

Otero County, Colorado
Financial Statements
with Independent Auditors' Report
December 31, 2018



Otero County, Colorado

Table of Contents
December 31, 2018
(Continued)

Financial Section

Independent Auditors' Report	1
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Management's Discussion and Analysis	iii
---	-----

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position	3
Statement of Activities	4

Governmental Funds

Balance Sheet	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	8

Proprietary Funds

Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows.....	11

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities	12
---	----

<i>Notes to the Financial Statements</i>	13
--	----

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	31
Budgetary Comparison Schedule – Road and Bridge Fund	32
Budgetary Comparison Schedule – Social Services Fund	33
Budgetary Comparison Schedule – Capital Improvement Fund.....	34
Budgetary Comparison Schedule – Human Services Fund	35

<i>Notes to Required Supplementary Information</i>	36
--	----

Combining and Individual Fund Statements and Schedules

Combining Statements

Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet – Nonmajor Governmental Funds	38

Otero County, Colorado

Table of Contents
December 31, 2018
(Continued)

Combining and Individual Fund Statements and Schedules (Continued)

General Fund (<i>including Contingent Fund</i>)	
Balance Sheet	39
Schedule of Revenues, Expenditures and Changes in Fund Balances.....	40
<i>Budgetary Comparison Schedules</i>	
<i>Insurance Fund</i>	41
<i>Clerk Hire Fund</i>	42
<i>Conservation Trust Fund</i>	43
<i>Health Fund</i>	44
<i>AAA Services Fund</i>	45
<i>Land Trust Fund</i>	46
<i>Contingent Fund (included as Part of the General Fund)</i>	47
<i>Proprietary Funds</i>	
<i>Internal Service Fund</i>	48
<i>Medical Trust Fund</i>	49
<i>Component Units</i>	
Small Business Development Fund	50
E911 Fund	51
<i>Fiduciary Funds</i>	
<i>Agency Fund</i>	
Combining Statement of Changes in Assets and Liabilities	52
Compliance Section	
<i>State Compliance</i>	
Local Highway Finance Report.....	53
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditors' Report on Compliance for Each Major Federal Program, Internal Control over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	57

Otero County, Colorado

Table of Contents

December 31, 2018

(Continued)

Compliance Section (Continued)

Schedule of Findings and Questioned Costs.....	60
Schedule of Expenditures of Federal Awards.....	62
<i>Notes to Schedule of Expenditures of Federal Awards</i>	66

Financial Section



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of County Commissioners
Otero County
La Junta, Colorado

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the Otero County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Otero County, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the Otero County as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, 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 the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otero County's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hick & Company, PC



OTERO COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

OTERO COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Otero (the County) offers readers of the County's annual financial report this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statement information.

FINANCIAL HIGHLIGHTS

County-wide financial statements as of December 31, 2018:

- Assets of the County exceed its liabilities and deferred inflows of resources by \$26,829,624. The County's unrestricted net position of \$12,759,613 may be used to meet the County's on-going obligations.
- By far, the largest portion of the County's net position is its \$13,034,950 investment in capital assets net of accumulated depreciation and related debt.
- The restricted net position includes \$312,565 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution.

Fund Financial Statements as of December 31, 2018

The County's *governmental funds* reported a combined ending fund balance of \$13,055,084 including the following major funds: General Fund with \$5,299,211; Road & Bridge Fund with \$2,855,606 (includes \$199,178 in inventory); Social Services Fund with \$705,667; Capital Improvement Fund with \$1,669,542; and General Human Services with \$76,817. Other governmental funds accounted for \$2,448,241. Of the total government fund balances, \$9,789,537 is unrestricted/unassigned. Committed funds include \$305,563 from the General Fund and \$1,725,745 in other governmental funds. Restricted funds include \$312,565 from the General Fund and \$722,496 in other governmental funds.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Otero County's basic financial statements. The County's basic financial statements consist of three components:

1. County-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements. This report also contains required and other additional information in addition to the basic financial statements.

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

They consist of two statements:

1. The *Statement of Net Position* presents information on all of the County's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
2. The *Statement of Activities* presents information reporting how the County's net position changed during the most recent 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 this statement for some items that will result in cash flows in future fiscal periods. Earned but unused vacation leave and accrued interest expense are examples of these types of items.

Both county-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 costs through user fees and charges (*business-type activities*). The governmental activities of the County include tax assessment and collection, recording, voter registration/elections, law enforcement, incarcerations, land use, road and bridge activities, and general administration and support. Only those activities associated with the 911 Otero County Emergency Telephone Authority and the Small Business Development Revolving Loan Fund (component units) are considered to be business-type activities.

The county-wide financial statements include not only the County itself (known as the *primary government*), but also the 911 Otero County Emergency Telephone Service Authority and the Small Business Development Revolving Loan Fund. Financial information for these component units are reported separately from the financial information presented for the primary government itself. In addition, the County is participating in a joint venture with Otero County Landfill, Inc. (OCLI).

Fund Financial Statements — A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All County funds can be divided into three categories:

- Governmental funds,
- Proprietary funds, and
- Fiduciary funds.

Governmental Funds — Governmental funds account for essentially the same functions reported as governmental activities in the county-wide financial statements. Unlike the county-wide financial statements, however, governmental fund financial statements focus on how money flows into and out of those funds and the balances at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information provides a detailed *short-term* view of the County's general government operations and may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the county-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the county-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both

the *governmental fund* balance sheet and statement of revenues, expenditures and changes in fund balance.

The County reports eleven individual governmental funds. Information is presented separately in the *governmental fund* balance sheet and the statement of revenues, expenditures and changes in fund balance for the General Fund, Road & Bridge Fund, Social Services Fund, Capital Improvement Fund, and General Human Services Fund, all of which are considered to be *major funds*. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each of the *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the report. The non-major governmental funds include the Insurance Fund, Clerk Hire Fund, Conservation Trust Fund, Health Fund, Area Agency on Aging Fund, and Otero County Land Trust Fund. The County maintains one *other fund*. Due to the implementation of GASB 54, the Contingent funds did not meet the definition of a special revenue fund and was combined into the general fund.

Proprietary Funds — The County maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the county-wide financial statements. The County uses an enterprise fund to account for the 911 Otero County Emergency Telephone Authority and Small Business Development Revolving Loan Fund (component unit) activities. *Internal service funds* are used to accumulate and allocate costs internally among the County's functions. The County uses an Internal Services Fund to account for the provision of equipment provided by the County for its various departments. Departments utilize a rental charge reimbursement rate to provide the resources necessary to fund future acquisitions. In addition, a Medical Trust Fund is utilized to provide health coverage for its employees. Because these two internal service funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the county-wide financial statements.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reported in the county-wide financial statements because the resources of those funds are not available for the support of the County's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the county-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the County. The County adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund to demonstrate compliance with the budget requirement

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplemental information.

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Net Position
December 31, 2018

	2018				2017 Total
	Governmental Activities	E911 Emergency Services	Small Business Development	Total	
ASSETS					
CURRENT AND OTHER ASSETS					
Cash and Investments	\$ 16,225,264	\$ 256,839	\$ 367,314	\$ 16,849,417	\$ 16,840,790
Accounts Receivable	1,522,332	13,192	465,925	2,001,449	1,680,105
Taxes Receivable	3,468,273		-	3,468,273	3,393,032
Interest Receivables	13,738	-	-	13,738	17,850
Due from other governments	62,203	-	-	62,203	55,094
Prepaid Expenses	-	-	-	-	4,094
Inventory	199,178	-	-	199,178	157,904
CAPITAL ASSETS					
Capital Assets, <i>Not Being Depreciated</i>	5,443,950	-	-	5,443,950	5,443,950
Capital Assets, <i>Net of Accumulated Depreciation</i>	7,672,209	398,274	-	8,070,483	7,161,633
Total Assets	34,607,147	668,305	833,239	36,108,691	34,754,452
LIABILITIES					
Accounts Payable	1,734,186	5,925	40,000	1,780,111	869,057
Due to Other Governments	171,499	-	-	171,499	115,669
Public Trustee Deposits	13,407	-	-	13,407	73,277
Long-Term Liabilities	1,775,075	321,802	-	2,096,877	1,488,847
Total Liabilities	3,694,167	327,727	40,000	4,061,894	2,546,850
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	4,083,356	-	-	4,083,356	4,724,279
NET POSITION					
Net Investment in Capital Assets	13,034,950	76,472	-	13,111,422	12,514,035
Restricted	1,035,061	-	793,239	1,828,300	1,840,213
Unrestricted	12,759,613	264,106	-	13,023,719	13,129,076
Total Net Position	\$ 26,829,624	\$ 340,578	\$ 793,239	\$ 27,963,441	\$ 27,483,324

Financial Analysis – Statement of Net Position

1. Restricted net assets are made up of statutory reserves of \$312,565 for emergencies required by TABOR.
2. The component units of government are comprised of the E911 Emergency Telephone reporting system and the Small Business Development Revolving Loan Fund. The financials are tracked under Otero County as it serves as the fiscal agent for the E911 Authority Board and the Otero Partners, Inc Board of Directors.
3. Based on current allocation, the County's share of the costs developed for the Landfill closure and post closure represent approximately 65.39% of the estimated \$1,905,000 allocated among the participating entities amounting to \$1,245,729. The majority of this cost is due to the calculations related to quantities of dirt needed for final cover, continuation of monitoring (water/methane), and other associated costs due to new regulations or practice.

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Changes in Net Position
Year Ended December 31, 2018

	Governmental Activities	E911 Emergency Services	Small Business Development	Total	2017 Total
REVENUES					
GOVERNMENTAL PROGRAM REVENUES					
Charges for services	\$ 3,425,601	\$ -	\$ -	\$ 3,425,601	\$ 3,263,355
Operating grants and contributions	7,576,175	-	-	7,576,175	7,222,829
Total governmental program revenues	11,001,776	-	-	11,001,776	10,486,184
COMPONENT UNIT PROGRAM REVENUES					
Charges for services	-	137,065	-	137,065	145,448
Operating grants and contributions	-	-	345,710	490,989	244,459
Total component unit program revenues	-	137,065	345,710	628,054	389,907
GENERAL REVENUES					
Property and specific ownership taxes	4,076,987	-	-	4,076,987	3,936,473
Other taxes	4,135,014	-	-	4,135,014	3,846,093
Other revenue	422,499	649	29,325	452,473	322,549
Total general revenues	8,634,500	649	29,325	8,664,474	8,105,115
TOTAL - REVENUES	19,636,276	137,714	375,035	20,294,304	18,981,206
TOTAL EXPENDITURES	19,434,062	234,844	-	19,668,906	17,309,692
CHANGE IN NET POSITION	202,214	(97,130)	375,035	480,119	1,671,514
NET POSITION, Beginning of year	26,627,410	437,708	418,204	27,483,322	25,360,871
NET POSITION, End of year	\$ 26,829,624	\$ 340,578	\$ 793,239	\$ 27,963,441	\$ 27,032,385

CONDENSED FINANCIAL INFORMATION
County-Wide Financial Statements

Condensed Statement of Changes in Net Position
Year Ended December 31, 2018
(Continued)

	2018			Total	2017 Total
	Primary Government	Component Unit	Component Unit		
	Governmental Activities	E911 Emergency Services	Small Business Development		
FUNCTIONS/PROGRAMS - EXPENSES					
PRIMARY GOVERNMENT					
Governmental activities:					
General government	\$ 4,280,186	\$ -	\$ -	\$ 4,280,186	\$ 3,592,486
Public safety	2,371,490	-	-	2,371,490	2,074,056
Public works	3,449,501	-	-	3,449,501	2,568,476
Public health and welfare	9,025,524	-	-	9,025,524	8,645,814
Culture and recreation	70,000	-	-	70,000	148,387
Conservation	226,127	-	-	226,127	127,363
Interest	11,234	-	-	11,234	8,055
Total governmental activities	<u>19,434,062</u>	<u>-</u>	<u>-</u>	<u>19,434,062</u>	<u>17,164,637</u>
COMPONENT UNIT					
E911 Emergency Services	<u>-</u>	<u>234,844</u>	<u>-</u>	<u>234,844</u>	<u>145,055</u>
TOTAL FUNCTION/PROGRAMS - EXPENSES	<u><u>\$ 19,434,062</u></u>	<u><u>\$ 234,844</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,668,906</u></u>	<u><u>\$ 17,309,692</u></u>

Financial Analysis – Statement of Activities

1. There was an increase in current year in the County’s primary government net position of \$202,216 or 0.76%. This is primarily due to an increase in revenues in the County specific ownership tax, property taxes, payment in lieu of taxes, highway user tax, sales tax, insurance recovery, charges for service and operating grants.
2. The E911 Emergency Services decreased 22.2% in net position for fiscal year 2018 due to capital outlay purchases but continues to exhibit a strong financial picture. Currently, a \$0.70 per line surcharge is collected for the E911 system, and its governing board continues to maintain as well as upgrade its E911 level of service.
3. The Small Business Development Fund’s net position decreased \$374,805 or 10.4% for fiscal year 2018.

ANALYSIS OF POSITION

The overall financial position of the County improved during 2018, due to an increase in overall revenues.

Net capital assets for the Governmental Activities, the Business-Type Activities and component unit combined increased by \$908,850.

FUND FINANCIAL STATEMENT ANALYSIS

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the major operating fund of the County, providing the majority of the resources for operating and support programs. Revenues and other financing sources for the General Fund totaled \$5,926,191 in fiscal year 2018, an increase of 3.8% from fiscal year 2017.

Schedule of Revenues and Other Financing Sources (General Fund with Contingent Fund)

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	\$ 1,850,891	\$ 1,789,605	\$ 61,286	3.4%
Specific ownership taxes	387,097	370,875	16,222	4.4%
Sales tax	1,660,228	1,629,444	30,784	1.9%
Intergovernmental taxes	24,742	15,776	8,966	56.8%
Total taxes	3,922,958	3,805,700	117,258	3.1%
Intergovernmental	1,262,624	1,043,098	219,526	21.0%
Charges for services	462,463	516,118	(53,655)	-10.4%
Fines and forfeitures	3,180	2,175	1,005	46.2%
Investment and miscellaneous	274,484	252,996	21,488	8.5%
Other financing sources	482	91,548	(91,066)	-99.5%
TOTAL	\$ 5,926,191	\$ 5,711,635	\$ 214,556	3.8%

Property Taxes — Property taxes has increased by 3.4% compared with prior year. The mill levy of 12.044 mills was unchanged from fiscal year 2017. The fiscal year 2018 mill levy was applied against an assessed valuation of \$153,351,361. The fiscal year 2017 mill levy was applied against an assessed valuation of \$148,553,365. The property tax mills levied for both years are in compliance with the restrictions of Article X Section 20 of the Colorado Constitution (TABOR).

Specific Ownership Tax — There was a 4.4% increase in specific ownership tax collections in fiscal year 2018. A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year.

Sales Tax — Sales tax has increased by 1.9% compared with prior year. The County has a 1.0% sales tax in place. The \$1,660,228 generated in fiscal year 2018 represented an actual increase of \$30,784 over fiscal year 2017.

Intergovernmental — Intergovernmental revenue has increased by 21.0% compared to prior year. This

category includes federal, state and local sources, as well as Payment-In-Lieu of Taxes (PILT) on federal, state and other governmental lands. In addition, cost allocation (indirect cost reimbursement), grant funding, and other miscellaneous types of governmental revenue.

The primary source of federal revenue is Payment-In-Lieu of Taxes (PILT) on federal lands. The federal government slightly increased the allocation to the County. The County allocated \$494,522 to the General Fund in fiscal year 2018. This represents the total PILT from all federal lands, a 5.4% increase from fiscal year 2017.

Charges for Services — There was a 10.4% decrease in revenue for charges for services. This category of revenue includes the various types of fees generated through the Land Use office, County Clerk, Treasurer, Assessor and Administration. Examples include excess fees generated by the County Clerk and Recorder for election or recording fees, jail work release revenues, photocopy charges and map charges.

Fines and Forfeitures — This category increased by 46.2% in fiscal year 2018. The increase was primarily due to DUI fine collections.

Investment and Miscellaneous Income — Investment income increased by 8.5% or \$21,488 and consists of those funds generated through its investment program. The County will continue to re-evaluate the investments being held.

Miscellaneous category includes rent payments for space, as well as any miscellaneous receipts. This "catch all" revenue source will fluctuate on an annual basis.

Other Financing Sources — This category includes interfund transfers and extraordinary items.

**Schedule of Expenditures
(General Fund with Contingent Fund)**

	Percentage of Total	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
Current:					
General government	52.3%	\$ 3,042,577	\$ 2,872,703	\$ 169,874	5.9%
Public safety	39.6%	2,306,844	2,064,438	242,406	11.7%
Public works	2.7%	159,651	151,548	8,103	5.3%
Public health and welfare	0.7%	38,787	50,470	(11,683)	-23.1%
Culture and recreation	0.4%	25,468	26,967	(1,499)	-5.6%
Conservation	3.9%	224,988	124,559	100,429	80.6%
Capital outlay	0.0%	-	102,857	(102,857)	-100.0%
Debt service:					
Principal	92.0%	10,339	-	10,339	100.0%
Interest	0.2%	11,234	7,241	3,993	55.1%
TOTAL - EXPENDITURES	191.9%	\$ 5,819,888	\$ 5,400,783	\$ 419,105	7.8%

Overall — Total expenditures increased by 7.8%, or \$419,105 from fiscal year 2017 to fiscal year 2018. The main reasons were increased costs in general government, public safety and conservation in fiscal year 2018.

General Government — Expenditures in this category increased by 5.9% or equivalent to \$169,874, from fiscal year 2017, mainly due to increases in operating and personnel costs.

Public Safety — Public safety expenditures for fiscal year 2018 increased by 11.7%, mainly due to

increases in operating and personnel costs.

Public Works — In fiscal year 2018 the public works costs showed an increase of 5.3%. This increase is mainly due to increases in operating and personnel costs.

Health and Welfare — In fiscal year 2018, there was an expenditure decrease of 23.1%. The expenditures for health and welfare vary, as the inclusion of EMS subsidy funds within this category allow for an increase or decrease in expenditures, depending on the approved requests of the various EMS providers. In addition, the match for our local nutrition program is carried here and varies based on the required levels of funding.

Culture and Recreation — Culture and recreation expenditures for fiscal year 2018 decreased by 5.6%. The increase was a result of fluctuation of costs in the operation of the Senior Centers of Otero County assumed by the General Fund.

Conservation — Conservation expenditures increased by 80.6%. The nature of specific economic development projects and the level of County participation will always dictate the amount of expenditure.

Debt Service — Principal reduction increased \$10,339 from 2017 to 2018 and interest increased \$3,993, or 55.1% due to a new lease agreement.

**Fund Balance Re-Cap
(General Fund with Contingent Fund)**

	2018	2017	Increase	Change
FUND BALANCE, Beginning of year	\$ 5,249,401	\$ 4,995,042	\$ 254,359	5.1%
FUND BALANCE, End of year	5,299,211	5,249,401	49,810	0.9%

Fund Balance — The fiscal year 2018 year-end fund balance decreased by \$49,810 or 0.9%. A strong effort has been made to monitor costs and develop any revenue streams available.



MAJOR SPECIAL REVENUE FUNDS

ROAD & BRIDGE FUND

The Road & Bridge Fund, like the General Fund, is considered a major operating fund for financial reporting purposes. Total revenues and other financing sources for the Road & Bridge Fund totaled \$3,229,815 while expenditures totaled \$3,441,978. The ending fund balance of \$2,855,606 includes inventory of \$199,178 and reflects a 6.9% decrease in fund balance (available resources). The fiscal year 2018 financials also reflect the inclusion of construction/operational expenses for solid waste disposal, i.e. the landfill.

**Schedule of Revenues and
Other Financing Sources
(Road & Bridge Fund)**

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	\$ 637,843	\$ 617,055	\$ 20,788	3.4%
Specific ownership taxes	133,510	127,916	5,594	4.4%
Intergovernmental taxes	<u>1,955,522</u>	<u>1,731,799</u>	<u>223,723</u>	<u>12.9%</u>
Total taxes	2,726,875	2,476,770	250,105	10.1%
Intergovernmental	233,466	46,280	187,186	404.5%
Charges for services	255,549	172,920	82,629	47.8%
Other financing sources	<u>13,925</u>	<u>27,965</u>	<u>(14,040)</u>	<u>-50.2%</u>
TOTAL	<u><u>\$ 3,229,815</u></u>	<u><u>\$ 2,723,935</u></u>	<u><u>\$ 505,880</u></u>	<u><u>18.6%</u></u>

Overall — Fiscal year 2018 revenues increased by 18.6% or \$505,880, primarily due to increases in intergovernmental taxes, charges for services, and intergovernmental revenue.

Property Taxes — There was an increase in fiscal year 2018 property tax collections of 3.4% or \$20,788. The mill levy of 4.154 mills was unchanged from fiscal year 2017.

Specific Ownership Tax — There was a 4.4% increase in specific ownership tax collections in fiscal year 2018. A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year.

Intergovernmental Taxes — Intergovernmental taxes has increased by 12.9% from the prior year. The intergovernmental taxes category includes federal, state and local sources as well as Highway Users Tax. The primary increase is due to an increase in the Highway Users tax revenue received in fiscal year 2018 of \$1,955,522 compared to \$1,731,799 received in 2017.

Charges for Services — Charges for services has increased by 47.8% or \$82,629. The \$255,549 amount includes the sale of gravel, service charges associated with the landfill and other "billable" road/bridge projects.

**Schedule of Expenditures
(Road & Bridge Fund)**

	Percentage of Total	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
Current:					
Public works	77.18%	\$ 2,656,577	\$ 2,408,130	\$ 248,447	10.3%
Capital outlay	22.82%	785,401	153,706	631,695	411.0%
Debt service:					
Principal retirement	0.00%	-	336,420	(336,420)	-100.0%
Interest & fiscal charges	0.00%	-	814	(814)	-100.0%
TOTAL - EXPENDITURES	100.00%	\$ 3,441,978	\$ 2,899,070	\$ 542,908	18.7%

Overall — The fiscal year 2018 expenditure increase of \$542,907 is primarily due to an increase in capital outlay expenses.

Public Works — There was an increase of \$248,446 or 10.3% in public works, which is primarily due to an increase in operational expenditures over fiscal year 2017. This expenditure category is comprised of both Road & Bridge and landfill types of expenditures.

Capital Outlay — The capital outlay amount reflects increased expenditures for capital outlay by 411% or \$631,695 in 2018 compared to fiscal year 2017. The County purchased a new shop as well as equipment including skid steer loader, water tanker, and cap loader.

**Fund Balance Re-Cap
(Road & Bridge Fund)**

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	\$ 3,067,769	\$ 3,242,904	\$ (175,135)	-5.4%
FUND BALANCE, End of year	2,855,606	3,067,769	(212,163)	-6.9%

Inventory Reserve — The fiscal year 2018 year-end balance includes \$199,178 in inventory reserve. The unassigned fund balance is \$2,656,428.

Fund Balance — This figure represents a 6.9% decrease in fund balance for the year. In operational terms, this is primarily due to receiving less revenues than were expended in the fund.



SOCIAL SERVICES FUND

The Social Services Fund is a major fund, and total revenues of \$3,900,030 were generated. Total expenditures of \$3,925,900 were noted, leaving a year-end fund balance of \$705,667 (decrease of \$25,870 from fiscal year 2017). The mill levy decreased from 3.00 mills in 2017 to 2.500 mills in 2018.

The County experienced a \$187,550 or 5.1% increase in overall revenues from fiscal year 2017. Here again, the County is concerned with utilizing its fund reserves to pay for administrative and other program costs

that exceed its state allocations or are a component of our Maintenance of Effort. The County would like to retain a Fund Balance in the Social Services Fund at approximately \$700,000. For 2019, the mill levy will remain at 2.50 mills. It is the County's desire as well as need to reduce the Fund Balance to a more conservative figure as other County functions/departments needed resources.

**Schedule of Revenues
(Social Services Fund)**

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
TAXES				
Property and other taxes	\$ 384,048	\$ 445,651	\$ (61,603)	-13.8%
Specific ownership taxes	<u>80,350</u>	<u>92,380</u>	<u>(12,030)</u>	<u>-13.0%</u>
Total taxes	464,398	538,031	(73,633)	-13.7%
Intergovernmental	<u>3,435,632</u>	<u>3,174,449</u>	<u>261,183</u>	<u>8.2%</u>
TOTAL	<u><u>\$ 3,900,030</u></u>	<u><u>\$ 3,712,480</u></u>	<u><u>\$ 187,550</u></u>	<u><u>5.1%</u></u>

Property Taxes — There was a 13.8% decrease for property tax to the Social Services Fund in fiscal year 2018, due to decreasing the mill levy.

Specific Ownership Tax — There was a 13% decrease in specific ownership tax collections in fiscal year 2018. A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year.

Intergovernmental — There was an increase of 8.2% or \$261,183 in revenues in fiscal year 2018. This category includes federal, state and local sources. Intergovernmental revenue will fluctuate depending on the grants received each year.

**Schedule of Expenditures
(Social Services Fund)**

	Percentage of Total	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
Current:					
Public health and human services	<u>100.00%</u>	<u>\$ 3,925,900</u>	<u>\$ 3,715,336</u>	<u>\$ 210,564</u>	<u>5.7%</u>
TOTAL - EXPENDITURES	<u><u>100.00%</u></u>	<u><u>\$ 3,925,900</u></u>	<u><u>\$ 3,715,336</u></u>	<u><u>\$ 210,564</u></u>	<u><u>5.7%</u></u>

Social Services — The expenditure summary shows a 5.7% increase in expenditures from fiscal year 2017 to 2018. Expenditures exceeded revenues by \$25,870 during fiscal year 2018. A tremendous effort will continue to be made to maintain services and evaluate revenue and expenditure streams. As stated earlier, the State's budget crunch resulted in cutbacks in various program areas, and the County has tried to match the decreases in revenues with corresponding decreases in expenditures.

**Fund Balance Re-Cap
(Social Services Fund)**

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
FUND BALANCE, Beginning of year	\$ 731,537	\$ 734,393	\$ (2,856)	-0.4%
FUND BALANCE, End of year	705,667	731,537	(25,870)	-3.5%

Fund Balance — The 3.5% decrease in year-end fund balance is significant to note, as a strong effort has been made to monitor and to develop the revenue resources needed to fund these human services programs. Unfortunately, the revenue streams that the County has access to are limited, and property tax will remain the only "real" source of additional County funding.

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***CAPITAL IMPROVEMENT FUND***

The Capital Improvement Fund does not meet the requirement to be considered a major fund in fiscal year 2018, however due to its nature the County has chosen to include this fund as a major fund.

**Schedule of Revenues  
(Capital Improvement Fund)**

|                         | <b>Fiscal Year<br/>2018</b> | <b>Fiscal Year<br/>2017</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|-------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| Property taxes          | \$ 422,012                  | \$ 334,026                  | \$ 87,986                      | 26.3%                     |
| Specific ownership tax  | 88,386                      | 69,285                      | 19,101                         | 27.6%                     |
| Roof Settlement         | -                           | 300,000                     | (300,000)                      | -100.0%                   |
| Miscellaneous           | 6,462                       | 7,241                       | (779)                          | -10.8%                    |
| <b>TOTAL - REVENUES</b> | <b>\$ 516,860</b>           | <b>\$ 710,552</b>           | <b>\$ (193,692)</b>            | <b>-27.3%</b>             |

**Overall** — Total fiscal year 2018 revenue decreased by \$193,692, primarily due to the roof settlement received in 2017.

**Property Taxes** —Property Taxes has increased by 26.3% or equivalent to \$87,986. The mill levy was increased from 2.25 mills in 2017 to 2.75 mills in fiscal year 2018.

**Specific Ownership Tax** — There was an increase by 27.6% in specific ownership tax collections in fiscal year 2018 A specific ownership tax is applied to the fair market value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their registrations each year.

**Schedule of Expenditures  
(Capital Improvement Fund)**

|                             | <b>Percentage<br/>of Total</b> | <b>Fiscal Year<br/>2018</b> | <b>Fiscal Year<br/>2017</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|-----------------------------|--------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| Current:                    |                                |                             |                             |                                |                           |
| General government          | 17.79%                         | \$ 28,601                   | \$ 23,632                   | \$ 4,969                       | 21.0%                     |
| Public safety               | 82.21%                         | 132,205                     | 25                          | 132,180                        | 528720.0%                 |
| Capital outlay              | 0.00%                          | -                           | 12,554                      | (12,554)                       | -100.0%                   |
| <b>TOTAL - EXPENDITURES</b> | <b>100.00%</b>                 | <b>\$ 160,806</b>           | <b>\$ 36,211</b>            | <b>\$ 124,595</b>              | <b>344.1%</b>             |

Projects completed in 2018 include remodel and stabilization of the county jail and a proximity locks project for the courthouse and other county buildings.

**Fund Balance Re-Cap  
(Capital Improvement Fund)**

|                                 | <b>Fiscal Year<br/>2018</b> | <b>Fiscal Year<br/>2017</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|---------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| FUND BALANCE, Beginning of year | \$ 1,313,488                | \$ 639,147                  | \$ 674,341                     | 105.5%                    |
| FUND BALANCE, End of year       | 1,669,542                   | 1,313,488                   | 356,054                        | 27.1%                     |

**Fund Balance** — The fiscal year 2018 year-end fund balance of \$1,669,542 represents an increase of \$356,054 or 27.1% over the 2017 fund balance. The increase was primarily due to receiving more revenues than were expended in the fund.

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GENERAL HUMAN SERVICES FUND

The General Human Services Fund is a major fund, and total revenues of \$918,998 were generated. Total expenditures of \$911,592 were noted, leaving a year-end fund balance of \$76,817 (increase of \$7,406 from fiscal year 2017). This fund encompasses services areas such as Retired and Senior Volunteer Program (RSVP), Single Entry Point (SEP), and Community Service Block Grant (CSBG).

**Schedule of Revenues
(General Human Services Fund)**

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
Intergovernmental	\$ 918,998	\$ 888,641	\$ 30,357	3.4%
TOTAL - REVENUES	\$ 918,998	\$ 888,641	\$ 30,357	3.4%

Property Taxes — No mills are allocated to this fund.

Intergovernmental — This category includes federal and state sources. In fiscal year 2018, there was a 3.4% or \$30,357 increase over fiscal year 2017.

**Schedule of Expenditures
(General Human Services Fund)**

	Percentage of Total	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percent Change
Current:					
Health and human services	95.11%	\$ 866,980	\$ 765,780	\$ 101,200	13.2%
Capital outlay	4.89%	\$ 44,612	\$ 123,300	\$ (78,688)	-63.8%
TOTAL - EXPENDITURES	100.00%	\$ 911,592	\$ 889,080	\$ 22,512	2.5%

General Human Services — The expenditure summary shows an 2.5% increase in expenditures from fiscal year 2017 to 2018. Revenues exceeded expenditures by \$7,406 during fiscal year 2018.

**Fund Balance Re-Cap
(General Human Services Fund)**

	2018	2017	(Decrease)	Change
FUND BALANCE, Beginning of year	\$ 69,411	\$ 69,850	\$ (439)	-0.6%
FUND BALANCE, End of year	76,817	69,411	7,406	10.7%

Fund Balance — This figure represents an increase of 10.7% or \$7,406 in fund balance for the year. This is primarily due to timing issues associated with the State’s fiscal year regarding expenditure reimbursement.

NON-MAJOR GOVERNMENTAL FUNDS

Information for non-major governmental funds is aggregated and reported as other types of funds in the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the other supplemental information section of this financial report. Included in the County’s non-major governmental funds are the Insurance Fund, Clerk Hire Fund, Conservation Trust Fund, Health Fund, Area Agency on Aging Fund, and the Otero County Land Trust Fund.

Insurance Fund resources are utilized to pay premiums for the County Casualty and Property Pool (CAPP) coverage, and any other costs associated with its liability and/or property program. A mill levy is used to develop the necessary resources needed to provide the appropriate levels of insurance coverage. The year-end fund balance decreased to \$348,309 in fiscal year 2018. due to receiving less revenues than were expended in the fund. Premiums are based on a three-year average of claims incurred. The philosophy of the Board of County Commissioners is to allocate a portion of the mill levy at a level to provide funding for the premium. Furthermore, the Board agrees that the fund balance should remain at approximately \$250,000. It is important to note that the deductible for the insurance fund is recognized in the difference from the claim amount submitted and the insurance recovery (\$1,000 for property and \$500 for vehicles).

Clerk Hire Fund provides staffing and supports for the Clerk and Recorder operations. Staff license motor vehicles, record documents, complete title transactions, etc. Its main financial resource is from the service fees charged through for the various transactions. A fiscal year 2018 year-end fund balance of \$341,626

reflects a decrease of \$119,384 over 2017, mainly due to a remodel of the Clerk and Recorder's office. Changes in personnel staffing from year to year are used to maintain the fund balance at a viable number.

Conservation Trust Fund resources are used to develop/maintain recreational facilities or opportunities. The \$18,763 increase in fiscal year 2018 year-end fund balance is result of decreased expenditures leaving a fund balance of \$315,111.

Health Fund Otero County Health Department (OCHD) is also considered to be a non-major fund for reporting purposes. Revenues (including transfers-in of \$56,493) totaled \$1,506,854 and expenditures amounted to \$1,443,195. A year-end fund balance of \$1,312,328 represented an increase of \$63,659. OCHD is the statutorily required local public health agency serving both Crowley and Otero Counties in rural, Southeast Colorado. In addition to providing statutorily required public health services in the aforementioned counties, OCHD serves many other counties regionally with "siloes" program specific services. Public health funding is conspicuously volatile and transient, with many OCHD programs being grant funded and prone to this effect. These grant funded programs are literally "here today, gone tomorrow" due to the caprices of the grantors. The unrelenting search for funding is a major focus of OCHD administration.

Area Agency on Aging (AAA) Fund is used to provide services to the elderly residents in the region. A variety of agencies/programs are direct recipients of allocated funds through the AAA, i.e., transportation, advocacy, meal services, dental access, etc. Revenues come primarily from intergovernmental sources, and the year-end fund balance of \$65,108.

Otero County Land Trust Fund (OCLT) provides support for the County's conservation easement program. The Fund Balance of \$65,759 represents a decrease of \$262, which is the annual stewardship monitoring costs which is done on conservation easements in perpetuity.

OTHER FUNDS

Information for other funds is reported as other types of funds in the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the other supplemental information section of this financial report. Included in the County's other funds is the Contingent Fund. This fund is presented within the General Fund.

The Contingent Fund is used to provide resources for any financial contingencies that might arise. The year-end fund balance for the Contingent Fund is \$305,563. This represents a decrease of \$315 in fiscal year 2018.

PROPRIETARY FUNDS

The County's proprietary funds provide the same type of information found in the County-wide financial statements, but in more detail. Proprietary funds account for operations that are organized to be self-supporting through user charges. The County's proprietary funds consist of two internal services funds.

COMPONENT UNITS

The Small Business Development Revolving Loan Fund (SBDRLF) focuses on providing loans to small businesses. The financial activities of the SBDRLF are presented as a "discretely presented component unit" in the County's financial statements.

The 911 Otero County Emergency Telephone Service Authority Board was created for the purpose of providing 911 emergency phone services in Otero County. The financial activities of the E911 Authority are presented as a "discretely presented component unit" in the County's financial statements.

INTERNAL SERVICES FUNDS

Internal services funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost reimbursement basis. The County's internal services funds are used to account for a self-insured health benefit plan and a capital equipment acquisition program.

The County's Internal Services Fund is used as a resource base to purchase requested equipment (over \$1,000) for the various departments. Assets are purchased through the fund; amortized costs are then charged to each department as a "rental charge." When an item needs replacement, adequate funds have been generated through the on-going rental fees to make a replacement purchase. Revenues totaled \$200,953 in fiscal year 2018. The overall year-end increase in net position was \$75,423.

The Medical Trust Fund is an internal service fund used to account for the County's self-insured health benefit program. Revenues to support the program originate from two primary sources:

1. Employee contributions toward the cost of the health benefit program premiums,
2. County contributions toward the cost of the health benefit program premiums.

Expenditures include claims, stop-loss premiums and plan administration for a health benefit program for employees and their families.

In fiscal year 2018, the County expenditures exceeded revenues by \$88,302 leaving a net position of \$1,675,110. Based on actual claims for the last 6 months in fiscal year 2018, it was estimated that claims incurred but not reported (IBNR) would be about \$393,191. The final IBNR was calculated using July to December 2018 and includes a 10% adjustment for inflation and reflects only an estimate of claims payable recorded at year end with a lag time of 75 days.

The costs of health care continue to rise, and the County revised its schedule of benefits and premium rates to offset these increases.

FIDUCIARY / AGENCY FUNDS

A variety of accounts are maintained by the County Treasurer, Public Trustee, and County Clerk that are custodial in nature, i.e., taxing entity disbursements, etc. A total of \$646,210 in deposits was being held at December 31, 2018.

MAJOR FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2018 budget that was adopted by the Board of County Commissioners on December 11, 2017, showed total appropriations of \$23,418,852. This amount includes \$6,801,992 in total General Fund appropriations. Budgeted expenditures in this fund are up \$841,125 from fiscal year 2017. The excess of revenues over expenditures for the General Fund in fiscal year 2018 was \$49,810. There is not a significant difference between the adopted budget and the final revised budget with regard to the functional distribution of expenditures.

With regard to the *major funds*, the variance of actual results compared to the final revised budget shows that the County did not overspend its fiscal year 2018 budget for these funds, except for the Social Services

fund which was overspent by \$26,595.

A re-cap of the *non-major funds* indicates that the County under spent the fiscal year 2018 budget in these areas by \$668,099 for all non-major funds, with the exception of the Insurance Fund, which was overspent by \$45,321. The primary reason for this under-expenditure was substantial under spending of the Conservation Trust Fund of \$252,497, Health Fund of \$90,652, and Area Agency on Aging fund of \$328,385.

CAPITAL ASSETS

The County's investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$13,116,159 (net of accumulated depreciation of \$12,358,691). Capital assets include land, buildings, improvements, machinery, vehicles, equipment, and infrastructure currently acquired. Additional information concerning capital assets can be found in Note 4 to the financial statements.

LONG-TERM OBLIGATIONS

As of December 31, 2018, the County had long-term obligations outstanding of \$1,775,075, including amounts currently due of \$283,477. This includes compensated leave in the amount of \$448,137, and a portion of closure/post-closure costs associated with the aforementioned OCLI solid waste landfill sites in the amount of \$1,245,729, Otero County portion. The reader should refer to Note 6 of the Notes to the Financial Statements for further information relative to long-term debt.

COMPONENT UNITS

Only summary information regarding component units appears in the County's financial statements. Currently, the only recognized component units are the Otero County Emergency Telephone Service Authority Board (E911) and the Small Business Development Revolving Loan Fund. The reader should refer to Note 1 of the Notes to the Financial Statements for further information relative to this "Discretely Presented Component Units."

FACTORS AFFECTING FUTURE FINANCIAL CONDITIONS

The FY2018 Budget continues to be impacted by the general economic conditions within the County therefore the County has again adopted a conservative approach to the budget. Otero County has not been immune from the economic hardships seen in other parts of Colorado as well as the United States. There is no doubt that the County has been impacted by the drought, however, Otero County saw some financial relief in 2018 with a slight increase in property tax revenue. Furthermore, Otero County employees were conservative when utilizing the Medical Trust Fund and we were able to give a Cost of Living Adjustment (COLA) of \$100/employee/month increase and a 2-step Anniversary increase upon a satisfactory evaluation. Furthermore, continued efforts to acquire our local agricultural water resources for municipal use may have a serious impact on future tax revenue streams (change from productive ground to pasture/vacant land).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Otero County, Colorado's finances for all those with an interest in the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the County Administrator at 13 West Third Street, Suite 212, La Junta, Colorado, 81050. Telephone number is (719) 383-3000 / (719) 383-3090 (fax).

Basic Financial Statements

Otero County, Colorado
Statement of Net Position
December 31, 2018

	Governmental Activities	Component Units	
		E-911 Services	Small Business Development Fund
Assets			
Cash and Investments	\$ 16,225,264	\$ 256,839	\$ 367,314
Accounts Receivable	1,522,332	13,192	465,925
Taxes Receivable	3,468,273	-	-
Interest Receivables	13,738	-	-
Due from other government	62,203	-	-
Inventory	199,178	-	-
Capital Assets, <i>Not Being Depreciated</i>	5,443,950	-	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	7,672,209	398,274	-
Total Assets	34,607,147	668,305	833,239
Liabilities			
Accounts Payable	1,734,186	5,925	40,000
Due to other governments	171,499	-	-
Public Trustee Deposits	13,407	-	-
Non-current Liabilities			
Due Within One Year	283,477	74,752	-
Due in More Than One Year	1,491,598	247,050	-
Total Liabilities	3,694,167	327,727	40,000
Deferred Inflows of Resources			
Property Taxes	3,468,273	-	-
Grant Revenue	615,083	-	-
Total Deferred Inflows of Resources	4,083,356	-	-
Net Position			
Net Investment in Capital Assets	13,034,950	76,472	-
Restricted For			
Emergencies	312,565	-	-
Grant	-	-	793,239
Statute	722,496	-	-
Unrestricted	12,759,613	264,106	-
Total Net Position	\$ 26,829,624	\$ 340,578	\$ 793,239

Otero County, Colorado
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit	
				Governmental Activities	E-911 Services	Small Business Development
Primary Government						
<i>Governmental Activities</i>						
General Government	\$ 4,280,186	\$ 572,074	\$ 373,216	\$ (3,334,896)	\$ -	\$ -
Public Safety	2,371,490	70,205	250,315	(2,050,970)	-	-
Public Works	3,449,501	255,549	233,466	(2,960,486)	-	-
Health and Welfare	9,025,524	2,527,773	6,666,698	168,947	-	-
Culture and Recreation	70,000	-	-	(70,000)	-	-
Conservation	226,127	-	52,480	(173,647)	-	-
Interest on Long-Term Debt	11,234	-	-	(11,234)	-	-
Total Government Activities	\$ 19,434,062	\$ 3,425,601	\$ 7,576,175	(8,432,286)	-	-
<i>Component Unit</i>						
E-911 Emergency Services	\$ 234,844	\$ 137,065	\$ -	-	(97,779)	-
Small Business Development	-	2,141	343,569	-	-	345,710
Total Business-Type Activities	\$ 234,844	\$ 139,206	\$ 343,569	-	(97,779)	345,710
General Revenues						
Property Taxes				3,371,574	-	-
Specific Ownership Taxes				705,413	-	-
Sales Taxes				1,660,228	-	-
Highway User Tax				1,955,522	-	-
Payment in Lieu of Taxes				494,522	-	-
Other Taxes				24,742	-	-
Fines and Forfeitures				3,180	-	-
Investment Income				175,616	649	-
Miscellaneous				213,657	-	29,325
Gain on sale of Capital assets				17,597	-	-
Insurance Recovery				12,449	-	-
Total General Revenues				8,634,500	649	29,325
Change in Net Position				202,214	(97,130)	375,035
Net Position, Beginning of year				26,627,410	437,708	418,204
Net Position, End of year				\$ 26,829,624	\$ 340,578	\$ 793,239

Otero County, Colorado
Balance Sheet
Governmental Funds
December 31, 2018

	General	Road & Bridges	Social Services	Capital Improvement	General Human Services	Nonmajor Governmental Funds	Totals
Assets							
Cash	\$ 2,779,515	\$ 1,322,952	\$ 845,135	\$ 773,702	\$ 562,172	\$ 2,277,787	\$ 8,561,263
Investments	2,423,805	1,267,966	-	734,088	534,828	-	4,960,687
Cash with Trustee	54,846	-	-	-	-	-	54,846
Accounts Receivable	510,522	118,691	225,804	7,228	96,587	482,023	1,440,855
Taxes Receivable	1,903,220	656,425	395,056	434,561	-	79,011	3,468,273
Interest Receivables	13,738	-	-	-	-	-	13,738
Due from Other Governments	-	-	62,203	-	-	-	62,203
Notes Receivable - Interfund	-	-	-	160,377	-	-	160,377
Inventory	-	199,178	-	-	-	-	199,178
Total Assets	\$ 7,685,646	\$ 3,565,212	\$ 1,528,198	\$ 2,109,956	\$ 1,193,587	\$ 2,838,821	\$ 18,921,420
Liabilities							
Accounts Payable	235,751	48,815	49,688	5,853	848,320	152,568	1,340,995
Accrued Liabilities	18,834	4,366	-	-	-	5,241	28,441
Due to Other Governments	54,846	-	116,653	-	-	-	171,499
Notes Payable - to other funds	160,377	-	-	-	-	-	160,377
Public Trustee Deposits	13,407	-	-	-	-	-	13,407
Total Liabilities	483,215	53,181	166,341	5,853	848,320	157,809	1,714,719
Deferred Inflows of Resources							
Property Taxes	1,903,220	656,425	395,056	434,561	-	79,011	3,468,273
Unavailable Grant Revenues	-	-	261,134	-	268,450	153,760	683,344
Total Deferred Inflows of Resources	1,903,220	656,425	656,190	434,561	268,450	232,771	4,151,617
Fund Balances							
Nonspendable inventory	-	199,178	-	-	-	-	199,178
Restricted	312,565	-	-	-	-	722,496	1,035,061
Committed	305,563	2,656,428	705,667	1,669,542	76,817	1,725,745	7,139,762
Unrestricted, Unassigned	4,681,083	-	-	-	-	-	4,681,083
Total Fund Balances	5,299,211	2,855,606	705,667	1,669,542	76,817	2,448,241	13,055,084
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,685,646	\$ 3,565,212	\$ 1,528,198	\$ 2,109,956	\$ 1,193,587	\$ 2,838,821	\$ 18,921,420

Otero County, Colorado
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2018

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

Total Fund Balances of Governmental Funds	\$ 13,055,084
Deferred inflow of resources for amounts not received within the availability period are not reported as revenue in the governmental funds	68,261
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Non Depreciable Cost	5,443,950
Depreciable Cost	20,030,899
Less Accumulated Depreciation	(12,358,690)
The internal service funds are used by management to charge the costs of the operation and maintenance of the vehicle fleet and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position	2,336,754
Liabilities not due and payable in the current period are not reported in the fund balance sheets, but are reported on the government-wide statement of net position	
Capital lease payable	(81,209)
Compensated absences	(419,696)
Landfill post closure	<u>(1,245,729)</u>
Total Net Position of Governmental Activities	<u>\$ 26,829,624</u>

Otero County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Road & Bridges	Social Services	Capital Improvement	General Human Services	Nonmajor Governmental Funds	Totals
Revenues							
Property Tax	\$ 1,850,891	\$ 637,843	\$ 384,048	\$ 422,012	\$ -	\$ 76,780	\$ 3,371,574
Specific Ownership Tax	387,097	133,510	80,350	88,386	-	16,070	705,413
Sales Tax	1,660,228	-	-	-	-	-	1,660,228
Intergovernmental Taxes	24,742	1,955,522	-	-	-	-	1,980,264
Intergovernmental Charges for Services	1,262,624	233,466	3,435,632	-	910,863	2,328,699	8,171,284
Fines and Forfeitures	462,463	255,549	-	-	-	272,995	991,007
Investment Earnings	3,180	-	-	-	-	-	3,180
Miscellaneous	154,158	-	-	-	-	6,113	160,271
	120,326	-	-	6,462	8,135	78,734	213,657
Total Revenues	5,925,709	3,215,890	3,900,030	516,860	918,998	2,779,391	17,256,878
Expenditures							
Current							
General Government	3,042,577	-	-	28,601	-	350,930	3,422,108
Public Safety	2,306,844	-	-	132,205	-	-	2,439,049
Public Works	159,651	2,656,577	-	-	-	-	2,816,228
Health and Welfare	38,787	-	3,925,900	-	866,980	2,390,345	7,222,012
Culture and Recreation	25,468	-	-	-	-	41,265	66,733
Conservation	224,988	-	-	-	-	1,318	226,306
Capital Outlay	-	785,401	-	-	44,612	140,104	970,117
Debt Service							
Principal	10,339	-	-	-	-	-	10,339
Interest and Fiscal Charges	11,234	-	-	-	-	-	11,234
Total Expenditures	5,819,888	3,441,978	3,925,900	160,806	911,592	2,923,962	17,184,126
Revenues Over (Under) Expenditures	105,821	(226,088)	(25,870)	356,054	7,406	(144,571)	72,752
Other Financing Sources (Uses)							
Sale of Assets	482	13,925	-	-	-	-	14,407
Insurance Recovery	-	-	-	-	-	12,449	12,449
Transfers In	-	-	-	-	-	56,493	56,493
Transfers Out	(56,493)	-	-	-	-	-	(56,493)
Total Other Financing Sources (Uses)	(56,011)	13,925	-	-	-	68,942	26,856
Net Change in Fund Balances	49,810	(212,163)	(25,870)	356,054	7,406	(75,629)	99,608
Fund Balances, Beginning of year	5,249,401	3,067,769	731,537	1,313,488	69,411	2,523,870	12,955,476
Fund Balances, End of year	\$ 5,299,211	\$ 2,855,606	\$ 705,667	\$ 1,669,542	\$ 76,817	\$ 2,448,241	\$ 13,055,084

Otero County, Colorado
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2018

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

Net Change in Fund Balances of Governmental Funds	\$	99,608
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and depreciation expense.</p>		
Capital Outlay		1,206,608
Depreciation Expense		(682,091)
<p>Governmental funds do not record deletions or losses; however, in the statement of activities these assets and accumulated depreciation are removed, and losses are recorded</p>		
Assets Removed		(105,278)
Accumulated Depreciation		105,278
<p>The internal service funds used by management to charge the costs of the operation and maintenance of the vehicle fleet and employee insurance to individual funds are reported in the government-wide statement of activities as governmental activities</p>		
		(12,879)
<p>Eliminate internal service funds portion of capital outlay, disposals and depreciation expense included in adjustment above.</p>		
Depreciation expense		104,320
Capital Outlay		(123,290)
<p>Deferred inflow of resources for amounts not received within the availability period are not reported as revenue in the governmental funds.</p>		
		(109,947)
<p>Principal paid on capital leases</p>		
		10,339
<p>Compensated absences and landfill post-closure costs reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Landfill		(239,967)
Compensated Absences		(50,487)
Change in Net Position of Governmental Activities		<u>202,214</u>
	\$	<u>202,214</u>

Otero County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2018

	Internal Service	Medical Trust	Totals
Assets			
<i>Current Assets</i>			
Cash and cash equivalent	\$ 580,151	\$ 2,068,317	\$ 2,648,468
Accounts Receivable	81,493	(16)	81,477
Total Current Assets	661,644	2,068,301	2,729,945
<i>Noncurrent Assets</i>			
Capital Assets, <i>Net of Accumulated Depreciation</i>	248,450	-	248,450
Total Noncurrent Assets	248,450	-	248,450
Total Assets	910,094	2,068,301	2,978,395
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	-	393,191	393,191
Total Current Liabilities	-	393,191	393,191
Net Position			
Net Investment in Capital Assets	248,450	-	248,450
Unrestricted	661,644	1,675,110	2,336,754
Total Net Position	\$ 910,094	\$ 1,675,110	\$ 2,585,204

Otero County, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
December 31, 2018

	Internal Service	Medical Trust	Totals
Operating Revenues			
Charges for services	\$ 200,953	\$ 2,243,001	\$ 2,443,954
Total operating revenues	<u>200,953</u>	<u>2,243,001</u>	<u>2,443,954</u>
Operating Expenses			
General Government	24,400	576,654	601,054
Claims	-	1,769,994	1,769,994
Depreciation	<u>104,320</u>	<u>-</u>	<u>104,320</u>
Total operating expenses	<u>128,720</u>	<u>2,346,648</u>	<u>2,475,368</u>
Operating income (loss)	<u>72,233</u>	<u>(103,647)</u>	<u>(31,414)</u>
Non-Operating Revenues			
Gain on sale of assets	3,190	-	3,190
Interest revenue	<u>-</u>	<u>15,345</u>	<u>15,345</u>
Total non-operating revenues	<u>3,190</u>	<u>15,345</u>	<u>18,535</u>
Change in net position	75,423	(88,302)	(12,879)
Net Position , Beginning of year	<u>834,671</u>	<u>1,763,412</u>	<u>2,598,083</u>
Net Position , End of Year	<u>\$ 910,094</u>	<u>\$ 1,675,110</u>	<u>\$ 2,585,204</u>

Otero County, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Internal Service	Medical Trust	Totals
Cash Flows From Operating Activities			
Cash received from customer	\$ 203,063	\$ 2,251,457	\$ 2,454,520
Cash paid to vendors	(24,400)	(2,286,573)	(2,310,973)
Net Cash Provided (Used) by Operating Activities	178,663	(35,116)	143,547
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of assets	3,190	-	3,190
Payments for purchase of capital acquisition	(123,291)	-	(123,291)
Transfer to other fund	(25,749)	-	(25,749)
Net Cash Provided (Used) by Capital and Related Financing Activities	(145,850)	-	(145,850)
Cash Flows from Investing Activities			
Interest Received	-	15,345	15,345
Net cash provided by investing activities	-	15,345	15,345
Net Increase in Cash and Cash Equivalents	32,813	(19,771)	13,042
Cash and Cash Equivalents, <i>Beginning of Year</i>	547,338	2,088,088	2,635,426
Cash and Cash Equivalents, <i>End of Year</i>	\$ 580,151	\$ 2,068,317	\$ 2,648,468
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 72,233	\$ (103,647)	\$ (31,414)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	104,320	-	104,320
Changes in Asset and Liabilities			
Accounts Receivable	-	8,456	8,456
Claims payable		60,075	60,075
Accounts Payable	2,110	-	2,110
Net Cash Provided (Used) by Operating Activities	\$ 178,663	\$ (35,116)	\$ 143,547

See Notes to the Financial Statements.

Otero County, Colorado
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds with comparative 2017
December 31, 2018

	2018	2017
Assets		
Cash and cash equivalents	\$ <u>646,210</u>	\$ <u>697,917</u>
Total assets	<u>646,210</u>	<u>697,917</u>
Liabilities		
Due to other entities	<u>646,210</u>	<u>697,917</u>
Net cash (used) in capital and related financing activities	<u><u>\$ 646,210</u></u>	<u><u>\$ 697,917</u></u>

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

The financial statements of Otero County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. A summary of significant policies is as follows:

Reporting Entity

Otero County is a statutory county governed by an elected three-member commission. As required by generally accepted accounting principles, these financial statements present Otero County (the primary government) and its component units.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and 1) the County is able to significantly influence the programs or services performed or provided by the organizations; or 2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

Discretely Presented Component Units

Otero County Emergency Telephone Service Authority Board – The Otero County Emergency Telephone Service Authority Board (“Authority”) was created for the purpose of providing 911 emergency phone services for Otero County. All governmental entities of the County agreed to participate through an intergovernmental agreement. The County Commissioners have the power of appointment over the Board and are, therefore, deemed to have oversight responsibility over the Authority. The Authority is presented as a business-type activity. The Authority does not issue separate financial statements.

Small Business Development Revolving Loan Entity (AKA Otero Partners, Inc.) – The Small Business Development Revolving Loan Entity (AKA Otero Partners, Inc.) focuses on providing loans to small businesses, while at the same time offering technical assistance through the local Small Business Development Center. This entity was formed by intergovernmental agreement (IGA) with other governmental units and is considered a not-for-profit corporation under Colorado law and the Internal Revenue Code. Each of the participants appoints one board member to the governing body. The County has determined that this entity should be included in the reporting entity because its exclusion would render the financial statements misleading. In addition, there are no separately issued financial statements for this entity.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Joint Venture

Otero County Landfill, Inc. – Otero County is a participant along with six other entities within the County in a joint venture known as the Otero County Landfill, Inc. As a participant, the County is responsible for a portion of the closure and post-closure costs of the landfill. See Note 6 for the County's share of those estimated costs as of December 31, 2018. A complete financial report may be obtained from the administrative offices of Otero County.

Related Organizations

Otero County Housing Authority – The Otero County Housing Authority is governed by a five-member board appointed by the Commissioners. The Authority provides housing to certain qualified residents and is principally funded through federal grants and rental charges. Because the appointments are administrative in nature and control over the organization is at the federal government level, the Authority is treated as a related organization of the County rather than a component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. In identifying which function program revenue pertains, the determining factor for charges for services is the function that generates the revenue. For grants and contributions, the determining factor is the function that restricts the revenue. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. This approach differs from the manner in which the governmental activities in the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Property taxes, sales taxes, franchise taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant and entitlement awards are recorded as revenue when earned. Grants or entitlements received in excess of expenditures are recorded as deferred inflows of resources. Expenditures are recorded on an accrual basis.

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 expenditures are incurred, there are both restricted and unrestricted net position 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, and then by general reimbursement grant resources to each such programs, followed by categorical block grants, and then by general revenues.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

The County funds certain expenditures by a combination of restricted, committed, assigned and unassigned revenues. Thus, when expenditures are incurred, there are restricted, committed, assigned and unrestricted fund balance available to finance the expenditure. It is the County's policy to first apply restricted fund balance, followed by committed fund balance, and then by assigned fund balance to each such expenditure, followed by unassigned fund balance.

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remainder of net position is reported as not being restricted.

The County reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those which are required to be accounted for in another fund.

The Road & Bridge Fund is a special revenue fund, which is used to account for the proceeds of highway taxes and other specific revenue sources that are legally restricted to expenditures for maintenance and construction of the County road system and for the operation of solid waste disposal as outlined by an Intergovernmental Agreement with Otero County Landfill, Inc. (OCLI).

The Social Services Fund is a special revenue fund, which is used to account for federal, state and local revenues to be used to provide welfare services to eligible individuals within the County.

The Capital Improvement Fund is a major fund for financial reporting purposes. The fund is tentatively being targeted for a jail construction project and improvements to the County buildings. Management has chosen to show this fund as a major fund even though it does not meet the required tests to show it as a major fund.

The General Human Service Fund is a special revenue fund, which is used to account for federal, state and local revenues to be used to provide services to assist individuals who are in need to remain self-sufficient and be as independent as possible.

Special Revenue Funds – Special revenue funds are used to account for revenue sources that are legally restricted to expenditure for specific purposes. The other special revenue funds include the Insurance, Clerk Hire, Conservation Trust, Contingent, Health, AAA Services, and Otero County Land Trust (OCLT) funds.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Proprietary Funds – There are two proprietary funds. The Internal Service Fund accounts for the purchase of assets for departmental use with a minimum of \$1,000. The Medical Insurance fund accounts for medical benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service funds are charges for services. Operating expenses of the internal service funds include the costs of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others.

The agency funds are custodial in nature and do not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. Those funds are used to account for assets that the County holds for others in an agency capacity. The County's agency funds include the Treasurer's office, Clerk's office and Public Trustee.

Fund Equity – Fund equity at the governmental fund financial reporting level is classified as “fund balance”. “Fund equity for all other reporting is classified as “net position”.

Cash and Cash Equivalents – For the purpose of the statement of cash flows the government's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments.

The County may invest in bonds or other interest-bearing obligations issued by or unconditionally guaranteed by the United States, bonds that are the direct obligation of the State of Colorado, or any county, city or school district in the State. The County may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the moneys involved, and there is assignment of such security pursuant to current depository regulations.

Investments for the government, as well as for its component units, are reported at fair value.

Receivables and Payables – Outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

All trade and property tax receivables, including those for each discretely presented component unit, are shown net of an allowance for uncollectible accounts, if required.

Property taxes are not due and payable until after the assessment year has ended and are not included in the budgets or statements of revenues, expenditures and fund balance of the assessment year. Property taxes levied are recorded in the governmental funds as taxes receivable and deferred inflows of resources as of December 31, 2018, since the amounts are measurable but not available until 2019. Property tax abatements are recorded as an offset to property tax revenues when they are paid. An allowance for uncollectible property taxes is not provided as the uncollectible amounts were determined to be negligible based on an analysis of historical trends. Property taxes are levied before December 22 each year and attached as an enforceable lien on the property as of January 1 of the following year. Taxes are payable in full on April 30 or in two installments due on February 28 and June 15. The County, through the Otero County Treasurer, bills and collects its own property taxes as well as property taxes of all other taxing authorities within the County. Collection of taxes and distribution of them to the various taxing entities is done by the 10th of every month following the month of collection.

Inventory of Material and Supplies – Inventory is valued at cost using the first-in first-out (FIFO) method and consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a non-spendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of assets.

Capital Assets – Capital assets, which include property, equipment, and current infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets purchased for departmental use with a minimum cost of \$1,000 are purchased by the County Internal Services Fund and billed to the departments quarterly for their use. Donated capital assets are recorded at acquired value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Building, improvements and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Buildings	20 – 75 years
Building improvements	20 years
Public domain infrastructure	25 years
Vehicles	5 – 20 years
Office equipment	5 – 10 years
Computer and Equipment	3 – 5 years

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and eligible sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

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

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Fund Equity – In the fund financial statements, governmental funds report non-spendable amounts that are (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, long-term notes receivable and fund advances. Restrictions of fund balance represents amounts that are restricted for specific fund purposes stipulated by external resource providers constitutionally or through enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by the passage of a resolution by the Board of County Commissioners. Commitments may be modified or changed only by the Board of County Commissioners approving a new resolution. Assigned fund balance includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by the County Administrator. Unassigned fund balance includes amounts that do not meet any of the above criteria. The County may report positive unassigned fund balances only in the general fund and negative unassigned fund balances may be reported in all funds.

Net Position – The County’s net position is classified in the following components:

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

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

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Budgetary Information – The County's budgetary procedures are as follows:

Prior to October 15, the County Commissioners receive a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments. Prior to December 15, the budget is legally enacted through passage of a resolution. Revisions that alter the total expenditures of any fund generally must be approved by the Commissioners. Budgeted amounts in the accompanying financial statements include revisions to the original appropriation resolution. Appropriations lapse at year-end and any open purchase items must be appropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level.

Retirement Plan – The employees of the County are members of the Colorado County Official's and Employee's Retirement Association (CCOERA) (the Plan). The Plan is a defined contribution plan which is funded currently.

Comparative Information – Certain comparative information for the prior year has been presented to provide an understanding of the changes in the financial position and operations. This data does not include the disclosures required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the County's financial statements for the year ended December 31, 2017, from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Subsequent Events – The County has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

Note 2: Cash and Investments

Deposits – The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2018, the County's deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with PDPA.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 2: Cash and Investments (Continued)

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 equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the County's and Component Unit's cash and investments had the following book and bank balances:

Insured deposits	\$ 6,013,000
Collateralized deposits	8,748,245
ColoTrust	3,294,388
Cash with Trustee	<u>54,846</u>
 Total	 \$ <u>18,110,479</u>

Cash and Investment Reconciliation

Governmental funds - cash and investments	\$ 13,521,950
Governmental funds - cash with trustee	54,846
Proprietary funds	<u>2,648,468</u>
 Total primary government	 16,225,264
Agency funds	646,210
Component Units	<u>624,153</u>
 Total	 \$ <u>17,495,627</u>

The carrying amount of deposits for the E911 services and the small business development entity, discretely presented component units, was \$256,839 and the bank balance was \$367,314. These amounts are included in the above tables.

Investments – Colorado revised statutes specify investment instruments meeting defined rating and risk criteria in which the County may invest as follows:

- United States Treasury Obligations
- Federal Instrumentality Securities
- Time Certificates of Deposit
- Commercial Paper
- Money Market Mutual Funds
- Local Government Investment Pools

Interest Rate Risk – As a means of limiting its exposure to losses arising from prevailing market interest rates, it is the policy of the County to invest its funds in a manner which will provide the highest investment return while ensuring preservation of capital and protection of investment principal. The County's investment objectives are:

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 2: Cash and Investments (Continued)

Cash and Investment Reconciliation (Continued)

- Conformance with all federal, state and other legal requirements
- Preservation of capital and the protection of investment principal
- Maintaining sufficient liquidity to enable the County to meet all operating requirements
- Seek highest rate of return possible

The county recognizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1) inputs are quoted prices in active markets for identical assets; level 2) inputs are significant other observable inputs; and level 3) inputs are significant unobservable inputs. The County's recurring fair value measurements as of December 31, 2018, are represented by brokered certificates of deposit totaling \$5,003,000 which are valued using a pricing matrix (level 2 inputs) and money market mutual funds totaling \$24,593 which are valued using level 1) inputs. The County's investments held at ColoTrust are not subject to the fair value hierarchy.

Credit Risk – The County's investment policy limits investments to the following types of securities and transactions:

- United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Commercial paper rated in the highest rating category by one or more nationally recognized rating agencies.
- Securities of the World Bank, the inter-American development bank, the Asian development bank or the African development bank, if rated in the two highest rating categories by one or more nationally recognized rating agencies.
- Any Banker's Acceptance issued by a state or national bank which has a combined capital and surplus of at least \$250,000,000, is FDIC insured and is rated in one of the three highest rating categories by one or more nationally recognized agencies.
- Investment pools authorized by Colorado law.
- Guaranteed investment contracts purchased only with debt, certificates of participation or lease-purchase agreement (no refunding) proceeds.
- Commissioner approved depositories.

At December 31, 2018, the County had investments held in the Colorado Local Government Liquid Asset Trust (ColoTrust) and the investment is rated AAAM by Standard & Poor's. ColoTrust operates similarly to a money market fund with each share valued at \$1.00. These amounts are considered cash equivalents and totaled \$3,294,388 as of December 31, 2018. Separately issued financial statements for ColoTrust may be obtained at www.colotrust.com. The State Securities Commissioner administers and enforces all state statutes governing Colorado.

Concentration of Credit Risk – It is the intent of the County to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments. ColoTrust, as an external investment pool, does not pose a concentration of credit risk.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 3: Unavailable Grant Revenue

The statement of net position reports unavailable grant revenue of \$615,083 while the governmental funds balance sheet reports unavailable grant revenue of \$683,344, which represent resources that have been received but not yet earned.

Note 4: Capital Assets

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

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 434,954	\$ -	\$ -	\$ 434,954
Easements	5,008,996	-	-	5,008,996
<i>Total Capital Assets, Not Being Depreciated</i>	<u>5,443,950</u>	<u>-</u>	<u>-</u>	<u>5,443,950</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	5,422,257	625,669	-	6,047,926
Equipment	8,552,828	580,940	(105,278)	9,028,490
Infrastructure	4,954,484	-	-	4,954,484
<i>Total Capital Assets, Being Depreciated</i>	<u>18,929,569</u>	<u>1,206,609</u>	<u>(105,278)</u>	<u>20,030,900</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(2,693,475)	(213,303)	-	(2,906,778)
Equipment	(6,501,132)	(359,774)	105,278	(6,755,628)
Infrastructure	(2,587,270)	(109,015)	-	(2,696,285)
<i>Total Accumulated Depreciation</i>	<u>(11,781,877)</u>	<u>(682,092)</u>	<u>105,278</u>	<u>(12,358,691)</u>
<i>Total Capital Assets, Being Depreciated, net</i>	<u>7,147,692</u>	<u>524,517</u>	<u>-</u>	<u>7,672,209</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 12,591,642</u>	<u>\$ 524,517</u>	<u>\$ -</u>	<u>\$ 13,116,159</u>

Depreciation expense charged to functions of the primary governments is as follows:

General governments	\$ 188,667
Public safety	74,034
Public works	364,305
Public health and welfare	51,818
Culture and recreation	3,268
<i>Total depreciation expense</i>	<u>\$ 682,092</u>

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 4: Capital Assets (Continued)

Component Unit activity for the year ended December 31, 2018, is as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Component Unit				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 598,899	\$ 411,147	\$ (499,500)	\$ 510,546
Accumulated depreciation	<u>(584,958)</u>	<u>(26,814)</u>	<u>499,500</u>	<u>(112,272)</u>
Total	<u>\$ 13,941</u>	<u>\$ 384,333</u>	<u>\$ -</u>	<u>\$ 398,274</u>

Note 5: Interfund Balances and Transfers

Inter-fund transfers and balances for the year ended December 31, 2018, consisted of annual additional County support for the Otero County Health Department for 2018.

	<u>General Fund</u>	<u>Health Fund</u>	<u>Total</u>
Transfer in	\$ -	\$ 56,493	\$ 56,493
Transfer out	<u>(56,493)</u>	<u>-</u>	<u>(56,493)</u>
Total	<u>\$ (56,493)</u>	<u>\$ 56,493</u>	<u>\$ -</u>

The Capital Improvement Fund issued the General Fund a loan in the amount of \$295,365 for certain energy efficiency improvements. The remaining balance on this loan is \$160,377 as of December 31, 2018. The loan is payable in annual installments of \$30,098 and matures on November 1, 2024. This loan has been eliminated in the government-wide financial statements.

Note 6: Long-Term Obligations

Activity relating to long-term obligations for the year ended December 31, 2018, is as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital leases	\$ 91,548	\$ -	\$ (10,339)	\$ 81,209	\$ 9,450
Compensated absences	391,536	56,601	-	448,137	208,634
Closure and post-closure cost	<u>1,005,762</u>	<u>239,967</u>	<u>-</u>	<u>1,245,729</u>	<u>65,393</u>
Total	<u>\$ 1,488,846</u>	<u>\$ 296,568</u>	<u>\$ (10,339)</u>	<u>\$ 1,775,075</u>	<u>\$ 283,477</u>

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 6: Long-Term Obligations (Continued)

Closure and Post-Closure Cost – In 1994, Otero County entered into an intergovernmental agreement (IGA) with the City of La Junta, City of Rocky Ford, Town of Cheraw, Town of Swink, Town of Manzanola, and the Town of Fowler to establish and operate an approved solid waste disposal site and facility. The IGA formed the Otero County Landfill, Inc. (OCLI) to operate the three landfill sites within Otero County. The IGA transfers the liability for closure and post-closure costs to OCLI with the County and all participating entities responsible for a portion of the costs. These costs are based on an average of population and assessed valuation of each entity to the total of all entities. The current estimated total closure and post-closure costs are \$2,148,679 of which \$1,905,000 is allocated among the participating entities. Actual cost may be higher due to inflation, changes in technology, continuation of monitoring (water/methane), and/or changes in regulations. Based on the current allocation, the County's share is approximately 65% of the estimated \$1,905,000, amounting to \$1,245,729.

Component Unit – On August 7, 2018, the County entered a Lease Purchase Agreement with Motorola Solutions Credit Company, LLC for equipment, software and upgrades of E911 capital assets. Interest accrues on the Lease at 4.92% per annum. Principal and interest payments are due annually in September through 2022. Capital assets of \$411,147 less accumulated depreciation of \$20,557 are reported under this lease.

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
Component Unit					
Capital leases	\$ -	\$ 411,147	\$ (89,345)	\$ 321,802	\$ 74,752
Total	<u>\$ -</u>	<u>\$ 411,147</u>	<u>\$ (89,345)</u>	<u>\$ 321,802</u>	<u>\$ 74,752</u>

Note 7: Non-Spendable, Restricted, and Unrestricted Fund Balance

The County accounts for its fund balances in conformity with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- Non-spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This category includes items such as fund balance associated with inventories and prepaids.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 7: Non-Spendable, Restricted, and Unrestricted Fund Balance (Continued)

- Restricted: Fund balances are reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed: Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which would be the Board of County Commissioners through a formal resolution.
- Assigned: Amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Under the Commissioners' adopted policy, the authority to assign fund balances rests with the County Administrator and is delegated to staff. Interest earned on fund balances is assigned to be used by that fund unless otherwise specified in Commissioner or voter documentation.
- Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

	General	Road & Bridge	Social Services	Capital Improvement	General Human Services	Other	Total
Fund Balances							
Non-spendable inventory	\$ -	\$ 199,178	\$ -	\$ -	\$ -	\$ -	\$ 199,178
Restricted For:							
Statute		-	-	-	-	722,496	722,496
TABOR - emergencies	312,565	-	-	-	-	-	312,565
Committed To:							
Emergency Contingencies	305,563	-	-	-	-	-	305,563
General Government Activities	-	-	-	-	-	348,309	348,309
Public Works	-	2,656,428	-	-	-	-	2,656,428
Public Health and Welfare	-	-	705,667	-	76,817	1,377,436	2,159,920
Capital Projects	-	-	-	1,669,542	-	-	1,669,542
Unassigned							
General Government Activities	4,681,083	-	-	-	-	-	4,681,083
Total	\$ 5,299,211	\$ 2,855,606	\$ 705,667	\$ 1,669,542	\$ 76,817	\$ 2,448,241	\$ 13,055,084

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 8: Retirement Plan

The County participates in the Colorado County Officials and Employees Retirement Association (CCOERA) 401(a) plan (the Plan), a multi-employer defined contribution retirement plan. CCOERA's seven-member governing board has the authority to establish and amend the Plan. The Otero County Commissioners elects to participate in the Plan and is able to elect certain amendments and definitions of terms, including the definition of "compensation" and "employee" and to set contribution rates based on the County's Participation Agreement. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. All permanent full-time employees are required to participate as soon as they become eligible at entry date. At December 31, 2018, there were 165 County participants who had account balances in the Plan. The County Participation Agreement requires that the employees contribute 6% and the County contribute a like amount of the employee's base salary each month. Plan participants vest at the rate of 10% per year and are fully vested after 10 years of service or have reached 55 years of age. Participants who are not fully vested forfeit the remaining balance in their account. All forfeitures are placed into a separate account and used to reduce future contributions from the County.

During 2018, the County and covered employees made the required contributions, amounting to \$373,958 in County contributions and \$424,873 in employee contributions, which includes \$50,915 of employee voluntary contributions. During the year ended December 31, 2018, there were unvested participant account balances totaling \$37,365 which were forfeited, of this amount and the beginning of the year balance \$52,422 was used to reduce County contributions and the remaining balance of \$6,916 is in the forfeiture account at year-end. Subsequent to year-end the remaining balance was used to reduce the County contribution.

Note 9: Contingencies

In April of 1979, the County entered into an agreement with the Arkansas Valley Exposition and Fair Association to be the guarantor on a loan to the Association from Farmers Home Administration with a current balance of \$11,595. The proceeds were used in the construction of a 4-H building located in Rocky Ford, Colorado. The County will at all times act as guarantor of the annual repayment cost of \$11,913, which commenced January 1, 1980 and continue annually thereafter for a term of 40 years, to the extent that income derived from the use of the building does not meet the annual repayment cost. The County required an assignment of the lease between the City of Rocky Ford, Colorado and the Arkansas Valley Exposition and Fair Association as security for the loan, subordinate to the assignment required by the Farmers Home Administration.

The County is party to various legal proceedings which occur in the normal course of government operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the County. In addition, the County maintains insurance coverage for such occurrences.

Amounts received or receivable from grantor agencies are subject to audit adjustments by such grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the board. In that event, Otero County may be required to refund amounts to the federal and state governments.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 10: Risk Management

The County is exposed to various risks of loss related to property and casualty losses as well as those related to injuries of employees while on the job. The County was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. Therefore, the County joined together with the other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP) and the County Workers' Compensation Pool, (CWCP), public entity risk pools currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP and CWCP for its property and casualty insurance coverage and workers' compensation insurance coverage. The intergovernmental agreement 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. The County's claims have not exceeded its coverage in any of the last three years.

The County also handles health and life insurance claims for its employees. Premiums are charged to the County to cover medical claims with reinsurance provided by commercial carriers for individual claims in excess of \$50,000 annually.

The County records an estimated liability for health insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

The following represents the changes in the claims liability for health insurance for the County for the years ended December 31, 2018:

	Balance
Liability balance, Beginning of year	\$ 333,116
Incurred claims	1,769,994
Payments on claims	(1,709,919)
Liability balance, End of year (IBNR)	\$ 393,191

The Incurred but Not Received (IBNR) liabilities is booked at the end of the year. The IBNR is the claims that have been incurred but not yet paid. This is a 20186 month claim average / 365 x 75 days (lag time days). In 2018, the IBNR liability was \$393,191.

Note 11: Tax Spending and Debt Limitations

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Otero County, Colorado
Notes to the Financial Statements
December 31, 2018

Note 11: Tax Spending and Debt Limitations (Continued)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

The County's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise, may require judicial interpretation. In November 1995 a majority of the County's electors authorized the County to collect, retain and spend all revenues and other funds collected from any source notwithstanding the limitations of Article X, Section 20, of the Colorado Constitution.

Emergency Reserves have been provided for as required by Article X, Section 20, of the Constitution of the State of Colorado. \$312,565 of the net position and fund balance has been restricted in compliance with this requirement.

Note 12: Budgetary Compliance

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds: Social Services Fund is overspent by \$26,595, Insurance Fund is overspent by \$45,321, Medical Trust Fund is overspent by \$344,723, E911 Fund is overspent by \$30,295, which may be a violation of state statute.

Note 13: Related Party Transactions

The County entered into an agreement with OCLI to provide employees and equipment to run the landfill as well as provide administrative services for OCLI for its share of the required contributions. For the year ended December 31, 2018, the County incurred costs of \$164,227 on behalf of OCLI. The County has a receivable from OCLI in the amount of \$9,647 as of December 31, 2018.

Required Supplementary Information

Otero County, Colorado
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property Taxes	\$ 1,851,764	\$ 1,851,764	\$ 1,850,891	\$ (873)
Specific Ownership Taxes	363,431	363,431	387,097	23,666
Sales Taxes	1,555,746	1,555,746	1,660,228	104,482
Intergovernmental taxes	2,100	2,100	24,742	22,642
Intergovernmental	1,628,063	1,628,063	1,262,624	(365,439)
Charges for services	410,076	410,076	462,463	52,387
Fines and foreclosures	1,600	1,600	3,180	1,580
Investments earnings	116,498	116,498	154,158	37,660
Miscellaneous	99,143	99,143	120,326	21,183
Total revenues	<u>6,028,421</u>	<u>6,028,421</u>	<u>5,925,709</u>	<u>(102,712)</u>
Expenditures				
General government	3,993,115	3,993,115	3,042,577	950,538
Public Safety	2,179,156	2,191,842	2,306,844	(115,002)
Public Works	167,121	167,121	159,651	7,470
Health and welfare	63,670	63,670	38,787	24,883
Culture and recreation	31,308	31,308	25,468	5,840
Conservation	254,688	254,688	224,988	29,700
Principal	-	-	10,339	(10,339)
Interest and fiscal charges	6,441	-	11,234	(11,234)
Miscellaneous	50,000	50,000	-	50,000
Total expenditures	<u>6,745,499</u>	<u>6,751,744</u>	<u>5,819,888</u>	<u>931,856</u>
Excess (Deficiency) of revenues over expenditures	<u>(717,078)</u>	<u>(723,323)</u>	<u>105,821</u>	<u>829,144</u>
Other financing sources				
Sale of assets	-	-	482	482
Transfer out	(56,493)	(56,493)	(56,493)	-
Total other financing sources (uses)	<u>(56,493)</u>	<u>(56,493)</u>	<u>(56,011)</u>	<u>482</u>
Net changes in fund balance	(773,571)	(779,816)	49,810	\$ <u>829,626</u>
Fund Balance, Beginning of Year	<u>4,997,848</u>	<u>4,985,358</u>	<u>4,943,523</u>	
Fund Balance, End of Year	<u>\$ 4,224,277</u>	<u>\$ 4,205,542</u>	<u>\$ 4,993,333</u>	
Contingent Fund				
Fund Balance, Beginning of Year			305,878	
Net changes in fund balance			<u>-</u>	
Fund Balance, Beginning of Year			<u>305,878</u>	
Combined				
Fund Balance, Beginning of Year			5,249,401	
Net Changes in fund balance			<u>49,810</u>	
Fund Balance, End of Year			<u>\$ 5,299,211</u>	

See the accompanying Independent Auditors' Report.

Otero County, Colorado
Budgetary Comparison Schedule
Road and Bridge Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property Taxes	\$ 638,292	\$ 638,292	\$ 637,843	\$ (449)
Specific Ownership Taxes	104,000	104,000	133,510	29,510
Intergovernmental taxes	1,736,275	1,736,275	1,955,522	219,247
Intergovernmental	241,100	241,100	233,466	(7,634)
Charges for services	186,500	186,500	255,549	69,049
Miscellaneous	3,000	3,000	-	(3,000)
Total Revenues	<u>2,909,167</u>	<u>2,909,167</u>	<u>3,215,890</u>	<u>306,723</u>
Expenditures				
Public Works	2,833,148	2,818,692	2,656,577	162,115
Capital Outlay	777,445	791,901	785,401	6,500
Total expenditures	<u>3,610,593</u>	<u>3,610,593</u>	<u>3,441,978</u>	<u>168,615</u>
Excess (Deficiency) of revenues over expenditures	<u>(701,426)</u>	<u>(701,426)</u>	<u>(226,088)</u>	<u>475,338</u>
Other financing sources (uses)				
Sale of assets	20,000	-	13,925	(6,075)
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>13,925</u>	<u>(6,075)</u>
Net changes in fund balance	(681,426)	(701,426)	(212,163)	<u>\$ 469,263</u>
Fund Balance, Beginning of Year	<u>2,795,097</u>	<u>2,795,097</u>	<u>3,067,769</u>	
Fund Balance, End of Year	<u>\$ 2,113,671</u>	<u>\$ 2,093,671</u>	<u>\$ 2,855,606</u>	

Otero County, Colorado
 Budgetary Comparison Schedule
 Social Services Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property Taxes	\$ 383,378	\$ 383,996	\$ 384,048	\$ 52
Specific Ownership Taxes	70,000	70,000	80,350	10,350
Intergovernmental	3,932,431	3,453,625	3,435,632	(17,993)
Total Revenues	<u>4,385,809</u>	<u>3,907,621</u>	<u>3,900,030</u>	<u>(7,591)</u>
Expenditures				
Health and welfare	4,349,651	3,899,305	3,925,900	(26,595)
Total expenditures	<u>4,349,651</u>	<u>3,899,305</u>	<u>3,925,900</u>	<u>(26,595)</u>
Excess (Deficiency) of revenues over expenditures	<u>36,158</u>	<u>8,316</u>	<u>(25,870)</u>	<u>(34,186)</u>
Net changes in fund balance	36,158	8,316	(25,870)	\$ <u><u>(34,186)</u></u>
Fund Balance , Beginning of Year	<u>939,220</u>	<u>939,220</u>	<u>731,537</u>	
Fund Balance , End of year	<u><u>\$ 975,378</u></u>	<u><u>\$ 947,536</u></u>	<u><u>\$ 705,667</u></u>	

Otero County, Colorado
 Budgetary Comparison Schedule
 Capital Improvement Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property Taxes	\$ 422,342	\$ 422,342	\$ 422,012	\$ (330)
Specific Ownership Taxes	40,000	40,000	88,386	48,386
Miscellaneous	6,441	6,441	6,462	21
Total Revenues	<u>468,783</u>	<u>468,783</u>	<u>516,860</u>	<u>48,077</u>
Expenditures				
General government	20,250	17,000	28,601	(11,601)
Public Safety	23,195	23,195	132,205	(109,010)
Capital Outlay	1,500,000	1,500,000	-	1,500,000
Total expenditures	<u>1,543,445</u>	<u>1,540,195</u>	<u>160,806</u>	<u>1,379,389</u>
Net changes in fund balance	(1,074,662)	(1,071,412)	356,054	\$ <u>1,427,466</u>
Fund Balance , Beginning of Year	<u>1,275,000</u>	<u>1,275,000</u>	<u>1,313,488</u>	
Fund Balance , End of Year	<u>\$ 200,338</u>	<u>\$ 203,588</u>	<u>\$ 1,669,542</u>	

Otero County, Colorado
 Budgetary Comparison Schedule
 Human Services Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 917,938	\$ 917,938	\$ 910,863	\$ (7,075)
Other	-	-	8,135	8,135
Total Revenues	<u>917,938</u>	<u>917,938</u>	<u>918,998</u>	<u>1,060</u>
Expenditures				
Health and welfare	927,271	992,879	866,980	125,899
Capital Outlay	-	-	44,612	(44,612)
Total expenditures	<u>927,271</u>	<u>992,879</u>	<u>911,592</u>	<u>81,287</u>
Excess (Deficiency) of revenues over expenditures	<u>(9,333)</u>	<u>(74,941)</u>	<u>7,406</u>	<u>82,347</u>
Net changes in fund balance	(9,333)	(74,941)	7,406	\$ <u><u>82,347</u></u>
Fund Balance , Beginning of Year	<u>1,275,000</u>	<u>1,275,000</u>	<u>69,411</u>	
Fund Balance , End of Year	<u><u>\$ 1,265,667</u></u>	<u><u>\$ 1,200,059</u></u>	<u><u>\$ 76,817</u></u>	

Otero County, Colorado
Notes to Required Supplementary Information
December 31, 2018

Note 1: Budgetary Basis of Accounting

Budgetary information

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

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

Combining and Individual Fund Statements and Schedules

Otero County, Colorado
Combining Balance Sheet
Non-Major Funds
December 31, 2018

	Insurance Fund	Clerk Hire	Conservation Trust	Health Fund	AAA Services	Otero County Land Trust	Totals
Assets							
Cash and Investments	\$ 346,038	\$ 345,835	\$ 315,330	\$ 1,085,784	\$ 118,859	\$ 65,941	\$ 2,277,787
Accounts Receivable	2,271	-	-	303,442	176,310	-	482,023
Taxes Receivable	79,011	-	-	-	-	-	79,011
Total Assets	\$ 427,320	\$ 345,835	\$ 315,330	\$ 1,389,226	\$ 295,169	\$ 65,941	\$ 2,838,821
Liabilities							
Accounts Payable	\$ -	\$ 40	\$ 219	\$ 26,804	\$ 125,323	\$ 182	\$ 152,568
Accrued Liabilities	-	4,169	-	1,072	-	-	5,241
Total Liabilities	-	4,209	219	27,876	125,323	182	157,809
Deferred Inflows of Resources							
Property Taxes	79,011	-	-	-	-	-	79,011
Grant Revenue	-	-	-	49,022	104,738	-	153,760
Total deferred Inflows of resources	79,011	-	-	49,022	104,738	-	232,771
Fund Balances							
Restricted - Statute	-	341,626	315,111	-	-	65,759	722,496
Committed	348,309	-	-	1,312,328	65,108	-	1,725,745
Total Fund Balances	348,309	341,626	315,111	1,312,328	65,108	65,759	2,448,241
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 427,320	\$ 345,835	\$ 315,330	\$ 1,389,226	\$ 295,169	\$ 65,941	\$ 2,838,821

Otero County, Colorado
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2018

	Insurance Fund	Clerk Hire	Conservation Trust	Health Fund	AAA Services	Otero County Land Trust	Totals
Revenues							
Property Tax	\$ 76,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,780
Specific Ownership Tax	16,070	-	-	-	-	-	16,070
Intergovernmental	-	-	52,480	1,338,628	937,591	-	2,328,699
Charges for Services	-	179,816	-	93,179	-	-	272,995
Investment Income	196	-	4,861	-	-	1,056	6,113
Other	53,932	-	2,687	18,554	3,561	-	78,734
Total Revenues	<u>146,978</u>	<u>179,816</u>	<u>60,028</u>	<u>1,450,361</u>	<u>941,152</u>	<u>1,056</u>	<u>2,779,391</u>
Expenditures							
Current							
General Government	189,486	161,444	-	-	-	-	350,930
Health and Welfare	-	-	-	1,443,195	947,150	-	2,390,345
Public Works	-	-	-	-	-	-	-
Culture and Recreation	-	-	41,265	-	-	-	41,265
Conservation	-	-	-	-	-	1,318	1,318
Capital Outlay	-	137,756	-	-	2,348	-	140,104
Total Expenditures	<u>189,486</u>	<u>299,200</u>	<u>41,265</u>	<u>1,443,195</u>	<u>949,498</u>	<u>1,318</u>	<u>2,923,962</u>
Excess Revenues Over (Under) Expenditures	(42,508)	(119,384)	18,763	7,166	(8,346)	(262)	(144,571)
Other Financing Sources (Uses)							
Insurance Recovery	12,449	-	-	-	-	-	12,449
Transfers In	-	-	-	56,493	-	-	56,493
Total Other Financing Sources	<u>12,449</u>	<u>-</u>	<u>-</u>	<u>56,493</u>	<u>-</u>	<u>-</u>	<u>68,942</u>
Net Change in Fund Balances	(30,059)	(119,384)	18,763	63,659	(8,346)	(262)	(75,629)
Fund Balances, Beginning of year	<u>378,368</u>	<u>461,010</u>	<u>296,348</u>	<u>1,248,669</u>	<u>73,454</u>	<u>66,021</u>	<u>2,523,870</u>
Fund Balances, End of year	<u>\$ 348,309</u>	<u>\$ 341,626</u>	<u>\$ 315,111</u>	<u>\$ 1,312,328</u>	<u>\$ 65,108</u>	<u>\$ 65,759</u>	<u>\$ 2,448,241</u>

See the accompanying Independent Auditors' Report.

Otero County, Colorado
General Fund (including Contingent Fund)
Balance Sheet
December 31, 2018

	General Fund w/out	Contingent	General Fund Total
Assets			
Cash	\$ 2,473,952	\$ 305,563	\$ 2,473,952
Investments	2,423,805	-	2,423,805
Cash with Trustee	54,846	-	54,846
Accounts Receivable	510,522	-	510,522
Taxes Receivable	1,903,220	-	1,903,220
Interest Receivables	<u>13,738</u>	<u>-</u>	<u>13,738</u>
 Total Assets	 <u>\$ 7,380,083</u>	 <u>\$ 305,563</u>	 <u>\$ 7,380,083</u>
Liabilities			
Accounts Payable	235,751	-	235,751
Accrued Liabilities	18,834	-	18,834
Due to Other Governments	54,846	-	54,846
Notes Payable - to other funds	160,377	-	160,377
Public Trustee Deposits	<u>13,407</u>	<u>-</u>	<u>13,407</u>
 Total Liabilities	 <u>483,215</u>	 <u>-</u>	 <u>483,215</u>
Deferred Inflows of Resources			
Property Taxes	<u>1,903,220</u>	<u>-</u>	<u>1,903,220</u>
Fund Balances			
Restricted	312,565	305,563	312,565
Unrestricted, Unassigned	<u>4,681,083</u>	<u>-</u>	<u>4,681,083</u>
 Total Fund Balances	 <u>4,993,648</u>	 <u>305,563</u>	 <u>4,993,648</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 7,380,083</u>	 <u>\$ 305,563</u>	 <u>\$ 7,380,083</u>

Otero County, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund (including Contingent Fund)
For the Year Ended December 31, 2018

	General Fund w/out	Contingent	General Fund Total
Revenues			
Property Tax	\$ 1,850,888	\$ 3	\$ 1,850,888
Specific Ownership Tax	387,097	-	387,097
Sales Tax	1,660,228	-	1,660,228
Intergovernmental Taxes	24,742	-	24,742
Intergovernmental	1,262,624	-	1,262,624
Charges for Services	462,463	-	462,463
Fines and Forfeitures	3,180	-	3,180
Investment Earnings	154,158	-	154,158
Miscellaneous	120,326	-	120,326
	<u>5,925,706</u>	<u>3</u>	<u>5,925,706</u>
Total Revenues			
Expenditures			
Current			
General Government	3,042,259	318	3,042,259
Public Safety	2,306,844	-	2,306,844
Public Works	159,651	-	159,651
Health and Welfare	38,787	-	38,787
Culture and Recreation	25,468	-	25,468
Conservation	224,988	-	224,988
Debt Service			
Principal	10,339	-	10,339
Interest and Fiscal Charges	11,234	-	11,234
	<u>5,819,570</u>	<u>318</u>	<u>5,819,570</u>
Total Expenditures			
Revenues Over (Under) Expenditures	<u>106,136</u>	<u>315</u>	<u>106,136</u>
Other Financing Sources (Uses)			
Sale of Asses	482	-	482
Transfers Out	(56,493)	-	(56,493)
	<u>(56,011)</u>	<u>-</u>	<u>(56,011)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	50,125	-	50,125
Fund Balances, Beginning of year	<u>4,943,523</u>	<u>305,878</u>	<u>4,943,523</u>
Fund Balances, End of year	<u>\$ 4,993,648</u>	<u>\$ 305,878</u>	<u>\$ 4,993,648</u>

Otero County, Colorado
 Budgetary Comparison Schedule
 Insurance fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Tax	\$ 76,901	\$ 76,780	\$ (121)
Specific Ownership Tax	12,000	16,070	4,070
Investment Income	90	196	106
Other	50,000	53,932	3,932
Total Revenues	138,991	146,978	7,987
Expenditures			
General Government	144,165	189,486	(45,321)
Total Expenditures	144,165	189,486	(45,321)
Excess Revenues Over (Under) Expenditures	(5,174)	(42,508)	(37,334)
Other Financing Sources (Uses)			
Insurance Recovery	1,000	12,449	11,449
Net Change in Fund Balances	(4,174)	(30,059)	\$ <u>(25,885)</u>
Fund Balances, Beginning of year	277,441	378,368	
Fund Balances, End of year	\$ 273,267	\$ 348,309	

Otero County, Colorado
 Budgetary Comparison Schedule
 Clerk Hire Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$ 170,000	\$ 179,816	\$ 9,816
Total Revenues	170,000	179,816	9,816
Expenditures			
Current			
General Government	173,042	161,444	11,598
Capital Outlay	165,762	137,756	28,006
Total Expenditures	338,804	299,200	39,604
Excess Revenues Over (Under) Expenditures	(168,804)	(119,384)	49,420
Net Change in Fund Balances	(168,804)	(119,384)	\$ <u>49,420</u>
Fund Balances, Beginning of year	440,208	461,010	
Fund Balances, End of year	\$ 271,404	\$ 341,626	

Otero County, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 50,000	\$ 52,480	\$ 2,480
Investment Income	1,500	4,861	3,361
Other	2,687	2,687	-
Total Revenues	54,187	60,028	5,841
Expenditures			
Culture and Recreation	293,762	41,265	252,497
Total Expenditures	293,762	41,265	252,497
Excess Revenues Over (Under) Expenditures	(239,575)	18,763	258,338
Net Change in Fund Balances	(239,575)	18,763	\$ <u>258,338</u>
Fund Balances, Beginning of year	252,228	296,348	
Fund Balances, End of year	\$ 12,653	\$ 315,111	

Otero County, Colorado
 Budgetary Comparison Schedule
 Health Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,335,330	\$ 1,338,628	\$ 3,298
Charges for Services	91,371	93,179	1,808
Other	50,653	18,554	(32,099)
Total Revenues	1,477,354	1,450,361	(26,993)
Expenditures			
Health and Welfare	1,533,847	1,443,195	90,652
Total Expenditures	1,533,847	1,443,195	90,652
Excess Revenues Over (Under)			
Expenditures	(56,493)	7,166	63,659
Other Financing Sources (Uses)			
Transfers In	56,493	56,493	-
Net Change in Fund Balances	-	63,659	\$ <u>63,659</u>
Fund Balances, Beginning of year	1,154,772	1,248,669	
Fund Balances, End of year	\$ 1,154,772	\$ 1,312,328	

Otero County, Colorado
 Budgetary Comparison Schedule
 AAA Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,267,806	\$ 937,591	\$ (330,215)
Other	5,000	3,561	(1,439)
Total Revenues	1,272,806	941,152	(331,654)
Expenditures			
Current			
Health and Welfare	1,277,883	947,150	330,733
Capital Outlay	-	2,348	(2,348)
Total Expenditures	1,277,883	949,498	328,385
Excess Revenues Over (Under)			
Expenditures	(5,077)	(8,346)	(3,269)
Net Change in Fund Balances	(5,077)	(8,346)	\$ <u>(3,269)</u>
Fund Balances, Beginning of year	62,398	73,454	
Fund Balances, End of year	\$ 57,321	\$ 65,108	

Otero County, Colorado
 Budgetary Comparison Schedule
 Land Trust Fund
 For the Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Investment Income	\$ 100	\$ 1,056	\$ 956
Total Revenues	<u>100</u>	<u>1,056</u>	<u>956</u>
Expenditures			
Conservation	<u>3,600</u>	<u>1,318</u>	<u>2,282</u>
Total Expenditures	<u>3,600</u>	<u>1,318</u>	<u>2,282</u>
Excess Revenues Over (Under)			
Expenditures	<u>(3,500)</u>	<u>(262)</u>	<u>3,238</u>
Net Change in Fund Balances	(3,500)	(262)	\$ <u><u>3,238</u></u>
Fund Balances, Beginning of year	<u>64,867</u>	<u>66,021</u>	
Fund Balances, End of year	\$ <u><u>61,367</u></u>	\$ <u><u>65,759</u></u>	

Otero County, Colorado
 Budgetary Comparison Schedule
 Contingent Fund (included as Part of the General Fund)
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Tax	\$ -	\$ 3	\$ 3
Total Revenues	-	3	3
Expenditures			
General Government	300,000	318	299,682
Total Expenditures	300,000	318	299,682
Excess Revenues Over (Under)			
Expenditures	(300,000)	(315)	299,685
Net Change in Fund Balances	(300,000)	(315)	\$ 299,685
Fund Balances, Beginning of year	305,876	305,878	
Fund Balances, End of year	\$ 5,876	\$ 305,563	

Otero County, Colorado
 Budgetary Comparison Schedule
 Proprietary Fund
 Internal Service Fund
 For the Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for Services	\$ 165,842	\$ 200,953	\$ 35,111
Miscellaneous	<u>91,000</u>	<u>-</u>	<u>(91,000)</u>
Total operating revenues	<u>256,842</u>	<u>200,953</u>	<u>(55,889)</u>
Operating expenses			
General government	341,913	24,400	317,513
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>341,913</u>	<u>24,400</u>	<u>317,513</u>
Operating income (loss)	(85,071)	176,553	261,624
Non operating revenues			
Gain on sale of assets	<u>5,750</u>	<u>3,190</u>	<u>(2,560)</u>
Total non-operating revenues	<u>5,750</u>	<u>3,190</u>	<u>(2,560)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ (79,321)</u>	\$ 179,743	<u>\$ 259,064</u>
Reconciliation of Revenue and Expenses - GAAP Basis to Budgetary Basis			
Change in net position per statement of revenues:		75,423	
Expenses and changes in net position			
Expenditures for budgetary purposes:			
Depreciation		<u>104,320</u>	
Excess of revenues over expenditures		<u>\$ 179,743</u>	

Otero County, Colorado
 Budgetary Comparison Schedule
 Proprietary Fund
 Medical Trust Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Operating revenues			
Charges for Services	\$ 2,232,985	\$ 2,243,001	\$ 10,016
Total operating revenues	2,232,985	2,243,001	10,016
Operating expenses			
General government	519,791	576,654	(56,863)
Claims	1,482,134	1,769,994	(287,860)
Total operating expenses	2,001,925	2,346,648	(344,723)
Non operating revenues			
Interest Revenue	4,000	15,345	11,345
Total non-operating revenues	4,000	15,345	11,345
Change in net positions	235,060	(88,302)	\$ <u>(323,362)</u>
Net position, Beginning of year	1,412,378	1,763,412	
Net position, End of year	\$ 1,647,438	\$ 1,675,110	

Otero County, Colorado
 Budgetary Comparison Schedule
 Component Unit
 Small Business Development Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Operating revenues			
Intergovernmental	\$ 315,229	\$ 343,569	\$ 28,340
Charges for Services	500	2,141	1,641
Miscellaneous	52,000	29,325	(22,675)
Total operating revenues	367,729	375,035	7,306
Operating expenses			
Economic Development	505,710	-	505,710
Total operating expenses	505,710	-	505,710
Operating income (loss)	\$ (137,981)	\$ 375,035	\$ 513,016
Reconciliation of Revenue and Expenses - GAAP Basis to Budgetary Basis			
Change in net position per statement of revenues:		375,035	
Expenses and changes in net position			
Excess of revenues over expenditures		\$ 375,035	

Otero County, Colorado
 Budgetary Comparison Schedule
 Component Unit
 E911 Fund
 For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Operating revenues			
Charges for Services	\$ 120,000	\$ 137,065	\$ 17,065
Miscellaneous	100	649	549
Total operating revenues	120,100	137,714	17,614
Operating expenses			
Cash payments for goods and services	177,735	208,030	(30,295)
Total operating expenses	177,735	208,030	(30,295)
Operating income (loss)	\$ (57,635)	\$ (70,316)	\$ (12,681)
 Reconciliation of Revenue and Expenses - GAAP Basis to Budgetary Basis			
Change in net position per statement of revenues:		(97,130)	
Expenses and changes in net position			
Depreciation		26,814	
Excess of revenues over expenditures		\$ (70,316)	

Otero County, Colorado
 Agency Fund
 Combining Statement of Changes in Assets and Liabilities
 For the Year Ended December 31, 2018

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/18</u>
Treasurer				
Assets				
Cash and Investments	\$ 356,272	\$ 12,881,951	\$ (12,929,966)	\$ 308,257
	<u>356,272</u>	<u>12,881,951</u>	<u>(12,929,966)</u>	<u>308,257</u>
Liabilities				
Due to other governmental entities	<u>356,272</u>	<u>12,881,951</u>	<u>(12,929,966)</u>	<u>308,257</u>
Clerk				
Assets				
Cash and Investments	<u>341,645</u>	<u>4,765,439</u>	<u>(4,769,131)</u>	<u>337,953</u>
	<u>341,645</u>	<u>4,765,439</u>	<u>(4,769,131)</u>	<u>337,953</u>
Liabilities				
Due to other governmental entities	<u>341,645</u>	<u>4,765,439</u>	<u>(4,769,131)</u>	<u>337,953</u>
Total				
Assets				
Cash and Investments	<u>697,917</u>	<u>17,647,390</u>	<u>(17,699,097)</u>	<u>646,210</u>
	<u>697,917</u>	<u>17,647,390</u>	<u>(17,699,097)</u>	<u>646,210</u>
Liabilities				
Due to other governmental entities	<u>\$ 697,917</u>	<u>\$ 17,647,390</u>	<u>\$ (17,699,097)</u>	<u>\$ 646,210</u>

Compliance Section

State Compliance



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of County Commissioners
Otero County, Colorado
La Junta, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otero County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Otero County, and have issued our report thereon dated July 26, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of Otero County's internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Otero County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otero County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Greenwood Village, Colorado
July 26, 2019





**Independent Auditors' Report on Compliance for Each
Major Federal Program, Internal Control over Compliance,
and the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of County Commissioners
Otero County, Colorado
La Junta, Colorado

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Otero County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Otero 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 Otero County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 Otero County's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otero County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Otero County. We issued our report thereon dated July 26, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otero County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
July 26, 2019



Otero County, Colorado
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

Section I: Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grant
93.563	Child Support Enforcement
93.658	Foster Care - Title IV-E
93.778	Medical Assistance Program

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

Auditee qualified as low-risk auditee? Yes No

Otero County, Colorado
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Awards Findings and Questioned Costs

No current year findings or questioned costs were reported.

Otero County, Colorado
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
U.S. DEPARTMENT OF AGRICULTURE:				
Passed-through the State of Colorado Department of Human Services -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.56	N/A	\$ -	\$ 345,208
Passed-through the State of Colorado Department of Public Health -				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.56	08-FLA 00475	\$ -	\$ 705,868
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 1,051,076</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Aging - Cluster</i>				
Passed-through the State of Colorado Department of Human Services -				
Centers	93.04	19 IHEA 109384	\$ 41,994	\$ 57,016
Special Programs For The Aging Title III - Administration	93.04	19 IHEA 109384	\$ -	\$ 26,964
Special Programs For The Aging Title III Part C - Nutrition Services	93.05	19 IHEA 109384	\$ 172,870	\$ 172,870
Nutrition Services Incentive Program	93.05	19 IHEA 109384	\$ 79,450	\$ 79,450
Total Aging - Cluster			<u>\$ 294,314</u>	<u>\$ 336,300</u>
<i>CCDF - Cluster</i>				
Passed-through the State of Colorado Department of Human Services -				
Child Care and Development Block Grant	93.58	N/A	\$ -	\$ 111,466
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.6	N/A	\$ -	\$ 51,189
Total CCDF - Cluster			<u>\$ -</u>	<u>\$ 162,655</u>
<i>Other Programs</i>				
Passed-through the State of Colorado Department of Local Affairs -				
Community Services Block Grant	93.57	CMS 125910		\$ 60,643
Passed-through the State of Colorado Department of Human Services -				
Neglect & Exploitation	93.04	19 IHEA 109384	\$ -	\$ -

Otero County, Colorado
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
Older Individuals	93.04	19 IHEA 109384	\$ -	\$ 974
Special Programs For The Aging Title III Part D - Disease Prevention & Health Promotion Services	93.04	19 IHEA 109384	\$ 5,072	\$ 5,072
Special Programs for the Aging Title IV and Title III Discretionary Projects	93.048	0	\$ -	\$ 4,446
National Family Caregiver Support Title III Part E	93.05	19 IHEA 109384	\$ 33,370	\$ 33,370
Guardianship Assistance	93.090	N/A	\$ -	\$ 36,394
Temporary Assistance For Needy Families	93.56	N/A	\$ -	\$ 887,813
Low Income Home Energy Assistance	93.57	N/A	\$ -	\$ 847,598
Child Support Enforcement	93.56	N/A	\$ -	\$ 202,726
Adoption and Legal Guardianship Incentive Payments	93.6	N/A	\$ -	\$ 841
Stephanie Tubbs Jones Child Welfare Services Program	93.65	N/A	\$ -	\$ 25,363
Foster Care - Title IV-E	93.66	N/A	\$ -	\$ 396,648
	93.66	N/A	\$ -	\$ 100,098
Social Services Block Grant	93.67	N/A	\$ -	\$ 88,093
Passed-through the State of Colorado Department of Public Health and Environment -				
Public Health Emergency Preparedness	93.07	201700003381	\$ -	\$ 225,534
Immunization Cooperative Agreements	93.27	FHHA20150000000000143	\$ -	\$ 108,165

Otero County, Colorado
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
Passed-through the State of Colorado Department of Public Health Care				
Policy and Financing -				
Children's Health Insurance Program	93.77	201000000000021	\$ -	\$ 2,872
Medical Assistance Program	93.78	14-5537 IOL5	\$ 39,707	\$ 802,095
Adjustment per State	93.xxx	N/A	\$ -	\$ (193)
Passed-through the Centers for Medicare and Medicaid Services				
ACA - State Innovation Models	93.62	ENSWRHC02	\$ -	\$ 74,834
Passed-through the Administration for Children and Families				
Promoting Safe and Stable Families	93.56	N/A	\$ -	\$ 40,448
Total Other Programs			<u>\$ 78,149</u>	<u>\$ 3,943,834</u>
Passed-through the Association of Food and Drug Officials				
RESEARCH AND DEVELOPMENT				
Food and Drug Administration Research	93.1	G-SP-1710-5867	\$ -	\$ 249
Total Research and Development			<u>\$ -</u>	<u>\$ 249</u>
Total U.S. Department of Health and Human Services			<u>\$ 372,463</u>	<u>\$ 4,443,038</u>
DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)				
Passed-through Colorado Department of Public Safety				
Emergency Management Performance Grant	97.04	EMD-2017-EP-00008-S01	\$ -	\$ 11,296
Total U.S. Department of Homeland Security FEMA			<u>\$ -</u>	<u>\$ 11,296</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-through Colorado Department of Local Affairs				
Community Development Block Grant	14.23	F15CDB15599	\$ -	\$ 295,800

Otero County, Colorado
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Amount Expended
Total U.S. Department of Housing and Urban Development			\$ -	\$ 295,800
UNITED STATES DEPARTMENT OF AGRICULTURE				
Direct Assistance -				
Schools and Roads - Grants to Counties	10.67	N/A	\$ -	\$ 5,536
Total United States Department of Agriculture			\$ -	\$ 5,536
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Assistance -				
Retired and Senior Volunteer Program	94	N/A	\$ -	\$ 19,790
Total Corporation for National and Community Service			\$ -	\$ 19,790
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Direct Assistance -				
VHA Home Care	64.04	N/A	\$ 163,709	\$ 178,023
Total U.S. Department of Veterans Affairs			\$ 163,709	\$ 178,023
Total Expenditures of Federal Awards			\$ 536,172	\$ 6,004,559
			\$ 536,172	\$ 6,004,559
		total agrees to tab 1		\$ -

Otero County, Colorado
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Otero County, Colorado under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Administrative Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Otero County, Colorado, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Otero County, Colorado.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

Otero County, Colorado has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.