

CUSTER COUNTY, COLORADO
WESTCLIFFE, COLORADO
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND CERTAIN SUPPLEMENTAL INFORMATION

December 31, 2018

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Garren, Ross & DeNardo, Inc.

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Independent Auditor's Report

July 8, 2019

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado as of and for the year ended December 31, 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.

Auditor's 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 auditor's 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 County'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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - vii and 29-33 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 Custer County, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules for nonmajor funds and the Local Highway Finance Report for Road, Bridges and Streets, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the nonmajor budgetary comparison schedules, the Local Highway Finance Report for Road, Bridges and Streets, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2019, on our consideration of the Custer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Custer County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Garrett Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017**

This section of the report provides readers with a narrative overview and analysis of the financial activities of Custer County for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Custer County's assets exceeded liabilities by \$8,356,997 at the end of 2018. Of this amount, \$3,373,255 may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$4,983,742 is invested in capital assets or restricted by law.

The County's General Fund balance was \$1,637,368 as of December 31, 2018. Of this amount, \$97,000 is reserved for emergencies.

The 2018 General Fund balance is \$203,265 more than the previous year. The total fund balance is 45% of 2018 General Fund operating expenditures plus net operating transfers. The County Commissioners' goal is to keep fund balance at no less than 5%.

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017

Overview of the Financial Statements (Continued)

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

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

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

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

Custer County maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road & Bridge Fund, Public Welfare Fund, Capital Improvements Fund, Emergency Services Fund, Conservation Trust Fund and the Lodging and Tourism Fund. The Custer County Airport Authority is also included as a blended component unit. The General Fund, Road & Bridge Fund, Capital Improvement Fund, Public Welfare Fund and the Airport Fund are the only funds that are considered major. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 5 through 8 of this report.

Proprietary Funds. There are two common types of Proprietary Funds commonly used in governmental activities. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements and Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. During the fiscal year 2018, Custer County utilized one internal service fund, the Insurance Fund, for governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017

Overview of the Financial Statements (Continued)

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support Custer County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement of net position can be found on page 12.

Budgetary Comparisons. Custer County adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all major funds on pages 29 to 33 of this report. Budget to actual comparisons for each of the non-major funds are provided in other schedules elsewhere in this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 28 of this report.

Other Information. The combining statements referred to earlier in connection with the internal service fund and the non-major governmental funds can be found on pages 9 through 11 and 34 through 41, respectively.

County-Wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2018, assets exceeded liabilities by \$8,356,997.

The following table provides a summary of the County's governmental and business-type net position for 2018 and 2017.

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets		\$ 6,905,792	\$ 6,853,095
Non-current assets		5,701,959	5,003,667
	Total Assets	<u>12,607,751</u>	<u>11,856,762</u>
	<u>Liabilities</u>		
Current liabilities		878,724	827,397
Non-current liabilities		1,494,030	969,949
	Total Liabilities	<u>2,372,754</u>	<u>1,797,346</u>
Deferred Inflow – property taxes		<u>1,878,000</u>	<u>1,861,000</u>
	<u>Net Position</u>		
Invested in capital assets, net of related debt		4,706,130	4,681,107
Restricted for emergency / grants		277,612	192,036
Unrestricted		3,373,255	3,325,273
	Total Net Position	<u>\$ 8,356,997</u>	<u>\$ 8,198,416</u>

The portion of Custer County's net position (40%) represents unrestricted net position of \$3,373,255, which may be used to meet the County's ongoing obligations to citizens and creditors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017**

County-Wide Financial Analysis (Continued)

A significant portion of Custer County's net position (56%) reflects its investment in capital assets. These assets include land, buildings, machinery, equipment and infrastructure. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$277,612 of the County's net position (3%) represents resources that are subject to external restriction on how they may be used. The amount reserved for TABOR is \$192,700, the remaining \$84,912 is grant restricted.

At the end of 2018, Custer County had positive balances in all net position categories.

Changes in Net Position. Governmental activities increased the County's net position by \$158,581 in 2018 and \$379,962 in 2017. The following table summarizes the changes in Custer County's net position for governmental activities for the years ended December 31, 2018 and 2017.

Revenue			
		<u>2018</u>	<u>2017</u>
Program Revenue			
Charges for services	\$	1,044,267	\$ 953,779
Operating grants and contributions		1,816,395	1,249,687
Capital grants and contributions		49,176	358,851
General Revenue			
Taxes		4,647,485	4,485,067
Gain (Loss) on sale of assets		766	-
Investment earnings		102,587	54,679
	Total Revenue	<u>7,660,676</u>	<u>7,102,063</u>
Program Expenses			
General government		2,153,397	2,172,047
Public safety		1,625,663	1,513,007
Streets and highways		2,056,015	1,801,558
Health and welfare		765,476	738,896
Auxiliary		881,706	484,057
Miscellaneous		-	-
Interest expense, unallocated		19,838	12,536
	Total Expenses	<u>7,502,095</u>	<u>6,722,101</u>
	Change in Net Position	158,581	379,962
Net position beginning of year		<u>8,198,416</u>	<u>7,818,454</u>
Net position end of year	\$	<u>8,356,997</u>	\$ <u>8,198,416</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017

Financial Analysis of the County's Funds

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

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

As of the end of 2018, the combined ending fund balances of County governmental funds were \$4,301,757. Approximately 34% of this consists of unassigned fund balance which is available as working capital, and 56% is assigned fund balance, which is available for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: 1) a state constitution mandated emergency reserve (\$187,500); 2) grant requirements (\$84,912); and 3) inventory (\$141,108).

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

1. **General Fund.** This is the primary operating fund of the Custer County Government. It accounts for many of the County's core services, such as law enforcement, County General Fund activities, personnel costs, planning, and elections. The General Fund balance was \$1,637,368 as of December 31, 2018. Of this amount, \$97,000 was reserved for emergencies. The 2018 fund balance is \$203,265 more than the previous year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents about 40% of total 2018 expenditures, while total fund balance is 45% of the same amount. 2018 expenditures for general fund activities were less than budgeted by \$121,433.
2. **Road & Bridge Fund.** The Road & Bridge fund is also state mandated. The fund records costs related to County road and bridge construction and maintenance. The Road & Bridge fund had \$1,743,713 in fund balance at the end of 2018. This amount is \$99,617 less than the previous year. 2018 expenditures for road projects were less than budgeted by \$353,028.
3. **Public Welfare Fund.** The Public Welfare Fund is mandated by state statute. This fund accounts for the local share of many federal and state public welfare programs, plus various federal and state human services grants. The fund carried a \$68,632 balance at the end of 2018, which was \$19,834 less than the previous year. State and federal grant funding was \$9,219 more than the previous year.
4. **Capital Improvements Fund.** The Capital Improvements Fund accounts for the acquisition of major capital facilities and equipment. These are the purchases of the Sheriff's vehicles, office and jail facility and several heavy equipment purchases for the Road and Bridge Department and the Landfill Operation.
5. **Emergency Service Fund.** The primary function of the Emergency Service Fund is to account for expenditures relating to auxiliary rural and County-wide health and medical services. This fund receives property tax revenues which help finance these services. This fund also accounts for monies received as grant funds through the Colorado Regional Trauma Advisory Council for the support of rural emergency medical services.
6. **Conservation Trust Fund.** Accounts for the receipt and expenditure of Colorado Lottery funds from the State of Colorado.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017**

Financial Analysis of the County's Funds (Continued)

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

General Fund Budgetary Highlights

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

For 2018, the Board of County Commissioners appropriated \$3,752,327 for general fund expenditures and other financing uses. The budget was amended.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues	\$ 3,585,881	\$ 3,603,933	\$ 3,844,159
Expenditures	\$ 3,734,275	\$ 3,752,327	\$ 3,630,894

Actual expenditures were less than the anticipated budget and less than revenues, which caused the ending fund balance to increase \$203,265, over the prior year.

Capital Asset and Debt Administration

Capital Assets. Custer County's investment in capital assets for its governmental activities as of December 31, 2018 totals \$5,701,959 (net of accumulated depreciation). This investment includes all land, buildings, machinery, equipment, and infrastructure. The total increase in net capital assets for the current fiscal year was \$698,292.

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

Long-term Debt. At December 31, 2018, Custer County had no bonded debt. There are capital leases outstanding of \$995,829 and other noncurrent liabilities for post disclosure landfill costs and compensated absences. Additional information can be found in note 10.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2019 budgets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2018 and 2017**

Other Matters (Continued)

- The State of Colorado's budget crisis has led to reduction in the number of grant programs available to provide direct services and/or cost shifting responsibility back to the County budget. The program areas impacted included Community Health related programs, and Human Services.
- The Road and Bridge Department has identified two primary challenges facing the County in the near future; replacing outdated and worn out bridges and developing a systematic long term equipment schedule. A number of bridges within the County are in dire need of repair and /or replacement. It is anticipated that new funding in the form of grants will be required to address the bridge issues. The County is also actively developing an equipment upgrade and replacement program protocol that will allow the County to access State and Federal grants to replace aging and worn out road and bridge equipment.
- Population growth has impacted the County's ability to provide public safety within our judicial system. The County courthouse combined courts system needs more physical space and a more secure facility for our citizens, victims, courthouse personnel and those accused of wrong doing. New State funds are being accessed to provide better courthouse security. The County needs a better designed, more functional jail that would complement the court facilities. The County is presently working with a planning grant from the Colorado Department of Local Affairs (DOLA) to improve the jail and justice facilities as well as other grant sources for the funding of a new justice center
- Airport runway and fuel projects and improvements are underway.
- An Economic Prosperity Strategic Plan was completed.
- Committees for Broadband, Attainable Housing and Economic Development are continuing to work to find ways to improve the quality of life for Custer residents and visitors alike.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2018

	Primary Government Governmental Activities	Component Unit E-911 Authority
<u>Assets</u>		
<u>Current Assets</u>		
Cash and investments held by County Treasurer	\$ 4,537,259	\$ -
Cash held by County Clerk	200	-
Cash held by County Assessor	587	-
Cash held by Sheriff	18	-
Cash held by Extension Office	30,082	-
Cash in bank	-	112,509
Accounts receivable	159,316	9,224
Taxes receivable	1,998,739	-
Prepaid expenses	11,344	-
Accrued state revenue	12,518	-
Accrued federal revenue	14,621	-
Inventories	141,108	-
Total Current Assets	6,905,792	121,733
<u>Non-current Assets</u>		
Capital assets, net of depreciation	5,701,959	300,180
Total Assets	12,607,751	421,913
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	103,520	-
Warrants payable	350,866	-
Accrued interest	14,031	-
Due to State of Colorado	56,519	-
Unearned revenue	83,333	-
Current maturities - capital leases	270,455	-
Total Current Liabilities	878,724	-
<u>Non-current Liabilities</u>		
Landfill closure costs	535,042	-
Capital leases non-current	725,374	-
Compensated absences	233,614	-
Total Non-Current Liabilities	1,494,030	-
Total Liabilities	2,372,754	-
Deferred Inflow - property taxes	1,878,000	-
<u>Net Position</u>		
Investment in capital assets, net of related debt	4,706,130	300,180
Temporarily restricted	84,912	-
Restricted for emergency	192,700	2,000
Unrestricted	3,373,255	119,733
Total Net Position	\$ 8,356,997	\$ 421,913

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

STATEMENT OF ACTIVITIES
CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Governmental Activities						
General government	\$ 2,153,397	\$ 909,040	\$ 735,675	\$ -	\$ (508,682)	\$ -
Public safety	1,625,663	45,500	529,399	2,595	(1,048,169)	-
Streets and highways	2,056,015	64,545	11,292	46,581	(1,933,597)	-
Health and welfare	765,476	-	503,311	-	(262,165)	-
Auxiliary	881,706	25,182	36,718	-	(819,806)	-
Interest expense, unallocated	19,838	-	-	-	(19,838)	-
Total Governmental Activities	\$ 7,502,095	\$ 1,044,267	\$ 1,816,395	\$ 49,176	(4,592,257)	-
Component Unit						
E-911 Authority	\$ 11,208	\$ 64,535	\$ -	\$ -	-	53,327
		General Revenues				
		Property taxes			1,869,224	-
		Specific Ownership			294,260	-
		Sales and use taxes			987,998	-
		Highway users taxes			1,457,125	-
		Lodging and tourism taxes			38,878	-
		Gain on sale of assets			766	-
		Earnings on investments			102,587	394
		Total General Revenues and Transfers			4,750,838	394
		Changes in Net Position			158,581	53,721
		Net Position - January 1			8,198,416	368,192
		Net Position - December 31			\$ 8,356,997	\$ 421,913

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2018

<u>Assets</u>	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Public Welfare Fund</u>	<u>Capital Improvement Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments held by County							
Treasurer	\$ 1,726,005	\$ 1,628,861	\$ 159,240	\$ 550,461	\$ 22,391	\$ 291,107	\$ 4,378,065
Cash held by County Clerk	200	-	-	-	-	-	200
Cash held by County Assessor	587	-	-	-	-	-	587
Cash held by Sheriff	18	-	-	-	-	-	18
Cash held by Extension Office	30,082	-	-	-	-	-	30,082
Accounts receivable	70,558	10,627	506	193	62,932	13,137	157,953
Taxes receivable	1,137,865	573,592	75,170	10,548	-	201,225	1,998,400
Accrued state revenue	-	-	12,518	-	-	-	12,518
Accrued federal revenue	-	-	14,621	-	-	-	14,621
Inventories	-	136,033	-	-	5,075	-	141,108
Total Assets	2,965,315	2,349,113	262,055	561,202	90,398	505,469	6,733,552
<u>Liabilities</u>							
Accounts payable	17,266	5,829	1,117	1,667	66,917	10,037	102,833
Warrants payable	208,681	98,571	17,210	2,403	741	23,260	350,866
Due to State of Colorado	-	-	56,519	-	-	-	56,519
Unearned revenue	-	-	43,577	-	-	-	43,577
Total Liabilities	225,947	104,400	118,423	4,070	67,658	33,297	553,795
Deferred Inflow - property taxes	1,102,000	501,000	75,000	-	-	200,000	1,878,000
Fund Balances							
Nonspendable	-	136,033	-	-	5,075	-	141,108
Restricted	181,912	62,600	10,200	7,000	700	44,842	307,254
Assigned	-	1,545,080	58,432	550,132	16,965	227,330	2,397,939
Unassigned	1,455,456	-	-	-	-	-	1,455,456
Total Fund Balances	\$ 1,637,368	\$ 1,743,713	\$ 68,632	\$ 557,132	\$ 22,740	\$ 272,172	\$ 4,301,757

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 4,301,757
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	5,701,959
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.	1,363
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government wide financial statements.	11,344
Certain revenue is earned over a period years, the portion of unearned income is reported as unearned revenue in the statement of net position.	(39,756)
Long-term liabilities for capital leases (\$995,829), compensated absences (\$233,614), and landfill closure costs (\$535,042) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,764,485)
Interest payable on capital leases is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	(14,031)
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.	<u>158,846</u>
Total Net Position - Governmental Activities	\$ <u>8,356,997</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2018

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Public Welfare Fund</u>	<u>Capital Improvement Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 1,963,774	\$ 2,031,022	\$ 86,084	\$ 234,407	\$ -	\$ 325,826	\$ 4,641,113
Penalties	3,572	1,698	255	-	-	847	6,372
Federal Sources	508,498	-	176,836	-	-	406,213	1,091,547
State Sources	178,538	46,581	230,297	-	-	34,558	489,974
Local Sources	91,544	-	11,957	-	-	-	103,501
Licenses permits	160,775	-	-	-	-	-	160,775
Charges for services	748,265	64,545	-	-	23,437	-	836,247
Other income	124,455	2,689	9,895	-	120,125	8,841	266,005
Reimbursed expenses	64,738	9,369	-	-	-	-	74,107
Total Revenues	3,844,159	2,155,904	515,324	234,407	143,562	776,285	7,669,641
Expenditures							
General Government	1,937,890	134,745	-	22,247	-	2,484	2,097,366
Public Safety	1,177,036	6,027	-	3,679	-	252,063	1,438,805
Streets and Highways	-	1,807,399	-	-	-	-	1,807,399
Health and welfare	239,366	-	535,158	-	-	-	774,524
Auxiliary services	255,734	-	-	-	39,315	-	816,361
Capital outlay	20,868	473,691	-	664,235	114,995	-	1,273,789
Debt service - principal	-	102,392	-	31,607	-	-	133,999
Debt service - interest	-	6,573	-	4,621	-	-	11,194
Total Expenditures	3,630,894	2,530,827	535,158	726,389	154,310	775,859	8,353,437
Excess of Revenues Over (Under) Expenditures	213,265	(374,923)	(19,834)	(491,982)	(10,748)	426	(683,796)
Other Financing Sources (Uses)							
Transfers from (to) other funds	(10,000)	-	-	-	10,000	-	-
Proceeds from capital leases	-	275,306	-	531,962	-	-	807,268
Total Other Financing Sources (Uses)	(10,000)	275,306	-	531,962	10,000	-	807,268
Net Change in Fund Balance	203,265	(99,617)	(19,834)	39,980	(748)	426	123,472
Fund Balances - January 1	1,434,103	1,843,330	88,466	517,152	23,488	271,746	4,178,285
Fund Balances - December 31	\$ 1,637,368	\$ 1,743,713	\$ 68,632	\$ 557,132	\$ 22,740	\$ 272,172	\$ 4,301,757

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

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

CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

Total Change in Fund Balances - Governmental Funds	\$ 123,472
Change in receivable - revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.	(10,710)
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental funds financial statements they are treated as expenditures when paid.	(448)
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 amount by which capital outlay (\$1,218,789) exceeds depreciation expense (\$520,497).	698,292
Principle retirements - Retirements of principle outstanding on the County's debt result in a reduction of accumulated resources on the fund financial statement. The government wide statements show these reductions against the long-term liabilities.	133,999
The change in revenues that are allocated for future periods are not recognized in the Statement of Activities, but are recognized in the governmental funds.	1,745
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.	15,411
Interest payable on capital leases is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.	(8,644)
In the government-wide statements, accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). Therefore, the change in the accrued compensated absences is recognized.	22,625
In the government-wide statements, estimated landfill closure debt is recognized as long-term debt. In the government funds, the estimated cost nor the change in the estimate are included. Therefore, the change in the estimate is recognized.	(9,893)
Current lease proceeds provide current financial resources to the governmental funds but in the Statement of Net Position the lease is reported as long term debt.	<u>(807,268)</u>
Total Change in Net Position - Governmental Activities	\$ <u>158,581</u>

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

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2018

		Internal Service Insurance Fund
	<u>Assets</u>	
Current Assets		
Cash held by County Treasurer		\$ 159,194
Taxes receivable		150,339
	Total Current Assets	<u>309,533</u>
	<u>Liabilities</u>	
Current Liabilities		
Warrants payable		-
Accounts payable		687
	Total Current Liabilities	<u>687</u>
Deferred Inflow - property taxes		<u>150,000</u>
	<u>Net Position</u>	
Reserved for emergency		5,400
Unrestricted		153,446
	Total Net Position	<u>\$ 158,846</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2018

	<u>Internal Service Insurance Fund</u>
Operating Revenues	
Charges for services	\$ -
Reimbursed expenses	<u>-</u>
Total Operating Revenues	<u>-</u>
Operating Expenses	
General government	103,065
Streets and Highways	<u>54,202</u>
Total Expenditures	<u>157,267</u>
Operating Income (Loss)	(157,267)
Nonoperating Revenues (Expenses)	
Property taxes	149,068
Specific ownership taxes	23,101
Penalties and Interest	<u>509</u>
Net Income (Loss) Before Other Financing Sources (Uses)	15,411
Operating transfers in (out)	<u>-</u>
Change in Net Position	15,411
Net Position - January 1	<u>143,435</u>
Net Position - December 31	<u>\$ 158,846</u>

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

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

	<u>Internal Service Insurance Fund</u>
Cash Flows From Operating Activities	
Cash received for reimbursed expenses	\$ -
Payments for services	<u>(169,066)</u>
Net Cash Used for Operating Activities	<u>(169,066)</u>
Cash Flows From Noncapital Financing Activities	
Cash received for property taxes	172,754
Transfers from other funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>172,754</u>
Net Increase (Decrease) in Cash	3,688
Cash - January 1	<u>155,506</u>
Cash - December 31	<u>\$ 159,194</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (157,267)
Adjustments to reconcile operating income (loss) to net cash provided (used)	
by operating activities:	
(Increase) decrease in accounts receivable	-
Increase (decrease) in warrants / accounts payable	<u>(11,799)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (169,066)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION

CUSTER COUNTY, COLORADO

December 31, 2018

	<u>Agency Funds</u>
<u>Assets</u>	
Cash in bank and on hand	\$ <u>196,315</u>
Total Assets	\$ <u>196,315</u>
 <u>Liabilities</u>	
Due to other taxing units	\$ 89,905
Due to other agencies and departments	<u>106,410</u>
Total Liabilities	\$ <u>196,315</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

Custer County is a political subdivision of the State of Colorado, governed by an elected three-member Board of County Commissioners. There are also four other elected officials of Custer County (Assessor, Clerk and Recorder, Sheriff, and Treasurer).

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

Discretely presented component units:

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

Blended component units:

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

Other related organizations

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Other related organizations (Continued)

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

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

Custer County is a member of CAPP.

B. Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Revenues from property taxes are recognized in the fiscal year for the which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The County reports the following major government funds:

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

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

The Public Welfare Fund is used to administer human services programs under state and federal regulations. Colorado counties are required by state law to maintain a human services fund.

The Capital Improvement Fund is used to account for funds expended for the purpose of improving, equipping and furnishing the County's buildings and other property.

The Airport Fund records the activity of the County's airport.

The County also reports the following fund types:

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

The Agency Fund accounts for assets held by the County as an agent for individuals, private organizations and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities

1. Deposits and Investments

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

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

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

2. Property Taxes

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

3. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "due to/from other funds". Interfund balances are generally expected to be repaid within one year of the financial statement date. Any residual balances outstanding between the governmental funds are eliminated in the government-wide statement of net position.

4. Inventories and Prepaid Items

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

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

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

5. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

5. Capital Assets (Continued)

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

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

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

6. Deferred Outflows/Inflows of Resources

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

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

7. Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Full time employees earn five days vacation during their first year of employment, twelve days vacation beginning with their second year of employment, and seventeen days vacation beginning with their sixth year of employment. Accumulated vacation can be carried forward for two years.

Sick leave is earned at the rate of one day per month (or 8 hours) for each month of employment. A maximum of sixty working days (or 480 hours) may be accumulated for actual illness.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

7. Compensated Absences (Continued)

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

8. Long-term Obligations

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

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

B. Expenditures in Excess of Budget Amounts

During 2018 three funds had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law.

	<u>Actual</u>		<u>Budget</u>		<u>Excess</u>
Contingent Fund	\$ 2,484	\$	-	\$	(2,484)
Airport Fund	\$ 154,310	\$	92,410	\$	(61,900)
Tourism	\$ 34,698	\$	31,470	\$	(3,228)

C. Tax, Spending, and Debt Limitations

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 2 - Stewardship Compliance, and Accountability (Continued)

D. Grant Funding

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

Note 3 - Cash Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. As of December 31, 2018, all of the County deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

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's policy for custodial credit risk parallels Colorado statutes.

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

<u>Cash and Deposits</u>	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Cash on hand	\$ 4,268	\$ 4,268	\$ -
Checking	229,270	229,270	-
Savings and CD	121,395	121,395	-
Investments:			
State investment pool (Colo Trust)	4,522,037	4,522,037	-
Total	<u>\$ 4,876,970</u>	<u>\$ 4,876,970</u>	<u>\$ -</u>
Governmental Activities	\$ 4,568,146		
Component Unit	112,509		
Fiduciary Fund	196,315		
	<u>\$ 4,876,970</u>		

Investments

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 3 - Cash Deposits and Investments (Continued)

Investments (Continued)

The County has invested \$4,522,037 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

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

Credit Risk - The County does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2018 the County's investment in Colo Trust rates AAAM by Standard and Poor's and Aaa by Moody's.

Note 4 - Property Tax Accrual

Property taxes which have been levied for 2018 which will not be collected until 2019 have been accrued as a receivable at December 31, 2018. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

Note 5 - Interfund Transactions

Due to/from Other funds:

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

Transfers Between Funds:

Transfers between funds are generally indicative of funding for capital projects or subsidies of various County operations and re-allocation of special revenues. The following schedule briefly summarizes the County's transfer activity:

Transfers from	Transfers to		
	<u>Major Funds</u>	<u>Other Funds</u>	<u>Total</u>
Major funds	\$ -	\$ 10,000	\$ 10,000

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 6 - Capital Assets

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

Governmental Activities	Balances January 1	Additions	Deletions	Balances December 31
Non Depreciable Assets				
Land	\$ 317,874	\$ 581,962	\$ -	\$ 899,836
Assets in progress	34,988	119,750	-	154,738
Total Non Depreciable Assets	<u>352,862</u>	<u>701,712</u>	<u>-</u>	<u>1,054,574</u>
Depreciable Assets				
Buildings and improvements	4,573,893	19,240	-	4,593,133
Vehicles and heavy equipment	7,298,277	416,612	-	7,714,889
Office equipment	1,104,351	32,330	55,000	1,081,681
Infrastructure	252,303	103,895	-	356,198
Total Depreciable Assets	<u>13,228,824</u>	<u>572,077</u>	<u>55,000</u>	<u>13,745,901</u>
Less Accumulated Depreciation				
Buildings and improvements	1,977,236	132,200	-	2,109,436
Vehicles and heavy equipment	5,478,013	354,472	-	5,832,485
Office equipment	968,415	21,538	-	989,953
Infrastructure	154,355	12,287	-	166,642
Total Accumulated Depreciation	<u>8,578,019</u>	<u>520,497</u>	<u>-</u>	<u>9,098,516</u>
Total Capital Assets, Net	<u>\$ 5,003,667</u>	<u>\$ 753,292</u>	<u>\$ 55,000</u>	<u>\$ 5,701,959</u>
 Component Unit E 911				
Non Depreciable Assets				
Assets in progress	\$ -	\$ -	\$ -	\$ -
Depreciable Assets				
Equipment	393,366	252,129	-	645,495
Less Accumulated Depreciation				
Equipment	316,502	28,813	-	345,315
Total Capital Assets, Net	<u>\$ 76,864</u>	<u>\$ 223,316</u>	<u>\$ -</u>	<u>\$ 300,180</u>

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

General government	\$ 51,492
Public safety	145,275
Streets and highways	247,837
Health and welfare	5,207
Auxiliary	70,686
Total - Governmental Activities	<u>520,497</u>
Component Unit - E 911	28,813
Total Depreciation Expense	<u>\$ 549,310</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 7 - Risk Management

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

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

Colorado Counties Casualty and Property Pool - The County is exposed to various risks of loss to property and casualty losses. The County participates, with other counties in the State of Colorado, in a Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The county pays an annual contribution to Colorado Counties, Inc. for its property and casualty insurance coverage. The intergovernmental agreement of formation of CAPP provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Note 8 - Defined Contribution Plan

The County provides pension benefits for all of its officials and employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association.

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

The County's total payroll for the year ended December 31, 2018 was \$3,374,809. The County's contributions were calculated using the base earnings of eligible, participating employees of \$2,947,150. The County's required 4% contribution for 2018 was \$117,886, officials and employees required 4% contribution was \$117,886, for a total of \$235,772.

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

Note 9 - Deferred Compensation Plan

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 9 - Deferred Compensation Plan (Continued)

The plans, available to all County officials and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to officials and employees until termination or retirement. All amounts of compensation deferred under the Colorado County Officials and Employees Retirement Association plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights remain (until paid or made available to the official, employee, or other beneficiary) vested with the County. Effective January 1, 1997, the County no longer has a fiduciary responsibility to the plan administered by Public Employees Benefit Services Corporation.

All amounts of compensation deferred under the plans are deposited with the Colorado County Officials and Employees Retirement Association and the Public Employees Benefit Services Corporation. During 2018 there were fifteen participants in the plans. Deferred compensation for the year ended December 31, 2018 was \$35,486.

Note 10 - Long-Term Debt

The following is a summary of the County's long-term debt transactions for the year ended December 31, 2018:

	Debt Outstanding January 1	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Capital lease obligations	\$ 322,560	\$ 807,268	\$ 133,999	\$ 995,829	\$ 270,455
Compensated absences	256,239	5,402	28,027	233,614	-
Other obligations	525,149	9,893	-	535,042	-
Totals	\$ 1,103,948	\$ 822,563	\$ 162,026	\$ 1,764,485	\$ 270,455

Debt outstanding as of December 31, 2018, consisted of the following:

Kansas State Bank

Two 2016 Mack Trucks, \$71,888.77 per year for five years, dated June 1, 2015 with an effective interest rate of 2.929%. \$ 69,849

2016 Mack Truck, \$37,076.92 per year for three years, dated January 12, 2017, with an effective interest rate of 3.63%. 35,778

First State Bank of Colorado

Two 2016 Dodge Ram 1500 Trucks, \$15,356.64 per year for four years, dated March 23, 2016 with an effective interest rate of 3.95% 28,961

Two 2017 Dodge Durangos, \$14,871.79 per year for six years, dated April 12, 2017, with an effective interest rate of 3.95%. 53,973

Three 2019 Mack Trucks, \$99,137.15 per year for three years dated May 24, 2018, with an effective interest rate of 3.79% 275,306

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 10 - Long-Term Debt (Continued)

Chet Haga Trust

Vacant land, 6.68 acres, \$50,000 per year plus interest at 2% for ten years with a final payment of \$31,962 plus interest \$ 531,962

Compensated Absences

Accumulated vacation and sick leave benefits for eligible employees. 233,614

Other Obligations

Estimated closure and postclosure costs of solid waste landfill 535,042

Total General Long Term Debt \$ 1,764,485

The assets acquired through capital leases total \$1,539,975 less accumulated depreciation of \$245,162. These assets are used in governmental activities.

Future minimum lease payments for all leases are as follows:

Year Ending December 31

2019	\$ 298,404
2020	189,004
2021	172,648
2022	72,511
2023	56,639
2024 - 2028	268,198
2029	<u>32,601</u>
Minimum lease payments for all capital leases	1,090,005
Less: imputed interest	<u>94,176</u>
Present Value of Minimum Lease Payments	<u><u>\$ 995,829</u></u>

The annual requirements to retire all general long-term debt as of December 31, 2018 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 270,455	\$ 27,949	\$ 298,404
2020	169,895	19,109	189,004
2021	159,218	13,430	172,648
2022	64,299	8,212	72,511
2023	50,000	6,639	56,639
2024 - 2028	250,000	18,198	268,198
2029	<u>31,962</u>	<u>639</u>	<u>32,601</u>
	995,829	94,176	1,090,005
Compensated absences	233,614	-	233,614
Closure and postclosure costs	<u>535,042</u>	-	<u>535,042</u>
Total	<u><u>\$ 1,764,485</u></u>	<u><u>\$ 94,176</u></u>	<u><u>\$ 1,858,661</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 11 - Operating Leases

The County is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the County's account groups.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2018:

<u>Year Ending December 31</u>	<u>Amounts</u>
2019	\$ 84,663
2020	83,175
2021	5,137
2022	4,866
2023	1,575
Total Minimum Payments Required	<u><u>\$ 179,416</u></u>

The following schedule shows the composition of current and future rental expenditures for all operating leases except those with terms of one year or less that were not renewed:

	<u>2018</u>	<u>Future Years</u>
Minimum rentals	\$ 95,220	\$ 84,196
Contingent rentals	-	-
Less: Sublease rentals	-	-
Total Rental Expenditures	<u><u>\$ 95,220</u></u>	<u><u>\$ 84,196</u></u>

Note 12 - Closure and Postclosure Care Cost

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

The most recent engineering report available was completed in March 2019. Estimates of closure costs were \$199,419 and thirty year postclosure maintenance costs of \$430,042 for a total of \$629,461. The \$535,042 reported as landfill closure and postclosure liability at December 31, 2018 in the government-wide financial statements represents the cumulative amount reported to date based on the use of approximately 85% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$94,419 as the remaining estimated capacity is filled. The estimated remaining landfill life is approximately 5.05 years based on current use estimates. The estimated dollar amounts are based on what it would cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 12 - Closure and Postclosure Care Cost (Continued)

At December 31, 2018, there are no assets restricted for payment of closure and postclosure care costs. The County paid \$0 of costs in 2018. Current regulations permit local governments to meet financial assurance requirements by satisfying certain financial tests as defined in the Regulations. The County believes it is in compliance with and satisfies these tests as of December 31, 2018.

Note 13 - Fund Balances

Government-wide Net Position:

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of net position that is restricted by the County's creditors (for example, through debt covenants), by state enabling legislation (through restricts on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

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

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for a specific purpose according to limitations imposed by the County's highest level of decision making authority, Board of Commissioners, prior to the end of the current year. The constraint may be removed or changed only through formal action of the Board of Commissioners.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Commissioners or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of the particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The County will only report a positive unassigned fund balance in the General Fund.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 13 - Fund Balances (Continued)

<u>Funds</u>	<u>Fund Balances</u>					
	<u>Nonspendable Inventory</u>	<u>Restricted Tabor</u>	<u>Restricted Grants</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Totals</u>
General	\$ -	\$ 97,000	\$ 84,912	\$ -	\$ 1,455,456	\$ 1,637,368
Road & Bridge	136,033	62,600	-	1,545,080	-	1,743,713
Public Welfare	-	10,200	-	58,432	-	68,632
Cap. Improve.	-	7,000	-	550,132	-	557,132
Airport	5,075	700	-	16,965	-	22,740
Other	-	-	-	-	-	-
Governmental	-	10,000	34,842	227,330	-	272,172
	<u>\$ 141,108</u>	<u>\$ 187,500</u>	<u>\$ 119,754</u>	<u>\$ 2,397,939</u>	<u>\$ 1,455,456</u>	<u>\$ 4,301,757</u>

Note 14 - EBT Authorizations, Warrant Expenditures and Total Expenditures

<u>Program</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
	<u>County EBT Authorizations</u>	<u>County Share of Authorizations</u>	<u>Expenditures By County Warrant</u>	<u>County EBT Authorizations Plus Expenditures by County Warrant</u>	<u>Total Expenditures</u>
Old Age Pension	\$ 65,896	\$ -	\$ -	\$ 65,896	\$ -
Low-Income Energy Assistance Program	141,233	1,151	-	141,233	1,151
Colorado Works	82,665	18,122	-	82,665	18,122
Regular Administration	-	686	439,915	439,915	440,601
Child Welfare	75,840	19,095	-	75,840	19,095
IV-E and parental fees	-	-	5,491	5,491	5,491
Aid to the Needy	-	-	-	-	-
Disabled	3,127	782	-	3,127	782
Child Care	(1,594)	6,561	-	(1,594)	6,561
Core Services	540	360	-	540	360
Home Care Allowance	7,021	369	-	7,021	369
Medicaid Transportation	-	-	19,156	19,156	19,156
General Assistance	-	-	23,470	23,470	23,470
Subtotal	<u>374,728</u>	<u>47,126</u>	<u>488,032</u>	<u>862,760</u>	<u>535,158</u>
Food Assistance	541,733	-	-	541,733	-
Grand Total	<u>\$ 916,461</u>	<u>\$ 47,126</u>	<u>\$ 488,032</u>	<u>\$ 1,404,493</u>	<u>\$ 535,158</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2018

Note 14 - EBT Authorizations, Warrant Expenditures and Total Expenditures (Continued)

- B. County share of EBT authorizations. These amounts are settled monthly by a reduction of State cash advances to the County.
- C. Expenditures made by County warrants or other County payment methods.
- D. This represents the total cost of the welfare programs that are administered by Custer County.
- E. This total matches the expenditures on the Public Welfare Fund - Statement of Revenues, Expenditures and Changes in Fund Balance.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	<u>Budgeted Amount</u>			<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 1,864,297	\$ 1,864,297	\$ 1,963,774	\$ 99,477
Penalties	3,900	3,900	3,572	(328)
Federal Sources	445,706	445,706	508,498	62,792
State Sources	166,571	174,623	178,538	3,915
Local Sources	65,200	65,200	91,544	26,344
Licenses and permits	172,550	172,550	160,775	(11,775)
Charges for services	805,157	805,157	748,265	(56,892)
Reimbursed expenses	16,000	26,000	64,738	38,738
Miscellaneous	46,500	46,500	124,455	77,955
Total Revenues	<u>3,585,881</u>	<u>3,603,933</u>	<u>3,844,159</u>	<u>240,226</u>
Expenditures				
General Government	2,004,927	2,004,927	1,939,498	65,429
Public Safety	1,195,512	1,205,512	1,177,036	28,476
Health and welfare	250,752	250,752	239,366	11,386
Auxiliary services	283,084	291,136	255,734	35,402
Capital outlay	-	-	19,260	(19,260)
Total Expenditures	<u>3,734,275</u>	<u>3,752,327</u>	<u>3,630,894</u>	<u>121,433</u>
Excess of Revenues Over (Under) Expenditures	(148,394)	(148,394)	213,265	361,659
Other Financing Sources (Uses)				
Transfers to other funds	<u>(15,000)</u>	<u>(15,000)</u>	<u>(10,000)</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(163,394)	(163,394)	203,265	366,659
Fund Balances - January 1	<u>1,157,179</u>	<u>1,157,179</u>	<u>1,434,103</u>	<u>276,924</u>
Fund Balances - December 31	<u>\$ 993,785</u>	<u>\$ 993,785</u>	<u>\$ 1,637,368</u>	<u>\$ 643,583</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

ROAD AND BRIDGE FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Taxes	\$ 1,847,650	\$ 2,063,019	\$ 2,031,022	\$ (31,997)
Penalties	1,800	1,800	1,698	(102)
State Sources	-	-	46,581	46,581
Charges for services	43,500	43,500	64,545	21,045
Miscellaneous	1,500	1,500	2,689	1,189
Reimbursed expenses	<u>3,000</u>	<u>3,000</u>	<u>9,369</u>	<u>6,369</u>
Total Revenues	<u>1,897,450</u>	<u>2,112,819</u>	<u>2,155,904</u>	<u>43,085</u>
Expenditures				
General Government	140,180	140,180	134,745	5,435
Public Safety	5,000	5,000	6,027	(1,027)
Streets and Highways	1,809,000	2,024,369	1,807,399	216,970
Capital outlay	240,000	605,306	473,691	131,615
Debt service - principal	102,427	102,427	102,392	35
Debt service - interest	<u>6,573</u>	<u>6,573</u>	<u>6,573</u>	<u>-</u>
Total Expenditures	<u>2,303,180</u>	<u>2,883,855</u>	<u>2,530,827</u>	<u>353,028</u>
Excess of Revenues Over (Under) Expenditures	(405,730)	(771,036)	(374,923)	396,113
Other Financing Sources (Uses)				
Proceeds from capital lease	<u>-</u>	<u>275,306</u>	<u>275,306</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(405,730)	(495,730)	(99,617)	396,113
Fund Balances - January 1	<u>1,885,780</u>	<u>1,885,780</u>	<u>1,843,330</u>	<u>(42,450)</u>
Fund Balances - December 31	<u>\$ 1,480,050</u>	<u>\$ 1,390,050</u>	<u>\$ 1,743,713</u>	<u>\$ 353,663</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUBLIC WELFARE FUND
 CUSTER COUNTY, COLORADO
 For the year ended December 31, 2018

	Budgeted Amount			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 84,950	\$ 84,950	\$ 86,084	\$ 1,134
Penalties	300	300	255	(45)
Federal Sources	212,611	212,611	176,836	(35,775)
State Sources	270,429	270,429	230,297	(40,132)
Local Sources	3,600	3,600	11,957	8,357
Miscellaneous	16,000	16,000	9,895	(6,105)
Total Revenues	587,890	587,890	515,324	(72,566)
Expenditures				
Health and welfare	580,588	580,588	535,158	45,430
Capital outlay	-	-	-	-
Total Expenditures	580,588	580,588	535,158	45,430
Excess of Revenues Over (Under) Expenditures	7,302	7,302	(19,834)	(27,136)
Fund Balance - January 1	126,385	126,385	88,466	(37,919)
Fund Balance - December 31	\$ 133,687	\$ 133,687	\$ 68,632	\$ (65,055)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

CAPITAL IMPROVEMENT FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 210,000	\$ 210,000	\$ 234,407	\$ 24,407
Miscellaneous	-	-	-	-
Total Revenues	<u>210,000</u>	<u>210,000</u>	<u>234,407</u>	<u>24,407</u>
Expenditures				
General government	19,500	19,500	22,247	(2,747)
Public Safety	12,800	12,800	3,679	9,121
Capital outlay	165,100	697,062	664,235	32,827
Debt service - principal	31,609	31,609	31,607	2
Debt service - interest	4,621	4,621	4,621	-
Total Expenditures	<u>233,630</u>	<u>765,592</u>	<u>726,389</u>	<u>39,203</u>
Excess of Revenues Over (Under) Expenditures	(23,630)	(555,592)	(491,982)	63,610
Other Financing Sources (Uses)				
Proceeds from capital lease	-	531,962	531,962	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(23,630)	(23,630)	39,980	63,610
Fund Balance - January 1	<u>514,222</u>	<u>514,222</u>	<u>517,152</u>	<u>2,930</u>
Fund Balance - December 31	<u>\$ 490,592</u>	<u>\$ 490,592</u>	<u>\$ 557,132</u>	<u>\$ 66,540</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY AIRPORT
CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 25,000	\$ 25,000	\$ 23,437	\$ (1,563)
Reimbursed expenses	-	-	157	157
Miscellaneous	-	53,500	119,968	66,468
Total Revenues	<u>25,000</u>	<u>78,500</u>	<u>143,562</u>	<u>65,062</u>
Expenditures				
Auxiliary services	38,910	38,910	51,560	(12,650)
Capital outlay	-	53,500	102,750	(49,250)
Total Expenditures	<u>38,910</u>	<u>92,410</u>	<u>154,310</u>	<u>(61,900)</u>
Excess of Revenues Over (Under) Expenditures	(13,910)	(13,910)	(10,748)	3,162
Other Financing Sources (Uses)				
Operating transfers in (out)	15,000	15,000	10,000	(5,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,090	1,090	(748)	(1,838)
Fund Balance - January 1	<u>20,508</u>	<u>20,508</u>	<u>23,488</u>	<u>2,980</u>
Fund Balance - December 31	<u>\$ 21,598</u>	<u>\$ 21,598</u>	<u>\$ 22,740</u>	<u>\$ 1,142</u>

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

OTHER SUPPLEMENTARY INFORMATION

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

	Contingent Fund	Conservation Trust Fund	Emergency Services Fund	Custer County Lodging and Tourism	Totals
Assets					
Cash held by County Treasurer	\$ 118,301	\$ 34,842	\$ 57,563	\$ 80,401	\$ 291,107
Accounts receivable	-	-	13,137	-	13,137
Taxes receivable	113	-	200,453	659	201,225
Inventories	-	-	-	-	-
Total Assets	<u>118,414</u>	<u>34,842</u>	<u>271,153</u>	<u>81,060</u>	<u>505,469</u>
Liabilities					
Liabilities					
Accounts payable	-	-	271	9,766	10,037
Warrants payable	-	-	21,716	1,544	23,260
Total Liabilities	<u>-</u>	<u>-</u>	<u>21,987</u>	<u>11,310</u>	<u>33,297</u>
Deferred Inflow - property taxes	-	-	200,000	-	200,000
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	1,700	34,842	7,100	1,200	44,842
Assigned	116,714	-	42,066	68,550	227,330
Unassigned	-	-	-	-	-
Total Fund Balances	<u>\$ 118,414</u>	<u>\$ 34,842</u>	<u>\$ 49,166</u>	<u>\$ 69,750</u>	<u>\$ 272,172</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 CUSTER COUNTY, COLORADO
 December 31, 2018

	<u>Contingent Fund</u>	<u>Conservation Trust Fund</u>	<u>Emergency Services Fund</u>	<u>Custer County Lodging and Tourism</u>	<u>Totals</u>
Revenues					
Taxes	\$ 57,389	\$ -	\$ 229,559	\$ 38,878	\$ 325,826
Penalties and interest	168	-	679	-	847
Federal sources	-	-	406,213	-	406,213
State sources	-	34,558	-	-	34,558
Local sources	-	-	-	-	-
Charges for services	-	-	-	-	-
Other income	-	923	7,918	-	8,841
Total Revenues	<u>57,557</u>	<u>35,481</u>	<u>644,369</u>	<u>38,878</u>	<u>776,285</u>
Expenditures					
General government	2,484	-	-	-	2,484
Public safety	-	-	252,063	-	252,063
Auxiliary	-	32,600	454,014	34,698	521,312
Capital outlay	-	-	-	-	-
Total Expenditures	<u>2,484</u>	<u>32,600</u>	<u>706,077</u>	<u>34,698</u>	<u>775,859</u>
Excess of Revenues Over (Under) Expenditures	<u>55,073</u>	<u>2,881</u>	<u>(61,708)</u>	<u>4,180</u>	<u>426</u>
Other Financing Sources (Uses)					
Operating transfers in (out)	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	55,073	2,881	(61,708)	4,180	426
Fund Balance - January 1	<u>63,341</u>	<u>31,961</u>	<u>110,874</u>	<u>65,570</u>	<u>271,746</u>
Fund Balance - December 31	<u>\$ 118,414</u>	<u>\$ 34,842</u>	<u>\$ 49,166</u>	<u>\$ 69,750</u>	<u>\$ 272,172</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CONTINGENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 49,704	\$ 49,704	\$ 57,389	\$ 7,685
Penalties	-	-	168	168
Total Revenues	<u>49,704</u>	<u>49,704</u>	<u>57,557</u>	<u>7,853</u>
Expenditures				
General government	-	-	2,484	(2,484)
Excess of Revenues Over (Under) Expenditures	49,704	49,704	55,073	5,369
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	49,704	49,704	55,073	5,369
Fund Balance - January 1	<u>63,341</u>	<u>63,341</u>	<u>63,341</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 113,045</u>	<u>\$ 113,045</u>	<u>\$ 118,414</u>	<u>\$ 5,369</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CONSERVATION TRUST FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

	Budgeted Amount			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final budget
				Favorable
				(Unfavorable)
Revenues				
State sources	\$ 31,600	\$ 32,600	\$ 34,558	\$ 1,958
Miscellaneous	-	-	923	923
Total Revenues	31,600	32,600	35,481	2,881
Expenditures				
Auxiliary services	31,600	32,600	32,600	-
Excess of Revenues Over (Under) Expenditures	-	-	2,881	2,881
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	2,881	2,881
Fund Balance - January 1	29,897	29,897	31,961	2,064
Fund Balance - December 31	\$ 29,897	\$ 29,897	\$ 34,842	\$ 4,945

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

EMERGENCY SERVICES FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 226,615	\$ 226,615	\$ 229,559	\$ 2,944
Penalties and interest	700	700	679	(21)
Federal sources	424,774	424,774	406,213	(18,561)
State sources	-	-	-	-
Local sources	1,500	1,500	-	(1,500)
Reimbursed expenses	-	-	7,502	7,502
Miscellaneous	-	-	416	416
Total Revenues	<u>653,589</u>	<u>653,589</u>	<u>644,369</u>	<u>(9,220)</u>
Expenditures				
Public Safety	253,644	253,644	252,063	1,581
Auxiliary services	485,271	485,271	454,014	31,257
Capital outlay	-	-	-	-
Total Expenditures	<u>738,915</u>	<u>738,915</u>	<u>706,077</u>	<u>32,838</u>
Excess of Revenues Over (Under) Expenditures	<u>(85,326)</u>	<u>(85,326)</u>	<u>(61,708)</u>	<u>23,618</u>
Fund Balance - January 1	<u>135,234</u>	<u>135,234</u>	<u>110,874</u>	<u>(24,360)</u>
Fund Balance - December 31	<u>\$ 49,908</u>	<u>\$ 49,908</u>	<u>\$ 49,166</u>	<u>\$ (742)</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY LODGING AND TOURISM FUND
 CUSTER COUNTY, COLORADO
 For the year ended December 31, 2018

	Budgeted Amount			Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 31,500	\$ 31,500	\$ 38,878	\$ 7,378
Penalties and interest	-	-	-	-
Total Revenues	31,500	31,500	38,878	7,378
Expenditures				
Auxiliary services	31,470	31,470	34,698	(3,228)
Capital outlay	-	-	-	-
Total Expenditures	31,470	31,470	34,698	(3,228)
Excess of Revenues Over (Under) Expenditures	30	30	4,180	4,150
Fund Balance - January 1	39,311	39,311	65,570	26,259
Fund Balance - December 31	\$ 39,341	\$ 39,341	\$ 69,750	\$ 30,409

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

INSURANCE FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Reimbursed Expenses	2,000	2,000	-	(2,000)
Total Operating Revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Operating Expenditures				
General government	97,450	97,450	103,065	(5,615)
Streets and Highways	80,000	80,000	54,202	25,798
Total Expenditures	<u>177,450</u>	<u>177,450</u>	<u>157,267</u>	<u>20,183</u>
Operating Income (Loss)	<u>(175,450)</u>	<u>(175,450)</u>	<u>(157,267)</u>	<u>18,183</u>
Nonoperating Revenues (Expenses)				
Property taxes	149,100	149,100	149,068	(32)
Specific ownership taxes	20,800	20,800	23,101	2,301
Penalties and interest	500	500	509	9
Total Nonoperating Revenues (Expenses)	<u>170,400</u>	<u>170,400</u>	<u>172,678</u>	<u>2,278</u>
Net Income (Loss) Before Other Financing Sources (Uses)	<u>(5,050)</u>	<u>(5,050)</u>	15,411	20,461
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Change in Net Assets	<u>(5,050)</u>	<u>(5,050)</u>	15,411	20,461
Fund Balance - January 1	<u>158,354</u>	<u>158,354</u>	<u>143,435</u>	<u>(14,919)</u>
Fund Balance - December 31	<u>\$ 153,304</u>	<u>\$ 153,304</u>	<u>\$ 158,846</u>	<u>\$ 5,542</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
E-911 AUTHORITY BOARD
 CUSTER COUNTY, COLORADO
 For the year ended December 31, 2018

	Budgeted Amount		Actual	Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 74,000	\$ 74,000	\$ 64,535	\$ (9,465)
Other	200	200	394	194
Total Operating Revenues	74,200	74,200	64,929	(9,271)
Expenditures				
Public Safety	50,000	50,000	37,395	12,605
Capital outlay	204,514	204,514	197,129	7,385
Total Expenditures	254,514	254,514	234,524	19,990
Excess of Revenues Over (Under) Expenditures	(180,314)	(180,314)	(169,595)	10,719
Fund Balance - January 1	-	-	291,328	291,328
Fund Balance - December 31	\$ (180,314)	\$ (180,314)	\$ 121,733	\$ 302,047

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

ADDITIONAL REPORTS AND SCHEDULES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed through State Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 24,406
Passed through Care and Share, Inc.:		
Emergency Food Assistance Program (Food Commodities)	10.569	5,431
Total Department of Agriculture		\$ 29,837
<u>U.S. Department of Health and Human Services</u>		
Passed through State Department of Human Services		
Child Welfare Services Program	93.UNKNOWN	\$ 391
Temporary Assistance for Needy Families	93.558	115,004
Child Support Enforcement	93.563	27,478
Low-Income Home Energy Assistance	93.568	148,500
Child Care and Development Block Grant	93.575	13,735
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	5,313
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5,121
Foster Care - Title IV - E	93.658	47,417
Adoption Assistance	93.659	1,553
Medical Assistance Program	93.778	32,798
Passed through Upper Arkansas Area Council of Governments		
Community Service Block Grant	93.569	6,632
Total Department of Health and Human Services		\$ 403,942
Passed through State Department of Public Health and Environment		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 355,895
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	14,941
Prevention and Public Health Fund (Affordable Care Act)-Immunization Program	93.539	2,983
Preventative Health and Health Services Block Grant	93.758	7,585
Maternal and Child Health Services Block Grant to the States	93.994	4,516
Total Department of Public Health and Environment		\$ 385,920
<u>U.S. Department of Homeland Security</u>		
Passed through State Department of Public Safety, Division of Homeland Security and Emergency Management		
Emergency Management Program Grant	97.042	\$ 36,000
Passed through Pueblo County		
Homeland Security Grant Program	97.067	5,318
Total Department of Homeland Security		\$ 41,318
TOTAL FEDERAL ASSISTANCE		\$ 861,017

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Custer County, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Note B - Risk Based Audit Approach

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

Note C - Food Distribution

Commodities are passed through to the County from Care and Share, Inc., There are valued at \$5,491.

Garren, Ross & DeNardo, Inc.

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

July 8, 2019

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Custer County's basic financial statements and have issued our report thereon dated July 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Custer County's internal control over financial reporting (internal control) 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 Custer County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Custer 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 through 2018-06 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-07.

Custer County's Response to Findings

Custer County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Custer 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.

Arron Rott & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 8, 2019

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

Report on Compliance for Each Major Federal Program

We have audited Custer County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Custer County's major federal programs for the year ended December 31, 2018. Custer County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Custer 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 Custer 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 Custer County's compliance.

Opinion on Each Major Federal Program

In our opinion, Custer 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-07. Our opinion on each major federal program is not modified with respect to these matters.

Custer County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Custer County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Custer County, Colorado, 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 Custer 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 Custer 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-07, that we consider to be significant deficiencies.

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.

Barry Ross & DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes no

Type of auditor's reported issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to reported in accordance with 2 CFR 200.516(a)? yes no

CFDA Number(s)

66.458

93.568

Name of Federal Program or Cluster

Capitalization Grants for Clean Water State Revolving Funds

Low Income Home Energy Assistance

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-01 Monitoring Fuel Sales

Condition and Context:

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

Criteria:

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

Cause:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-01 Monitoring Fuel Sales (Continued)

Effect:

Possible misstatement of the gross margin on fuel sales.

Recommendation:

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

Response:

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

2018-02

Condition and Context:

All money that is collected by County officials is required to be remitted to the County Treasurer.

Criteria:

Colorado State Statute Section 30-10-102 requires that all cash collected by County officials be deposited with the County Treasurer within thirty days of collection.

Cause:

The State Statute is not always followed by all departments of the County.

Effect:

Weakens internal controls and violates State Statute.

Recommendation:

All external accounts should be closed and controls should be followed by all departments to adhere to the thirty day collection period.

Response:

The County will improve controls to ensure that all funds are remitted to the County Treasurer in a timely fashion.

2018-03 Accounting Function for E-911

Condition and Context:

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

Criteria:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-03 Accounting Function for E-911 (Continued)

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

2018-04 Posting Public Welfare Fund

Condition and Context:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-04 Posting Public Welfare Fund

Response:

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

2018-05 Consistency of Recording Expenditures.

Condition and Context:

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

Criteria:

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

Cause:

The existing procedures and controls are not consistently followed.

Effect:

Possible misstatement of expenditures by line item.

Recommendation:

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

Response:

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

2018-06 Maintaining Records of State and Other Grants

Condition and Context:

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

Criteria:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-06 Maintaining Records of State and Other Grants (Continued)

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-07 Data Entry Errors When Posting Program Expenses into the CFMS System

Condition and Criteria:

Salaries and related expenses were duplicated in the February 2017 data entry. This information is used by the State to calculate monthly reimbursements.

Effect:

The County's reimbursements for February program expenses were incorrect and reimbursements were calculated on expenditures that were duplicated.

Cause:

This discrepancy was an error. Procedures to cross reference expenditures reported in CFMS and the general ledger would have identified the error in the current month.

Population and Items Tested:

We compared total salaries paid from the County's payroll journals and operating expenditures posted to the general ledger with reimbursements from CFMS reports and discovered a discrepancy. These procedures indicated errors. The estimated expenditures reported in CFMS were overstated by approximately \$27,468.69. The overstatement resulted in an overpayment from the State of approximately \$21,974.95.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO

For the year ended December 31, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2018-07 Data Entry Errors When Posting Program Expenses into the CFMS System (Continued)

Auditor's Recommendation:

Reconciliations should be completed monthly to ensure the accuracy of data entry between the general ledger and the State's CFMS system.

Response:

The County intends to repay the State for the overpayment. The recommended procedures will be reviewed and considered.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Custer County
	YEAR ENDING : December 2018
This Information From The Records Of (example - City of _ or County of _) County of Custer	Prepared By: Dawna Hobby Phone: (719) 783-9067

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)	473,691
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,261,334
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	6,027
2. General fund appropriations		b. Snow and ice removal	546,065
3. Other local imposts (from page 2)	575,595	c. Other	
4. Miscellaneous local receipts (from page 2)	74,708	d. Total (a. through c.)	552,092
5. Transfers from toll facilities		4. General administration & miscellaneous	134,745
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,421,862
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes Capital Lease	275,306	1. Bonds:	
d. Total (a. + b. + c.)	275,306	a. Interest	
7. Total (1 through 6)	925,609	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,505,601	2. Notes: Capital Lease	
D. Receipts from Federal Government (from page 2)	0	a. Interest	6,573
E. Total receipts (A.7 + B + C + D)	2,431,210	b. Redemption	102,392
		c. Total (a. + b.)	108,965
		3. Total (1.c + 2.c)	108,965
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,530,827

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) Capital Lease	208,020	275,306	102,392	380,934

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,843,330	2,431,210	2,530,827	1,743,713	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 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	498,593	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	766
4. Licenses		f. Charges for Services	64,545
5. Specific Ownership &/or Other	77,002	g. Other Misc. Receipts - County Gov't	9,369
6. Total (1. through 5.)	77,002	h. Other	28
c. Total (a. + b.)	575,595	i. Total (a. through h.)	74,708
	(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	1,429,645	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	27,480	d. Federal Transit Admin	
d. Other Mineral Lease	1,895	e. U.S. Corps of Engineers	
e. Other (Specify) Grant	46,581	f. Other Federal	
f. Total (a. through e.)	75,956	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	1,505,601	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements	103,895		103,895
(3). System Preservation Equip. Purchases		369,796	369,796
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	103,895	369,796	473,691
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	103,895	369,796	473,691
			(Carry forward to page 1)

Notes and Comments: