------|-----------|
| Fixed Asset Additions | \$ 3,212,584 | |
| Depreciation Expense | (2,014,378) | |
| | | 1,198,206 |

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. Debt activity is as follows:

| | | |
|----------------|-----------|--------|
| Lease Proceeds | (101,216) | |
| Lease Payments | 162,388 | |
| | | 61,172 |

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 | (17,691) | |
| Accrued Interest Payable Changes | 1,513 | |
| | | (16,178) |

Change in net position of governmental funds **\$ 1,132,754**

RIO GRANDE COUNTY, COLORADO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2018

| | AGENCY FUND |
|---------------------------|------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,800,057 |
| TOTAL ASSETS | <u>\$ 1,800,057</u> |
| LIABILITIES | |
| Funds Held For Others | \$ 1,800,057 |
| TOTAL LIABILITIES | <u>\$ 1,800,057</u> |

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

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Rio Grande County (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

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

Rio Grande County has operational responsibility and manages the Rio Grande County Weed Control District. The District is blended into the County's financial statements as a special revenue fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the County and its component units, 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.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 a special revenue fund used to account for the maintenance and improvements of streets and highways. The sources of funds include property taxes, highway users fees, and other revenue sources.
- The *Social Services Fund* is a special revenue fund used to account for the operations of social programs; i.e. Temporary Aid to Needy Families, Old Age Pension, Aide to the Blind, Aide to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenue.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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 2018 property tax levy due January 1, 2019, has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources.

Inventories

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.

Capital Assets

Capital assets, which include land, buildings and improvements, 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 column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| Assets | Years |
|----------------------------|--------|
| Buildings and Improvements | 20-100 |
| Vehicles and Equipment | 5-50 |
| Infrastructure | 40 |

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

Compensated Absences

Annual leave may be accrued to the maximum of:

| | |
|--------------------|---------|
| 1st-10th year | 21 days |
| 11th-15th year | 27 days |
| 16th year and over | 31 days |

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.

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.

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 rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

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

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

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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 one of the five categories:

- *Nonspendable Fund Balance* – are amounts that cannot be spent because they are not in spendable form—such as inventory and prepaid expense.
- *Restricted Fund Balance* – are 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* – are amounts that can only be used for specific purposes as a result of constraints imposed by resolution of the Board of County Commissioners, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed 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* – are 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* – are 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 fund balance/net position 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.

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.

Reclassifications

Certain amounts from prior years financial statements have been reclassified for current year financial statement presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Rio Grande 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.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the County. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners did adopt supplemental appropriations during 2018.

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

Stewardship

During 2018 expenditures in the Capital Projects Fund exceeded appropriations by \$25,000. This may be a violation of Colorado Revised Statute 29-1-110.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

A summary of Cash and Investments for the County are as follow:

| | |
|--|-----------------------------|
| Cash on Hand | \$ 1,329 |
| Cash Deposited in Banks | 3,486,464 |
| COLOTrust | 7,823,770 |
| Investments | <u>1,838,570</u> |
| | |
| Total Cash, Deposits, and Investments (Book Balance) | 13,150,133 |
| Less: Amounts Related to Agency Fund | <u>(1,800,057)</u> |
| | |
| Total Cash, Deposits, and Investments on the Statement of Net Position | <u><u>\$ 11,350,076</u></u> |

Cash and Deposits

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At December 31, 2018, \$2,240,297 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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 as 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.

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

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

| <u>Investment Type</u> | | <u>Rating</u> <u>Moody's/</u> <u>S&P</u> | <u>Up to 120</u> <u>days</u> | <u>121 days</u> <u>to 5 years</u> | <u>Fair Value</u> <u>Measurements</u> <u>Using:</u> <u>Level 2</u> |
|---------------------------------------|-----|--|---------------------------------|--------------------------------------|---|
| Federal National Mortgage Assoc. | 15% | n/a/AA- | \$ - | \$ 269,949 | \$ 269,949 |
| Federal Farm Credit Bank | 2% | AAA/AA+ | 39,748 | - | 39,748 |
| | | | <u>\$ 39,748</u> | <u>\$ 269,949</u> | <u>309,697</u> |
| Money Market Funds | 1% | unrated | | | 26,692 |
| SIGMA Certificates of Deposit | 39% | unrated | | | 708,492 |
| LPL Financial Certificates of Deposit | 43% | unrated | | | 793,689 |
| | | | | | <u>1,528,873</u> |
| | | | | | <u>\$ 1,838,570</u> |

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2018, the County had an estimated property tax receivable divided among the funds as follows:

| | |
|-----------------------|--------------------|
| General Fund | \$2,078,706 |
| Road and Bridge Fund | 380,820 |
| Social Services Fund | 433,308 |
| Public Health Fund | 66,644 |
| Weed Control District | 80,220 |
| | <u>\$3,039,698</u> |

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

| | Balance 12/31/2017 | Additions | Deletions | Balance 12/31/2018 |
|---|-----------------------|---------------------|----------------|-----------------------|
| <i>Governmental Activities</i> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 433,301 | \$ 25,000 | \$ - | \$ 458,301 |
| Construction in Progress | - | 101,216 | - | 101,216 |
| Total capital assets not being depreciated | <u>433,301</u> | <u>126,216</u> | <u>-</u> | <u>559,517</u> |
| Capital assets being depreciated | | | | |
| Buildings and Improvements | 8,056,838 | 28,430 | - | 8,085,268 |
| Vehicles and Equipment | 6,930,694 | 628,541 | 106,930 | 7,452,305 |
| Infrastructure | 59,862,303 | 2,429,397 | - | 62,291,700 |
| Total capital assets being depreciated | <u>74,849,835</u> | <u>3,086,368</u> | <u>106,930</u> | <u>77,829,273</u> |
| Less: accumulated depreciation for | | | | |
| Buildings and Improvements | 3,242,074 | 131,553 | - | 3,373,627 |
| Vehicles and Equipment | 4,954,466 | 313,759 | 106,930 | 5,161,295 |
| Infrastructure | 27,371,498 | 1,569,066 | - | 28,940,564 |
| Total accumulated depreciation | <u>35,568,038</u> | <u>2,014,378</u> | <u>106,930</u> | <u>37,475,486</u> |
| Total Capital Assets being depreciated, net | <u>39,281,797</u> | <u>1,071,990</u> | <u>-</u> | <u>40,353,787</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 39,715,098</u> | <u>\$ 1,198,206</u> | <u>\$ -</u> | <u>\$ 40,913,304</u> |

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

| | |
|----------------------------|--------------------|
| Governmental Activities: | |
| General Government | \$ 131,735 |
| Public Safety | 117,279 |
| Health and Welfare | 54,158 |
| Highways and Streets | 1,690,921 |
| Culture and Recreation | 20,285 |
| Total Depreciation Expense | <u>\$2,014,378</u> |

NOTE 6 OPERATING LEASES

The County has entered into operating lease arrangements for computer software, copy machines, and Road and Bridge equipment. Lease terms range from 36 to 60 months. Rental expense for all operating leases for the year ended December 31, 2018, was approximately \$267,172.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

| | 12/31/2017 | | | 12/31/2018 | Due Within |
|---------------------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> | <u>One Year</u> |
| <i>Governmental Activities:</i> | | | | | |
| Lease Purchase Agreement | | | | | |
| Jail | \$ 1,266,748 | \$ - | \$ 134,279 | \$ 1,132,469 | \$ 140,593 |
| Energy Performance Audit | 197,765 | - | 28,109 | 169,656 | 38,305 |
| Assessor's Software | - | 101,216 | - | 101,216 | 50,504 |
| Total | <u>1,464,513</u> | <u>101,216</u> | <u>162,388</u> | <u>1,403,341</u> | <u>229,402</u> |
| Compensated Absences | <u>252,791</u> | <u>17,691</u> | <u>-</u> | <u>270,482</u> | <u>12,347</u> |
| Total Governmental Activities | <u>\$ 1,717,304</u> | <u>\$ 118,907</u> | <u>\$ 162,388</u> | <u>\$ 1,673,823</u> | <u>\$ 241,749</u> |

Lease Purchase Agreements

An annually renewable lease purchase agreement, dated January 11, 2005, was entered into between San Luis Valley Federal Bank (the "Bank"), as lessor, and Rio Grande County (the "County"), as lessee. The bank issued \$2,500,000 to the County for the purchase of the McCallister Building, the Courthouse Annex, the Road and Bridge Shop Building, and the Road and Bridge Truck Garage. The County is leasing the buildings back via the lease purchase agreement at 4.50% interest. The County used the proceeds from the sale to construct and equip a new jail facility. Payments are due to the Bank in annual installments through October 2025, from the General Fund. The County can purchase the building back at any time for the Purchase Option Price included in the lease. The buildings are included in fixed assets at a cost of \$1,762,653 with accumulated depreciation of \$924,312. Principal balance at December 31, 2018, was \$1,132,469.

A Lease Purchase Agreement, dated November 20, 2012, was entered into between All American Investment Group, LLC, as lessor, and Rio Grande County (the "County"), as lessee, in the amount of \$367,062, with an interest rate of 2.50%. The County used the proceeds to purchase energy efficient components based on an energy efficiency audit on the County buildings. Quarterly payments of principal and interest are made from the General Fund through January 2023. Principal balance at December 31, 2018, was \$169,656.

A Lease Purchase Agreement, dated April 13, 2018, was entered into between Municipal Leasing Consultants, LLC, as lessor, and Rio Grande County (the "County"), as lessee, in the amount of \$180,845, with an interest rate of 4.58%. The County is drawing down the proceeds to purchase a server, computers, and a comprehensive municipal software package for the Assessor's office. Repayment will begin in April 2019 and annually thereafter from the General Fund. As of December 31, 2018, \$101,216 was advanced on the loan.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

The annual debt service for the Lease Purchase Agreements is as follows:

| | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2019 | \$ 229,402 | \$ 62,901 | \$ 292,303 |
| 2020 | 236,903 | 53,673 | 290,576 |
| 2021 | 193,795 | 39,722 | 233,517 |
| 2022 | 201,720 | 31,797 | 233,517 |
| 2023 | 178,142 | 23,733 | 201,875 |
| 2024-2025 | 363,379 | 24,363 | 387,742 |
| | \$ 1,403,341 | \$ 236,189 | \$ 1,639,530 |

NOTE 8 DEFINED CONTRIBUTION PLAN

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

Employees are eligible immediately upon their employment with Rio Grande County, County contributions begin after one year of employment, and participation is mandatory after one year of employment. Employee contributions are always 100% vested, and the employer match follows a five year vesting schedule. Employees are fully vested after a five year participation period, or at the age of 55, whichever is earlier. Elected officials are 100% vested immediately upon participation.

The County must contribute a minimum of 4% and a maximum of 6% of the compensation of each employee. For 2018, the contribution rate was 4%. Each participant contributes a minimum amount equal to the County's contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2018, employee contributions totaled \$172,311 and the County recognized pension expense of \$172,311. The County recognized \$382 of forfeitures in retirement expense during 2018.

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

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 10 TABOR AMENDMENT RESERVE

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

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. The voters of the County passed a ballot issue in 1999 allowing the County to retain and expend all revenues collected in the year 2000 and thereafter, which do not involve any new taxes and or an increase in the existing mill levy, notwithstanding the limitations of section 29-1-301, C.R.S. and Article X, section 20 of the Colorado Constitution.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. The Emergency Reserve has been presented as a restriction of fund balance in the County funds and restricted net position on the Statement of Net Position. The County is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 11 COLORADO CONTRABAND FORFEITURE ACT

We have 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, 2018.

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, 2018, CAPP had assets of \$23,016,375, liabilities of \$9,646,756 including \$7,836,742 reserved for losses and claims, and members' equity of \$13,369,619. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2018, amounted to \$7,151,660 and total expenses were \$6,642,862, resulting in net income before return of surplus of \$508,798.

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

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

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, 2018, CWCP had assets of \$43,968,355, liabilities of \$27,334,419 including \$25,657,113 reserved for losses and claims and members' equity of \$16,633,936. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2018, amounted to \$12,161,699 total expenses were \$11,625,868 resulting in net income before return of surplus of \$535,831.

NOTE 13 JOINT VENTURES

SAN LUIS VALLEY REGIONAL SOLID WASTE AUTHORITY

The San Luis Valley Regional Solid Waste Authority was created by an intergovernmental agreement between Rio Grande County and Alamosa County on April 14, 1995, pursuant to the authority granted by C.R.S. 29-1-203. It has been designated as a joint venture under the provisions of GASB Statement No. 14. Its purpose is to provide the citizens of both counties an integrated municipal solid waste disposal facility in accordance with provision of C.R.S. 30-20-1005.

The Authority is governed by a Board of Directors consisting of five members as follows: one Rio Grande County Commissioner, one Alamosa County Commissioner, one director appointed by the City of Monte Vista, one director appointed by the City of Alamosa, and one director who is a member of the Rio Grande County Land Use or administrative staff as appointed by the Rio Grande County Commissioners.

It is the intent of the counties that the initial funding of the Authority by each county be provided on a loan basis in substantially the same proportion that the population of each county bears to the combined population of both counties. Alamosa and Rio Grande Counties may provide additional funding at any time in the future if they choose to do so by resolution.

Closure and Post-Closure Care

Rio Grande and Alamosa Counties are exposed to closure and post-closure expenses, should the Authority be unable to meet those obligations when they become due. Management believes the risk of failure to be minimal. State and federal laws and regulations require the Authority 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 after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Authority reported \$887,998 as landfill closure and post-closure care liability at December 31, 2018, that represents the cumulative amount reported to date based on the use of 36% of the estimated capacity of the landfill.

The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,572,925 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018, the most recent information available. The Authority expects to close the landfill in the year 2043, the remaining useful life is 25 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The most recent audited financial statements of the authority report total assets of \$4,640,588, total liabilities of \$921,647, and net position of \$3,718,941 at December 31, 2018.

RIO GRANDE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2018

The San Luis Valley Regional Solid Waste Authority issues publicly available annual financial statements. That report may be obtained by writing to the San Luis Valley Regional Solid Waste Authority, PO Box 861, Monte Vista, Colorado 81144.

NOTE 14 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.

Single Entry Point Program

In December 2018, the Colorado Department of Health Care Policy and Financing requested repayment of unspent Single Entry Point program funds accumulated by the County as of June 30, 2018. The County paid \$522,907 in January 2019. This amount is recorded as accounts payable and general government expenditure in the Social Services Fund.

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.

RIO GRANDE 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.

RIO GRANDE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2018

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|---|---------------------|---------------------|---------------------|------------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE (NEGATIVE) |
| REVENUES | | | | |
| Taxes | \$ 3,187,250 | \$ 3,187,250 | \$ 3,431,587 | \$ 244,337 |
| Intergovernmental Revenue | 2,113,260 | 2,113,260 | 1,775,912 | (337,348) |
| Licenses and Permits | 130,350 | 130,350 | 131,031 | 681 |
| Investment Income | 95,000 | 95,000 | 187,536 | 92,536 |
| Charges for Services | 448,350 | 448,350 | 475,880 | 27,530 |
| Miscellaneous | 104,415 | 104,415 | 137,400 | 32,985 |
| TOTAL REVENUES | 6,078,625 | 6,078,625 | 6,139,346 | 60,721 |
| EXPENDITURES | | | | |
| General Government | 3,534,925 | 3,534,925 | 2,711,929 | 822,996 |
| Public Safety | 2,443,693 | 2,443,693 | 2,083,003 | 360,690 |
| Judicial | 236,000 | 236,000 | 236,000 | - |
| Health and Welfare | 65,000 | 65,000 | 84,825 | (19,825) |
| Auxiliary Services | 69,439 | 69,439 | 64,547 | 4,892 |
| Culture and Recreation | 75,805 | 75,805 | 68,880 | 6,925 |
| Capital Outlay | 116,959 | 116,959 | 203,684 | (86,725) |
| Debt Service | 232,627 | 232,627 | 225,184 | 7,443 |
| TOTAL EXPENDITURES | 6,774,448 | 6,774,448 | 5,678,052 | 1,096,396 |
| Excess (deficiency) of revenues over expenditures | (695,823) | (695,823) | 461,294 | 1,157,117 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease Proceeds | - | - | 101,216 | 101,216 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 101,216 | 101,216 |
| Net Change in Fund Balance | (695,823) | (695,823) | 562,510 | 1,258,333 |
| Fund Balance at beginning of year | 3,665,621 | 3,665,621 | 4,128,130 | 462,509 |
| Fund Balance at end of year | \$ 2,969,798 | \$ 2,969,798 | \$ 4,690,640 | \$ 1,720,842 |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

RIO GRANDE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2018

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|---|-------------------------|---------------------|---------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Taxes | \$ 268,720 | \$ 268,720 | \$ 260,277 | \$ (8,443) |
| Intergovernmental Revenue | 2,569,596 | 2,569,596 | 2,814,848 | 245,252 |
| Licenses and Permits | 250 | 250 | 150 | (100) |
| Charges for Services | - | - | - | - |
| Miscellaneous | 4,500 | 4,500 | 8,031 | 3,531 |
| TOTAL REVENUES | 2,843,066 | 2,843,066 | 3,083,306 | 240,240 |
| EXPENDITURES | | | | |
| Highways and Streets | 2,993,275 | 2,993,275 | 2,894,235 | 99,040 |
| Capital Outlay | 507,000 | 714,000 | 506,862 | 207,138 |
| TOTAL EXPENDITURES | 3,500,275 | 3,707,275 | 3,401,097 | 306,178 |
| Excess (deficiency) of revenues over expenditures | (657,209) | (864,209) | (317,791) | 546,418 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Capital Assets | 500 | 500 | 42,300 | 41,800 |
| TOTAL OTHER FINANCING SOURCES (USES) | 500 | 500 | 42,300 | 41,800 |
| Net Change in Fund Balance | (656,709) | (863,709) | (275,491) | 588,218 |
| Fund Balance at beginning of year | 5,581,316 | 5,581,316 | 5,454,140 | (127,176) |
| Fund Balance at end of year | \$ 4,924,607 | \$ 4,717,607 | \$ 5,178,649 | \$ 461,042 |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

RIO GRANDE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SERVICES FUND
For the Year Ended December 31, 2018

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--|-------------------------|-------------------|-------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Taxes | \$ 478,826 | \$ 478,826 | \$ 470,667 | \$ (8,159) |
| Intergovernmental Revenue | 10,185,339 | 10,185,339 | 7,210,157 | (2,975,182) |
| TOTAL REVENUES | 10,664,165 | 10,664,165 | 7,680,824 | (2,983,341) |
| EXPENDITURES | | | | |
| General Government | - | - | 522,907 | (522,907) |
| Health and Welfare | 10,862,200 | 10,862,200 | 7,504,082 | 3,358,118 |
| Capital Outlay | - | - | 31,664 | (31,664) |
| TOTAL EXPENDITURES | 10,862,200 | 10,862,200 | 8,058,653 | 2,803,547 |
| Net Change in Fund Balance | (198,035) | (198,035) | (377,829) | (179,794) |
| Fund Balance at beginning of year | 1,042,292 | 1,042,292 | 1,072,926 | 30,634 |
| Fund Balance at end of year | \$ 844,257 | \$ 844,257 | \$ 695,097 | \$ (149,160) |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

RIO GRANDE COUNTY, COLORADO

OTHER 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.

RIO GRANDE 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 the multiple programs of providing public health nursing services. Financing is provided by grants and fees for services.

AIRPORT FUND – This fund is used to account for improvements to and operations of the Astronaut Rominger Airport.

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 Rio Grande County. The monies may be expended to promote Rio Grande County to tourists.

RIO GRANDE COUNTY WEED CONTROL DISTRICT – This fund is used to provide monies for spraying undesirable plants along the roads within Rio Grande County as required by the Colorado Weed Management Act.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the financing of capital purchases or construction for Rio Grande County and its facilities.

RIO GRANDE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2018

| | SPECIAL REVENUE FUNDS | | | | | | |
|---|-----------------------------------|-------------------------|--|-------------------------|--|--------------------------------------|--|
| | PUBLIC HEALTH FUND | AIRPORT FUND | CONSERVATION TRUST FUND | TOURISM FUND | RIO GRANDE COUNTY WEED CONTROL DISTRICT | CAPITAL PROJECTS FUND | TOTAL NONMAJOR GOVERNMENTAL |
| ASSETS | | | | | | | |
| Cash and Investments | \$ 243,589 | \$ 205,827 | \$ 420,006 | \$ 189,390 | \$ 198,509 | \$ 8,180 | \$ 1,265,501 |
| Accounts Receivable | - | - | - | - | - | - | - |
| Property Taxes Receivable | 66,644 | - | - | - | 80,220 | - | 146,864 |
| Due From Other Governments | 219,111 | - | - | - | 58,000 | - | 277,111 |
| TOTAL ASSETS | \$ 529,344 | \$ 205,827 | \$ 420,006 | \$ 189,390 | \$ 336,729 | \$ 8,180 | \$ 1,689,476 |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 42,543 | \$ 366 | \$ - | \$ 8,631 | \$ 47,053 | \$ - | \$ 98,593 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred Revenue - Property Tax | 66,644 | - | - | - | 80,220 | - | 146,864 |
| FUND BALANCE | | | | | | | |
| Restricted for: | | | | | | | |
| Tabor Amendment Reserve | 19,000 | 3,000 | 200 | 5,000 | 8,500 | - | 35,700 |
| Culture and Recreation | - | - | 419,806 | 175,759 | - | - | 595,565 |
| Committed to: | | | | | | | |
| Capital Projects | - | - | - | - | - | 8,180 | 8,180 |
| Health and Welfare | 401,157 | - | - | - | - | - | 401,157 |
| Weed Control | - | - | - | - | 200,956 | - | 200,956 |
| Astronaut Rominger Airport | - | 202,461 | - | - | - | - | 202,461 |
| TOTAL FUND BALANCE | 420,157 | 205,461 | 420,006 | 180,759 | 209,456 | 8,180 | 1,444,019 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 529,344 | \$ 205,827 | \$ 420,006 | \$ 189,390 | \$ 336,729 | \$ 8,180 | \$ 1,689,476 |

RIO GRANDE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2018

SPECIAL REVENUE FUNDS

| | PUBLIC HEALTH FUND | AIRPORT FUND | CONSERVATION TRUST FUND | TOURISM FUND | RIO GRANDE COUNTY WEED CONTROL DISTRICT | CAPITAL PROJECTS FUND | TOTAL NONMAJOR GOVERNMENTAL |
|--|-----------------------------------|-------------------------|--|-------------------------|--|--------------------------------------|--|
| REVENUES | | | | | | | |
| Taxes | \$ 70,380 | \$ - | \$ - | \$ 155,572 | \$ 88,531 | \$ - | \$ 314,483 |
| Intergovernmental Revenue | 839,251 | 25,686 | 50,773 | - | 58,000 | - | 973,710 |
| Investment Income | 205 | 108 | - | - | 21 | - | 334 |
| Charges For Services | 10,120 | 52,239 | - | - | 126,890 | - | 189,249 |
| Miscellaneous | 16,772 | 10,879 | - | - | 96 | 25,000 | 52,747 |
| TOTAL REVENUES | 936,728 | 88,912 | 50,773 | 155,572 | 273,538 | 25,000 | 1,530,523 |
| EXPENDITURES | | | | | | | |
| Current Expenditures: | | | | | | | |
| General Government | - | 104,985 | - | - | - | - | 104,985 |
| Health and Welfare | 895,584 | - | - | - | 243,454 | - | 1,139,038 |
| Culture and Recreation | - | - | 22,815 | 223,066 | - | - | 245,881 |
| Capital Outlay | - | 3,995 | - | - | 31,260 | 25,000 | 60,255 |
| TOTAL EXPENDITURES | 895,584 | 108,980 | 22,815 | 223,066 | 274,714 | 25,000 | 1,550,159 |
| Net Change in Fund Balance | 41,144 | (20,068) | 27,958 | (67,494) | (1,176) | - | (19,636) |
| Fund Balance at beginning of year | 379,013 | 225,529 | 392,048 | 248,253 | 210,632 | 8,180 | 1,463,655 |
| Fund Balance at end of year | \$ 420,157 | \$ 205,461 | \$ 420,006 | \$ 180,759 | \$ 209,456 | \$ 8,180 | \$ 1,444,019 |

RIO GRANDE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET AND ACTUAL
For the Year Ended December 31, 2018

| | BUDGETED AMOUNTS | | EXPENDITURES | VARIANCE WITH |
|------------------------------------|-------------------------|---------------------|---------------------|----------------------|
| | ORIGINAL | FINAL | REPORTED ON | FINAL BUDGET |
| | | | THE GAAP | POSITIVE |
| | | | BASIS | (NEGATIVE) |
| Governmental Funds | | | | |
| Non-major Governmental Funds | | | | |
| Special Revenue Funds | | | | |
| Public Health Agency Fund | \$ 955,195 | \$ 983,195 | \$ 895,584 | \$ 87,611 |
| Airport Fund | 180,073 | 180,073 | 108,980 | 71,093 |
| Conservation Trust Fund | 45,000 | 45,000 | 22,815 | 22,185 |
| Tourism Fund | 129,750 | 229,750 | 223,066 | 6,684 |
| Pest & Weed Control District | 252,365 | 300,365 | 274,714 | 25,651 |
| Total Special Revenue Funds | <u>1,562,383</u> | <u>1,738,383</u> | <u>1,525,159</u> | <u>213,224</u> |
| Capital Projects Fund | <u>-</u> | <u>-</u> | <u>25,000</u> | <u>(25,000)</u> |
| Total Non-major Governmental Funds | <u>\$ 1,562,383</u> | <u>\$ 1,738,383</u> | <u>\$ 1,550,159</u> | <u>\$ 188,224</u> |

RIO GRANDE COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

RIO GRANDE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Passed-through to Subrecipients (\$)</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 | \$ - | \$ 113,976 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | Colorado Department of Human Services,N/A | - | 56,291 |
| <i>Total Department of Health and Human Services</i> | | | - | 170,267 |
| Total CCDF Cluster | | | - | 170,267 |
| Food Distribution Cluster | | | | |
| Department of Agriculture | | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | Colorado Department of Human Services and Care and Share Food Bank,N/A | - | 33,615 |
| <i>Total Department of Agriculture</i> | | | - | 33,615 |
| Total Food Distribution Cluster | | | - | 33,615 |
| 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 | - | 591,811 |
| Total Department of Health and Human Services | | | - | 591,811 |
| Total TANF Cluster | | | - | 591,811 |
| Medical Assistance Program (Medicaid Cluster) | | | | |
| Department of Health and Human Services | | | | |
| Medical Assistance Program | 93.778 | Colorado Department of Health Care Policy and Financing, N/A | - | 220,548 |
| Medical Assistance Program | 93.778 | Colorado Department of Health Care Policy and Financing,N/A | - | 19,822 |
| Medical Assistance Program | 93.778 | Colorado Department of Health Care Policy and Financing, 14-55375OL5 | - | 107,156 |
| Medical Assistance Program | 93.778 | Colorado Department of Health Care Policy and Financing,UGAGP0196 | - | 57,540 |
| Total Department of Health and Human Services | | | - | 405,066 |
| Total Medical Assistance Program (Medicaid Cluster) | | | - | 405,066 |

RIO GRANDE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Passed-through to Subrecipients (\$)</i> | <i>Federal Expenditures(\$)</i> |
|--|------------------------------------|--|---|-------------------------------------|
| SNAP Cluster | | | | |
| Department of Agriculture | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | Colorado Department of Human Services,N/A | - | 151,322 |
| <i>Total Department of Agriculture</i> | | | - | 151,322 |
| Total SNAP Cluster | | | | 151,322 |
| Forest Service Schools and Roads Cluster | | | | |
| Department of Agriculture | | | | |
| Schools and Roads - Grants to States, Title I | 10.665 | Colorado Department of Treasury,N/A | 144,781 | 178,353 |
| Schools and Roads - Grants to States, Title III | 10.665 | Colorado Department of Treasury,N/A | - | 14,688 |
| <i>Total Department of Agriculture</i> | | | 144,781 | 193,041 |
| Total Forest Service Schools and Roads Cluster | | | 144,781 | 193,041 |
| Total All Clusters | | | | |
| | | | 144,781 | 1,545,122 |
| Other Programs | | | | |
| Department of Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | Governor's Office of Homeland Security, N/A | - | 139,378 |
| <i>Total Department of Homeland Security</i> | | | - | 139,378 |
| Department of the Interior | | | | |
| National Wildlife Refuge Fund | 15.659 | | - | 30,429 |
| <i>Total Department of the Interior</i> | | | - | 30,429 |
| Department of Health and Human Services | | | | |
| Public Health Emergency Preparedness | 93.069 | Colorado Department of Public Health and Environment, N/A | - | 4,785 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | Colorado Department of Public Health and Environment,HW18CJ/HW19CJ | - | 107,663 |
| Guardianship Assistance | 93.090 | Colorado Department of Human Services,N/A | - | 2,848 |
| Immunization Cooperative Agreements | 93.268 | Colorado Department of Public Health and Environment,KA16H/KA17H | - | 1,058 |

RIO GRANDE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Passed-through to Subrecipients (\$)</i> | <i>Federal Expenditures(\$)</i> |
|--|----------------------------|--|---|---------------------------------|
| PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | 93.539 | Colorado Department of Public Health and Environment, JG17CH/JG18CH | - | 5,640 |
| Promoting Safe and Stable Families | 93.556 | Colorado Department of Human Services,N/A | - | 2,867 |
| Child Support Enforcement | 93.563 | Colorado Department of Human Services,N/A | - | 215,454 |
| Low-Income Home Energy Assistance | 93.568 | Colorado Department of Human Services,N/A | - | 494,024 |
| ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance | 93.624 | Colorado Department of Public Health and Environment,ZM17CL/ZM18CL | - | 139,686 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | Colorado Department of Human Services,N/A | - | 8,091 |
| Foster Care_Title IV-E | 93.658 | Colorado Department of Human Services,N/A | - | 217,082 |
| Adoption Assistance | 93.659 | Colorado Department of Human Services,N/A | - | 46,476 |
| Social Services Block Grant | 93.667 | Colorado Department of Human Services,N/A | - | 51,374 |
| Children's Health Insurance Program | 93.767 | Colorado Department of Health Care Policy and Financing,UCCBB0330 | - | 13,700 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | Colorado Department of Public Health and Environment,ND18FL | - | 13,423 |

RIO GRANDE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Passed-through to Subrecipients (\$)</i> | <i>Federal Expenditures(\$)</i> |
|--|------------------------------------|--|---|-------------------------------------|
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | Colorado Department of Public Health and Environment, 19FEEA112652 | - | 28,076 |
| <i>Total Department of Health and Human Services</i> | | | - | 1,352,247 |
| Department of Housing and Urban Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | Colorado Department of Local Affairs | 236,518 | 236,518 |
| <i>Total Department of Housing and Urban Development</i> | | | 236,518 | 236,518 |
| Department of Agriculture Cooperative Forest Road Agreements | 10.705 | | - | 4,155 |
| <i>Total Department of Agriculture</i> | | | - | 4,155 |
| <i>Total Other Programs</i> | | | 381,299 | 1,762,727 |
| <i>Total Expenditures of Federal Awards</i> | | | \$ 381,299 | \$ 3,307,849 |

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rio Grande County, Colorado under programs of the federal government for the year ended December 31, 2018. 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 Rio Grande County, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rio Grande 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, 2018.

NOTE 3 FOOD DISTRIBUTION

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

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



Wall,
Smith,
Bateman Inc.

To the Board of County Commissioners
Rio Grande County, Colorado
Del Norte, 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, each major fund, and the aggregate remaining fund information of Rio Grande County, Colorado (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 3, 2019.

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, that we consider to be a material weakness. Finding 2018-001.

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 matters that are required to be reported under *Government Auditing Standards*.

Rio Grande 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

June 3, 2019

**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
Rio Grande County, Colorado
Del Norte, Colorado

Report on Compliance for Each Major Federal Program

We have audited Rio Grande 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, 2018. 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.

Opinion on Each Major Federal Program

In our opinion, Rio Grande County, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Certified Public Accountants

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

Report on Internal Control Over Compliance

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

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

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 3, 2019

RIO GRANDE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

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? yes X no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X 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 |
| 93.778 | Medicaid 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

RIO GRANDE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Section II – Financial Statement Findings

Finding 2018-001: Internal Control Over Financial Reporting
(Repeat of finding 2017-001, 2016-001 and 2015-001)

Type of Finding: Internal Control (material weakness)

Condition: The County has not implemented a complete system of internal control to prevent and detect financial misstatements.

Cause: Personnel changes in the finance department throughout 2018 and a state conversion for motor vehicle reporting in the clerk's office created reconciliation and year-end reporting difficulties.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over budgeting 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. Audit adjustments were proposed to properly state the financial statements as of December 31, 2018, in accordance with generally accepted accounting principles.
2. Clerk collections from August 2018 to March 2019 were not reconciled and distributed on a monthly basis as required.
3. The County was unable to provide proper supporting documentation for expenditures of grants administered by the County.

Recommendation: The County should continue to strengthen its internal controls with adopted policies and procedures regarding monthly and year-end reconciling of account balances for accurate financial statement reporting, as well as the distribution of funds collected in the clerk's office. In addition, the County should maintain proper supporting documentation for grant reimbursement requests submitted.

Management's Response: See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

None

RIO GRANDE COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2018

Section II – Financial Statement Findings

**Finding 2017-001: Internal Control over Financial Reporting and on Compliance
(Repeat of Finding 2016-001 and 2015-001)**

Type of finding: Internal Control (material weakness)

Condition: The County has not implemented a complete system of internal control to prevent and detect financial misstatements.

Status: Not Implemented. See finding 2018-001.

CORRECTIVE ACTION PLAN

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

Rio Grande County County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2018.

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, 2018

The findings from the December 31, 2018 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 2018-001: Internal Control over Financial Reporting (Repeat of Findings 2017-001, 2016-001, and 2015-001)

Type of finding: Internal Control (material weakness)

Recommendation: The County should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end reconciling of account balances for accurate financial statement reporting, as well as distribution of funds collected in the clerk's office. In addition, the County should maintain proper supporting documentation for grant reimbursement requests submitted.

Action Taken:

We understand and accept the 2018 – 001 finding.

- As stated in 2017, while we have been very conscientious of our duties, we have not been able to address every need due to staffing issues. The County Administrator departed in early February 2019 and new County Administrator was hired in May 2019. The Board of County Commissioners will work closely with the new County Administrator to assure that these policies are completed and that all necessary reviews and compliances are occurring.
- Rio Grande County's Clerk office began using the Colorado Department of Revenue new motor vehicle program DRIVES in late 2019. Due to the change, there were some conversion/balancing issues. Colorado DoR has worked to improve the accounting portion of the program. Their reports now balance and are more useful, making the accounting easier.

- The Clerk's office has hired two more employees to ease the work load.
- Rio Grande County has designated a central location for grant documentation and will have all proper supporting documentation as recommended.

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

Sincerely yours,



Tina Wilson
County Financial Officer
Rio Grande County, Colorado



Cindy Hill
County Clerk
Rio Grande County, Colorado

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

| | | |
|--|------------------------|--------------------------------------|
| LOCAL HIGHWAY FINANCE REPORT | | City or County: Rio Grande County |
| | | YEAR ENDING : December 31, 2018 |
| This Information From The Records Of Rio Grande County | Prepared By: Phone: | Tina Wilson 719-657-2744 |

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) | 2,303,524 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 624,819 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | 37,206 |
| 2. General fund appropriations | | b. Snow and ice removal | 229,482 |
| 3. Other local imposts (from page 2) | 260,277 | c. Other | 13,747 |
| 4. Miscellaneous local receipts (from page 2) | 50,481 | d. Total (a. through c.) | 280,435 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 192,318 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 3,401,096 |
| 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) | 310,758 | b. Redemption | |
| B. Private Contributions | | c. Total (a. + b.) | 0 |
| C. Receipts from State government (from page 2) | 2,781,275 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | 33,572 | a. Interest | |
| E. Total receipts (A.7 + B + C + D) | 3,125,605 | b. Redemption | |
| | | c. Total (a. + b.) | 0 |
| | | 3. Total (1.c + 2.c) | 0 |
| | | C. Payments to State for highways | |
| | | D. Payments to toll facilities | |
| | | E. Total disbursements (A.6 + B.3 + C + D) | 3,401,096 |

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) | | | | 0 |

V. LOCAL ROAD AND STREET FUND BALANCE

| | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | 5,454,140 | 3,125,605 | 3,401,096 | 5,178,649 | 0 |

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 31, 2018

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 | 230,477 | a. Interest on investments | |
| b. Other local imposts: | | b. Traffic Fines & Penalties | |
| 1. Sales Taxes | | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | 0 | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | 42,300 |
| 4. Licenses | | f. Charges for Services | 1,147 |
| 5. Specific Ownership &/or Other | 29,800 | g. Other Misc. Receipts | 7,034 |
| 6. Total (1. through 5.) | 29,800 | h. Other | 0 |
| c. Total (a. + b.) | 260,277 | i. Total (a. through h.) | 50,481 |
| | (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 | 2,748,382 | 1. FHWA (from Item I.D.5.) | |
| 2. State general funds | | 2. Other Federal agencies: | |
| 3. Other State funds: | | a. Forest Service | 33,572 |
| a. State bond proceeds | | b. FEMA | |
| b. Project Match | | c. HUD | |
| c. Motor Vehicle Registrations | 32,369 | d. Federal Transit Admin | |
| d. Other (Specify) - DOLA Mineral | 524 | e. U.S. Corps of Engineers | |
| e. Other (Specify) | | f. Other Federal | 0 |
| f. Total (a. through e.) | 32,893 | g. Total (a. through f.) | 33,572 |
| 4. Total (1. + 2. + 3.f) | 2,781,275 | 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 | 0 |
| b. Engineering Costs | | | 0 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | 2,303,524 | 2,303,524 |
| (4). System Enhancement & Operation | | | 0 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 2,303,524 | 2,303,524 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 2,303,524 | 2,303,524 |
| | | | (Carry forward to page 1) |

Notes and Comments: