

**SAGUACHE COUNTY, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2010**



**Wall, Smith, Bateman & Associates, Inc.**  
Certified Public Accountants

**SAGUACHE COUNTY, COLORADO**  
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**December 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of County Commissioners  
Saguache County, Colorado  
Saguache, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Saguache County, Colorado (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County's financial statements as a whole. The combining nonmajor fund financial statements, and reports listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Wall, Smith, Bateman and Associates, Inc.*  
Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

July 18, 2011

**SAGUACHE COUNTY, COLORADO**

**BASIC FINANCIAL STATEMENTS**

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**SAGUACHE COUNTY, COLORADO**  
**STATEMENT OF NET ASSETS**  
**December 31, 2010**

	<b>Primary Government</b>		<b>TOTAL</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 3,722,784	\$ 74,835	\$ 3,797,619
Investments	393,409	-	393,409
Property Taxes Receivable	1,360,998	-	1,360,998
Due from Other Governments	2,975,982	-	2,975,982
Inventory	70,000	-	70,000
<b>Total Current Assets</b>	<b>8,523,173</b>	<b>74,835</b>	<b>8,598,008</b>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Land	90,122	73,331	163,453
Buildings, net	1,347,561	415,770	1,763,331
Vehicles & Equipment, net	3,291,087	-	3,291,087
Infrastructure, net	249,427	-	249,427
<b>Total Noncurrent Assets</b>	<b>4,978,197</b>	<b>489,101</b>	<b>5,467,298</b>
<b>TOTAL ASSETS</b>	<b>13,501,370</b>	<b>563,936</b>	<b>14,065,306</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	121,097	12,365	133,462
Accrued Payroll	6,400	-	6,400
Incurred But Not Reported Medical Claims	61,644	-	61,644
Due to Other Governments	1,197,131	-	1,197,131
Deferred Tax Revenue	1,360,998	-	1,360,998
Security Deposits	-	4,091	4,091
Capital Leases Payable (current portion)	30,015	-	30,015
Notes Payable (current portion)	-	301,735	301,735
<b>Total Current Liabilities</b>	<b>2,777,285</b>	<b>318,191</b>	<b>3,095,476</b>
<b>Noncurrent Liabilities:</b>			
Capital Leases Payable	227,643	-	227,643
Notes Payable	-	186,785	186,785
Closure and Post Closure Costs	460,000	-	460,000
Compensated Absences	163,161	-	163,161
<b>Total Noncurrent Liabilities</b>	<b>850,804</b>	<b>186,785</b>	<b>1,037,589</b>
<b>TOTAL LIABILITIES</b>	<b>3,628,089</b>	<b>504,976</b>	<b>4,133,065</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,260,539	581	4,261,120
Restricted for TABOR	250,000	-	250,000
Restricted for Forest Reserve Title III	196,566	-	196,566
Unrestricted	5,166,176	58,379	5,224,555
<b>TOTAL NET ASSETS</b>	<b>\$ 9,873,281</b>	<b>\$ 58,960</b>	<b>\$ 9,932,241</b>

See Notes to the Basic Financial Statements

**SAGUACHE COUNTY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Business-Type Activities	TOTAL
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 3,409,760	\$ 958,250	\$ 180,438	\$ 23,222	\$ (2,247,850)	\$ -	\$ (2,247,850)
Public Safety	1,140,753	153,095	86,158	-	(901,500)	-	(901,500)
Health and Welfare	5,030,151	14,075	4,695,073	-	(321,003)	-	(321,003)
Public Works	3,336,423	42,657	5,118,995	148,252	1,973,481	-	1,973,481
Culture and Recreation	209,044	-	38,148	-	(170,896)	-	(170,896)
Interest Expense	6,712	-	-	-	(6,712)	-	(6,712)
<b>Total Governmental Activities</b>	<b>13,132,843</b>	<b>1,168,077</b>	<b>10,118,812</b>	<b>171,474</b>	<b>(1,674,480)</b>	<b>-</b>	<b>(1,674,480)</b>
<b>Business-Type Activities:</b>							
Housing Authority	206,450	156,719	-	-	-	(49,731)	(49,731)
<b>Total Business-Type Activities</b>	<b>206,450</b>	<b>156,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,731)</b>	<b>(49,731)</b>
<b>Total Primary Government</b>	<b>\$ 13,339,293</b>	<b>\$ 1,324,796</b>	<b>\$ 10,118,812</b>	<b>\$ 171,474</b>	<b>(1,674,480)</b>	<b>(49,731)</b>	<b>(1,724,211)</b>
		<b>General Revenues:</b>					
		Taxes:					
		General Property Taxes - Net			1,362,849	-	1,362,849
		Sales Taxes			214,072	-	214,072
		Other Taxes			153,324	-	153,324
		Payment in Lieu of Taxes			453,709	-	453,709
		Interest on Investments			9,165	156	9,321
		Gain on Sale of Fixed Assets			2,637	-	2,637
		Miscellaneous			162,869	1,844	164,713
		<b>Total General Revenues and Special Items</b>			<b>2,358,625</b>	<b>2,000</b>	<b>2,360,625</b>
		Change in Net Assets			684,145	(47,731)	636,414
		<b>Net Assets - Beginning</b>			<b>9,189,136</b>	<b>106,691</b>	<b>9,295,827</b>
		<b>Net Assets - Ending</b>			<b>\$ 9,873,281</b>	<b>\$ 58,960</b>	<b>\$ 9,932,241</b>

See Notes to the Basic Financial Statements

**SAGUACHE COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2010**

ASSETS	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and Investments	\$ 1,653,186	\$ 2,039,127	\$ 176,473	\$ 217,680	\$ 4,086,466
Receivables:					
Property Taxes Receivable	1,137,497	-	223,501	-	1,360,998
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	327	-	5,546	5,873
Due from Other Governments	1,384,883	1,435,997	103,090	52,012	2,975,982
Inventory	-	70,000	-	-	70,000
<b>TOTAL ASSETS</b>	<b>\$ 4,175,566</b>	<b>\$ 3,545,451</b>	<b>\$ 503,064</b>	<b>\$ 275,238</b>	<b>\$ 8,499,319</b>

**LIABILITIES AND FUND BALANCE**

<b>LIABILITIES</b>					
Accounts Payable	\$ 25,524	\$ 44,259	\$ 21,040	\$ 11,916	\$ 102,739
Due to Other Funds	30,794	16,590	13,164	2,000	62,548
Due to Other Governments	1,197,131	-	-	-	1,197,131
Deferred Tax Revenue	1,137,497	-	223,501	-	1,360,998
<b>TOTAL LIABILITIES</b>	<b>2,390,946</b>	<b>60,849</b>	<b>257,705</b>	<b>13,916</b>	<b>2,723,416</b>

**FUND BALANCE**

Reserved for:					
Tabor	250,000	-	-	-	250,000
Inventory	-	70,000	-	-	70,000
Forest Service - Title III	196,566	-	-	-	196,566
Unreserved:					
Designated for:					
Subsequent Years Expenditures	-	-	-	500	500
Undesignated:					
General Fund	1,338,054	-	-	-	1,338,054
Special Revenue Funds	-	3,414,602	245,359	260,822	3,920,783
<b>TOTAL FUND BALANCE</b>	<b>1,784,620</b>	<b>3,484,602</b>	<b>245,359</b>	<b>261,322</b>	<b>5,775,903</b>

**TOTAL LIABILITIES AND FUND BALANCE**

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,175,566</b>	<b>\$ 3,545,451</b>	<b>\$ 503,064</b>	<b>\$ 275,238</b>	<b>\$ 8,499,319</b>
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**SAGUACHE COUNTY, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2010**

<b>Total governmental fund balances</b>	\$	5,775,903
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Accounts receivable used in the governmental activities that do not provide current financial resources and, therefore, are not reported in the funds.</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		4,978,197
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital Leases Payable	\$	(257,658)
Compensated Absences		(163,161)
Landfill Closure and Post-Closure Costs		(460,000)
		(880,819)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>9,873,281</b>

**SAGUACHE COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2010**

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 1,255,932	\$ 11	\$ 246,441	\$ 227,861	\$ 1,730,245
Intergovernmental Revenue	2,126,966	3,855,160	4,038,363	694,858	10,715,347
Licenses and Permits	68,750	32,854	-	-	101,604
Interest on Deposits	9,165	-	-	-	9,165
Charges for Services	1,042,595	38,451	-	14,075	1,095,121
Miscellaneous	98,988	37,555	8,093	18,233	162,869
<b>TOTAL REVENUES</b>	<b>4,602,396</b>	<b>3,964,031</b>	<b>4,292,897</b>	<b>955,027</b>	<b>13,814,351</b>
<b>EXPENDITURES</b>					
Current Expenditures:					
General Government	3,284,701	-	-	500	3,285,201
Public Safety	1,026,238	-	-	73,994	1,100,232
Health and Welfare	3,259	-	4,295,517	746,353	5,045,129
Public Works	195,286	2,673,617	-	65,950	2,934,853
Culture and Recreation	-	-	-	209,044	209,044
Capital Outlay	184,404	1,369,458	16,641	-	1,570,503
Debt Service	-	32,104	-	-	32,104
<b>TOTAL EXPENDITURES</b>	<b>4,693,888</b>	<b>4,075,179</b>	<b>4,312,158</b>	<b>1,095,841</b>	<b>14,177,066</b>
Excess (deficiency) of revenues over expenditures	(91,492)	(111,148)	(19,261)	(140,814)	(362,715)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	200,940	200,940
Transfers Out	(200,940)	-	-	-	(200,940)
Capital Lease Proceeds	-	283,050	-	-	283,050
Sale of Fixed Assets	-	2,637	-	-	2,637
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200,940)</b>	<b>285,687</b>	<b>-</b>	<b>200,940</b>	<b>285,687</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(292,432)	174,539	(19,261)	60,126	(77,028)
<b>Fund Balance at Beginning of Year</b>	<b>2,077,052</b>	<b>3,310,063</b>	<b>264,620</b>	<b>201,196</b>	<b>5,852,931</b>
<b>Fund Balance at End of Year</b>	<b>\$ 1,784,620</b>	<b>\$ 3,484,602</b>	<b>\$ 245,359</b>	<b>\$ 261,322</b>	<b>\$ 5,775,903</b>

See Notes to the Basic Financial Statements

**SAGUACHE COUNTY, COLORADO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**

**Net change in fund balances - total governmental funds** \$ (77,028)

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

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

Fixed asset additions	\$	1,715,135	
Fixed asset deletions net of accumulated depreciation		(105,300)	
Depreciation expense		<u>(501,222)</u>	
			1,108,613

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of principal include:

Capital Lease Payments		25,392	
Capital Lease Proceeds		<u>(283,050)</u>	
			(257,658)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		14,361	
Landfill Closure and Post-Closure Costs		<u>(14,156)</u>	
			205

Internal Service Funds are used by management to charge the costs of health insurance to the individual funds. The net revenue or loss of these services is reported with governmental activities.

(89,987)

**Change in net assets of governmental funds** **\$ 684,145**

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF NET ASSETS**  
**December 31, 2010**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>HOUSING AUTHORITY</b>	<b>Internal Service Fund HEALTH INSURANCE FUND</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 74,835	\$ 29,727
Due from Other Funds	-	56,675
<b>Total Current Assets</b>	<b>74,835</b>	<b>86,402</b>
<b>Noncurrent Assets:</b>		
<b>Capital Assets:</b>		
Land	73,331	-
Buildings and Improvements, net	415,770	-
<b>Total Noncurrent Assets</b>	<b>489,101</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>563,936</b>	<b>86,402</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	12,365	24,758
Incurred but Unreported Claims	-	61,644
Security Deposit	4,091	-
Notes Payable (current portion)	301,735	-
<b>Total Current Liabilities</b>	<b>318,191</b>	<b>86,402</b>
<b>Noncurrent Liabilities:</b>		
Notes Payable	186,785	-
<b>Total Noncurrent Liabilities</b>	<b>186,785</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>504,976</b>	<b>86,402</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	581	-
Unrestricted	58,379	-
<b>TOTAL NET ASSETS</b>	<b>\$ 58,960</b>	<b>\$ -</b>

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2010**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>HOUSING AUTHORITY</u>	<u>Internal Service Fund HEALTH INSURANCE FUND</u>
<b>OPERATING REVENUES</b>		
Rent from Tenants and HUD Operating Subsidy	\$ 156,719	\$ -
Charges for Service	-	576,428
Reinsurance Recoveries	-	119,645
Miscellaneous	1,844	-
	<u>158,563</u>	<u>696,073</u>
Total Charges for Services	<u>158,563</u>	<u>696,073</u>
<b>Total operating revenues</b>	<u>158,563</u>	<u>696,073</u>
<b>OPERATING EXPENSES</b>		
Administrative	84,407	-
Utilities	47,439	-
Operating and Maintenance	14,239	-
Insurance	6,420	-
Depreciation Expense	42,322	-
Purchased Services	-	786,212
	<u>194,827</u>	<u>786,212</u>
<b>Total operating expenses</b>	<u>194,827</u>	<u>786,212</u>
Operating Income (Loss)	<u>(36,264)</u>	<u>(90,139)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on Investments	156	152
Interest Expense	(11,623)	-
	<u>(11,467)</u>	<u>152</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(11,467)</u>	<u>152</u>
Changes in Net Assets	(47,731)	(89,987)
<b>Net Assets, Beginning of Year</b>	<u>106,691</u>	<u>89,987</u>
<b>Net Assets, End of Year</b>	<u>\$ 58,960</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2010**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>HOUSING AUTHORITY</u>	<u>Internal Service Fund HEALTH INSURANCE FUND</u>
<b>Cash flows from operating activities:</b>		
Cash received from tenants and others	\$ 82,099	\$ 519,753
Cash received from HUD operating subsidy	76,464	-
Cash paid to suppliers and service providers	(148,443)	(627,528)
Net cash provided (used) by operating activities:	10,120	(107,775)
<b>Cash flows from noncapital financing activities:</b>	-	-
<b>Cash flows from capital and related financing activities:</b>		
Payment of note principal and interest	(19,968)	-
Net cash provided (used) by capital and related financing activities	(19,968)	-
<b>Cash flows from investing activities:</b>		
Interest received	156	152
Net cash provided (used) by investing activities	156	152
<b>Increase (decrease) in cash and investments</b>	(9,692)	(107,623)
<b>Cash and cash equivalents, Beginning of the Year</b>	84,527	137,350
<b>Cash and cash equivalents, End of the Year</b>	<u>\$ 74,835</u>	<u>\$ 29,727</u>
<b>Operating income (loss)</b>	\$ (36,264)	\$ (90,139)
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b>		
Depreciation	42,322	-
(Increase) decrease in due from other funds	-	(56,675)
Increase (decrease) in accounts payable	4,062	24,758
Increase (decrease) in incurred but unreported claims	-	14,281
Total adjustments	46,384	(17,636)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 10,120</u>	<u>\$ (107,775)</u>

**SAGUACHE COUNTY, COLORADO**  
**FIDUCIARY FUND TYPES**  
**STATEMENT OF NET ASSETS**  
**December 31, 2010**

	<u>PUBLIC TRUSTEE</u>	<u>COUNTY TREASURER</u>	<u>COUNTY CLERK</u>	<u>SHERIFF'S TRUST</u>	<u>TOTAL AGENCY FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8,569	\$ 637,344	\$ 24,070	\$ 8,239	\$ 678,222
<b>TOTAL ASSETS</b>	<u>\$ 8,569</u>	<u>\$ 637,344</u>	<u>\$ 24,070</u>	<u>\$ 8,239</u>	<u>\$ 678,222</u>
<b>LIABILITIES</b>					
Due to Other Governments	\$ -	\$ 637,344	\$ -	\$ -	\$ 637,344
Deposits held in Trust	8,569	-	24,070	8,239	40,878
<b>TOTAL LIABILITIES</b>	<u>\$ 8,569</u>	<u>\$ 637,344</u>	<u>\$ 24,070</u>	<u>\$ 8,239</u>	<u>\$ 678,222</u>

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

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

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

***Component Units***

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

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

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

The County reports the following major governmental funds:

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

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as non-operating.

- The *Housing Authority Fund* is reported as an enterprise fund. The principal operating revenue of the Housing Authority Fund are service fees charged to customers.
- The *Health Insurance Internal Service Fund* is used to account for the self-insured health plan.

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

***Cash***

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

***Investments***

All investments, if any, are recorded at fair market value.

***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable. The 2010 property tax levy due January 1, 2011 has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

***Inventories***

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

***Capital Assets***

Capital Assets, which include land, buildings and improvements, equipment, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, underground pipe, traffic signals, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	7 – 40
Vehicles and Equipment	5 – 15
Infrastructure	25 – 40

***Compensated Absences***

Annual leave may be accrued to the maximum of:

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

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

***Interest Capitalization***

Interest costs are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no interest capitalized in 2010.

***Deferred Revenue***

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

***Encumbrances***

The County does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

***Fund Equity***

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted by outside parties of use for a specific purpose. Fund reservations include debt service, inventories, forest reserve title III, DSS programs, and TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Forest Reserve Title III – Funds may be used to carry out activities under the Firewise Communities program, to reimburse the County for search and rescue and other emergency services, and to develop community wildfire protection plans. Counties allocating funds for Title III projects must annually submit a certification that the funds were used in accordance with Title III. Projects are developed and selected by the counties. The County allocated \$167,672 during 2010 year for a total of \$196,566 restricted for Title III purposes at December 31, 2010.

***Use of Estimates***

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

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

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

Formal budgetary integration is employed as a management control device for all funds of the County. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP), with the exception of the enterprise funds which budget capital outlay versus depreciation expenses.

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2010. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

***Stewardship***

A budget was not adopted for the Health Insurance Internal Service Fund. This may be a violation of State Statutes.

Expenditures in the following funds exceeded appropriations during 2010. This may be a violation of Colorado State Statues.

	<u>Excess</u>
General Fund	\$ 1,201,753
Social Services Fund	299,621
Library Fund	571

**NOTE 3 CASH, DEPOSITS AND INVESTMENTS**

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

Cash on Hand	\$ 800
Cash Deposited with Banks	1,884,265
Investments	2,984,185
Total cash, deposits, and investments: (Book Balance)	4,869,250
Less: amounts related to Trust & Agency Fund	(678,222)
Total cash, deposits, and investments on Statement of Net Assets	\$ 4,191,028

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

The County's investment policy addresses custodial credit risk. At December 31, 2010, \$1,565,384 was exposed to custodial credit risk. \$1,498,587 of those deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA. \$66,797 of those deposits are in Credit Union accounts that are not protected by PDPA. This is a violation of CRS 11-10.5-103.

***Investments***

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

- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investments contracts
- Corporate or bank debt issued by eligible corporations or banks

***Custodial Credit Risk - Investments***

The County's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The policy allows for the investment in local government investment pools. As of December 31, 2010, the local government investment pools (C-SAFE and ColoTrust) in which the County had invested were rated AAA by Standard & Poor's.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

<u>Investment Type</u>		<u>Rating</u>	<u>Fair Value</u>	<u>Up to 120 Days</u>	<u>121 Days to 5 Years</u>
Federal Farm Credit Bank	10%	AAA	\$ 293,013	\$ -	\$ 293,013
Federal Home Loan Mortgage Corp	3%	AAA	100,396	-	100,396
			393,409	-	393,409
Money Market Funds (unrated)	0%	\$ 5,352			
C-SAFE	6%	169,563			
ColoTrust	81%	2,415,861			
			<u>2,590,776</u>		
			<u>\$ 2,984,185</u>		

***Interest Rate Risk***

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

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

The Colorado Surplus Asset Fund Trust (C-SAFE) operates similarly to ColoTrust whereby the County acquires and redeems shares of the common law trusts as authorized by state statutes.

The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At December 31, 2010, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 1,137,497
Public Welfare Fund	<u>223,501</u>
	<u><u>\$ 1,360,998</u></u>

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Interfund receivable and payable balances at December 31, 2010, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge Fund	General Fund	\$ 327
Internal Service Fund	General Fund	24,921
	Road and Bridge Fund	16,590
	Social Services Fund	13,164
	Non-Major Funds	<u>2,000</u>
		<u>56,675</u>
Nonmajor Funds	General Fund	<u>5,546</u>
		<u><u>\$ 62,548</u></u>

Interfund transfers for the year ended December 31, 2010, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Public Health Fund	General Fund	\$ 123,000
Nonmajor Funds	General Fund	<u>77,940</u>
		<u><u>\$ 200,940</u></u>

These transfers were made to subsidize operations in the Library and Public Health Funds.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 90,122	\$ -	\$ -	\$ 90,122
Total capital assets not being depreciated	<u>90,122</u>	<u>-</u>	<u>-</u>	<u>90,122</u>
Capital assets being depreciated:				
Buildings and Improvements	7,565,732	152,190	-	7,717,922
Vehicles and Heavy Equipment	5,281,781	1,508,340	130,000	6,660,121
Equipment	208,484	54,605	-	263,089
Infrastructure	281,044	-	-	281,044
Total capital assets being depreciated	<u>13,337,041</u>	<u>1,715,135</u>	<u>130,000</u>	<u>14,922,176</u>
Less accumulated depreciation for:				
Buildings and Improvements	6,320,897	49,464	-	6,370,361
Vehicles and Equipment	3,061,874	424,310	24,700	3,461,484
Equipment	143,191	27,448	-	170,639
Infrastructure	31,617	-	-	31,617
Total accumulated depreciation	<u>9,557,579</u>	<u>501,222</u>	<u>24,700</u>	<u>10,034,101</u>
Total capital assets being depreciated, net	<u>3,779,462</u>	<u>1,213,913</u>	<u>105,300</u>	<u>4,888,075</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 3,869,584</u>	<u>\$ 1,213,913</u>	<u>\$ 105,300</u>	<u>\$ 4,978,197</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 73,331	\$ -	\$ -	\$ 73,331
Total capital assets not being depreciated	<u>73,331</u>	<u>-</u>	<u>-</u>	<u>73,331</u>
Capital assets being depreciated:				
Buildings and Improvements	1,084,204	-	-	1,084,204
Furniture and Equipment	66,636	-	-	66,636
Total capital assets being depreciated	<u>1,150,840</u>	<u>-</u>	<u>-</u>	<u>1,150,840</u>
Less accumulated depreciation for:				
Buildings and Improvements	626,112	42,322	-	668,434
Furniture and Equipment	66,636	-	-	66,636
Total accumulated depreciation	<u>692,748</u>	<u>42,322</u>	<u>-</u>	<u>735,070</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 531,423</u>	<u>\$ (42,322)</u>	<u>\$ -</u>	<u>\$ 489,101</u>

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

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

Governmental Activities:	
General Government	\$ 34,777
Public Safety	41,694
Health and Welfare	13,626
Highways and Streets	411,125
	<u>\$ 501,222</u>
Business-type Activities:	
Housing Authority	\$ 42,322
	<u>\$ 42,322</u>

**NOTE 7 LONG-TERM LIABILITIES**

***Changes in Long-term Liabilities***

Long-term liability activity for the year ended December 31, 2010 were as follows:

	12/31/2009 Balance	Additions	Deletions	12/31/2010 Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ -	\$ 283,050	\$ 25,392	\$ 257,658	\$ 30,015
Landfill Closure and Post-Closure	445,844	14,156		460,000	-
Compensated Absences	177,522	-	14,361	163,161	-
Total Governmental Activities	<u>\$ 623,366</u>	<u>\$ 297,206</u>	<u>\$ 39,753</u>	<u>\$ 880,819</u>	<u>\$ 30,015</u>
Business-Type Activities:					
DOLA-Division of Housing	\$ 292,703	\$ -	\$ -	\$ 292,703	\$ 292,703
US Department of Agriculture					
Blue Waters Hacienda Project, 2004	85,144	-	7,919	77,225	8,576
Blue Waters Hacienda Project, 2005	119,018	-	426	118,592	456
Total Business-Type Activities	<u>\$ 496,865</u>	<u>\$ -</u>	<u>\$ 8,345</u>	<u>\$ 488,520</u>	<u>\$ 301,735</u>

**GOVERNMENTAL ACTIVITIES:**

***Capital Lease***

The County entered into a capital lease payable to Caterpillar Financial Services on April 16, 2010 in the amount of \$283,050, payable in 60 monthly installments of \$3,210, beginning April 2010, at 3.50% interest, with a final payment due in April 2015 of the outstanding principal balance. This lease was entered into for the purchase of a Caterpillar 140H motor grader. This asset is recorded in the fixed assets of the government-wide financial statements at \$283,050, less accumulated depreciation of \$18,870 at December 31, 2010.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

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

	Principal	Interest	Total
2011	\$ 30,015	\$ 8,510	\$ 38,525
2012	31,083	7,442	38,525
2013	32,189	6,337	38,525
2014	33,333	5,192	38,525
2015	131,038	935	131,973
	\$ 257,658	\$ 28,416	\$ 286,075

***Landfill Closure and Post-Closure Care Costs***

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The estimated liability for landfill closure and post closure care costs represents the County's total current estimated of such future costs, and is based on the estimated amount to be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2010. As of December 31, 2010, the County estimated that existing landfill capacity was approximately 40% utilized (filled), and that the existing landfill was expected to be filled to capacity in fiscal year 2025. The aggregate liability of \$460,000 at December 31, 2010 is comprised of \$297,684 of estimated closure costs and \$162,316 of estimated post closure costs. However, the actual costs of closure and post closure may be higher, due to inflation, changes in technology, or changes in the landfill laws and regulations.

**BUSINESS-TYPE ACTIVITIES:**

***Colorado Department of Affairs – Division of Housing***

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

The payments in 2009 and 2010 were deferred due to cash flow shortages. The note is expected to be restructured in 2011 and payments are expected to resume in 2012. The note will be due on May 31, 2033.

***United States Department of Agriculture***

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

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

The annual debt service for the Mortgage Notes Payable is as follows:

	Principal	Interest	Total
2011	\$ 301,735	\$ 10,254	\$ 311,989
2012	9,775	9,512	19,287
2013	10,580	8,710	19,290
2014	11,451	7,841	19,292
2015	12,394	6,862	19,256
2016-2020	66,759	118,421	185,180
2021-2025	75,826	16,024	91,850
	\$ 488,520	\$ 177,624	\$ 666,144

**NOTE 8 OPERATING LEASES**

The County is committed under various cancellable leases for office equipment and software. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$101,530.

**NOTE 9 EMPLOYEE BENEFITS**

***Pension Plans***

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

For the year ended December 31, 2010, total employee contributions to the Plan were \$98,260 and matching County contributions totaled \$83,753.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

***Cafeteria Plan***

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

***Post-Employment Health Care Benefits***

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

**NOTE 10 COLORADO CONTRABAND FORFEITURE ACT**

The County has reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2010.

**NOTE 11 TABOR AMENDMENT RESERVE**

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

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

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

TABOR also required local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending for fiscal years ending after December 31, 1995. Fiscal year spending excludes enterprise spending. The County has reserved a portion of the December 31, 2010 year-end balances in the General Fund for this purpose in the aggregate amount of \$250,000, which is the approximate required emergency reserve.

The County's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation. The electorate of the County passed a referendum allowing the County to collect and expend the full revenues generated during 1997 and each subsequent year, from its existing tax rates, to receive and expand all sales and property revenues without regard to Article X, Section 20 of the Colorado Constitution of law. Approval of this question does not authorize any increase in property tax rates of any kind above the 1995 rates.

**NOTE 12 RISK MANAGEMENT**

***Health-Insurance Fund***

In 2006, the County began a self-insurance program for medical and dental claims. The purpose of the program is to pay medical and dental claims of the County employees and minimize annual medical insurance costs to the County. Medical claims exceeding \$25,000 per covered individual claim liability is covered by a private insurance carrier. The self-insurance fund is funded through payroll withholdings from employees and County Funds.

The County does not report excess insurance risk liabilities unless it is probable that these risks will be exceeding insurance. There were no material changes in insurance coverage or settlements exceeding insurance coverage this past fiscal year.

The claim liability of \$61,644 reported in the Self Insurance Fund is based in the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claim liability amount in fiscal year 2010 are as follows:

	2010
Liability at January 1	\$ 47,363
Current year claims and changes in estimates	507,634
Claims Paid	(493,353)
Balance at December 31	\$ 61,644

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

The self-insurance fund was discontinued January 1, 2011 with the County's change to a purchased insurance program.

***Colorado Counties Casualty and Property Pool (CAPP)***

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

At December 31, 2010, CAPP had assets of \$25,802,874, liabilities of \$9,190,983 (including \$5,747,309 reserved for losses and claims), and members' equity of \$16,611,891. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2010, amounted to \$7,541,291 and total expenses were \$6,094,747, resulting in an excess of revenues over expenses of \$1,446,544 before the return of surplus.

***Colorado Workers' Compensation Pool (CWCP)***

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

At December 31, 2010, CWCP had assets of \$33,905,852, liabilities of \$19,881,253 (including \$19,057,859 reserved for losses and claims) and members' equity of \$14,024,599. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2010 amounted to \$10,353,089, total expenses were \$8,975,935, resulting in an excess of revenues over expenses of \$1,377,154 before the return of surplus.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

***Grant Programs*** – The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the County expects any such amounts to be immaterial.

***Litigation*** – The County is currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements; accordingly, no provision for losses has been recorded.

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

***Library Fund*** – In November 2010, Saguache County voters approved a ballot measure creating the Saguache County Library District. The Library Fund was transferred to the District in 2011.

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**SAGUACHE COUNTY, COLORADO**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2010**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 1,289,668	\$ 1,289,668	\$ 1,255,932	\$ (33,736)
Intergovernmental Revenue	594,434	594,434	2,126,966	1,532,532
Licenses and Permits	44,100	44,100	68,750	24,650
Interest Revenue	28,000	28,000	9,165	(18,835)
Charges for Services	1,064,990	1,064,990	1,042,595	(22,395)
Miscellaneous	7,450	7,450	98,988	91,538
<b>TOTAL REVENUES</b>	<b>3,028,642</b>	<b>3,028,642</b>	<b>4,602,396</b>	<b>1,573,754</b>
<b>EXPENDITURES</b>				
General Government	1,949,774	2,083,411	3,284,701	(1,201,290)
Public Safety	1,033,027	1,046,469	1,026,238	20,231
Health and Welfare	16,350	3,259	3,259	-
Public Works	-	195,288	195,286	2
Capital Outlay	-	163,708	184,404	(20,696)
<b>TOTAL BUDGETED EXPENDITURES</b>	<b>2,999,151</b>	<b>3,492,135</b>	<b>4,693,888</b>	<b>(1,201,753)</b>
Excess (deficiency) of revenues over expenditures	29,491	(463,493)	(91,492)	372,001
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(63,417)	(200,940)	(200,940)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(63,417)</b>	<b>(200,940)</b>	<b>(200,940)</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(33,926)	(664,433)	(292,432)	372,001
<b>Fund Balance at Beginning of Year</b>	<b>1,921,971</b>	<b>1,921,971</b>	<b>2,077,052</b>	<b>155,081</b>
<b>Fund Balance at End of year</b>	<b>\$ 1,888,045</b>	<b>\$ 1,257,538</b>	<b>\$ 1,784,620</b>	<b>\$ 527,082</b>

**Notes to Required Supplementary Information**

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2010**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 7,000	\$ 7,000	\$ 11	\$ (6,989)
Intergovernmental Revenue	4,030,095	4,030,095	3,855,160	(174,935)
Charges for Services	88,500	88,500	38,451	(50,049)
License and Permits	32,000	32,000	32,854	854
Miscellaneous	13,800	13,800	37,555	23,755
<b>TOTAL REVENUES</b>	<b>4,171,395</b>	<b>4,171,395</b>	<b>3,964,031</b>	<b>(207,364)</b>
<b>EXPENDITURES</b>				
Public Works	2,805,297	2,805,297	2,673,617	131,680
Capital Outlay	1,270,178	1,270,178	1,369,458	(99,280)
Debt Service	95,000	95,000	32,104	62,896
<b>TOTAL EXPENDITURES</b>	<b>4,170,475</b>	<b>4,170,475</b>	<b>4,075,179</b>	<b>95,296</b>
Excess (deficiency) of revenues over expenditures	920	920	(111,148)	(112,068)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	-	283,050	283,050
Sale of Fixed Assets	33,000	33,000	2,637	(30,363)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>33,000</b>	<b>33,000</b>	<b>285,687</b>	<b>(30,363)</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	33,920	33,920	174,539	140,619
<b>Fund Balance at Beginning of Year</b>	<b>1,337,354</b>	<b>1,337,354</b>	<b>3,310,063</b>	<b>1,972,709</b>
<b>Fund Balance at End of Year</b>	<b>\$ 1,371,274</b>	<b>\$ 1,371,274</b>	<b>\$ 3,484,602</b>	<b>\$ 2,113,328</b>

**Notes to Required Supplementary Information**

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SOCIAL SERVICES FUND**  
**For the Year Ended December 31, 2010**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 218,750	\$ 218,750	\$ 246,441	\$ 27,691
Intergovernmental Revenue	3,539,798	3,539,798	4,038,363	498,565
Miscellaneous	1,500	1,500	8,093	6,593
<b>TOTAL REVENUES</b>	<b>3,760,048</b>	<b>3,760,048</b>	<b>4,292,897</b>	<b>532,849</b>
<b>EXPENDITURES</b>				
Health and Welfare	3,743,698	3,996,187	4,295,517	(299,330)
Capital Outlay	16,350	16,350	16,641	(291)
<b>TOTAL EXPENDITURES</b>	<b>3,760,048</b>	<b>4,012,537</b>	<b>4,312,158</b>	<b>(299,621)</b>
Excess (deficiency) of revenues over expenditures	-	(252,489)	(19,261)	233,228
<b>Fund Balance at Beginning of Year</b>	<b>688,476</b>	<b>688,476</b>	<b>264,620</b>	<b>(423,856)</b>
<b>Fund Balance at End of Year</b>	<b>\$ 688,476</b>	<b>\$ 435,987</b>	<b>\$ 245,359</b>	<b>\$ (190,628)</b>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

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# **SAGUACHE COUNTY, COLORADO**

## **OTHER SUPPLEMENTARY INFORMATION**

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

**SAGUACHE COUNTY, COLORADO  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

**PUBLIC HEALTH FUND**– This fund is used to account for multiple programs of providing health services to County residents. Financing is provided by grants and fees for services.

**LIBRARY FUND** – This fund is used to account for the operations of the County library.

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

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

**SLV TV FUND** – This fund is used to account for the operations of the telecommunications translator service.

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

**SAGUACHE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2010**

	NONMAJOR SPECIAL REVENUE FUNDS										TOTAL NONMAJOR GOVERNMENTAL
	PUBLIC HEALTH FUND	LIBRARY FUND	CONSERVATION TRUST FUND	SLV IV FUND	TOURISM FUND	SALES TAX- EMERGENCY SERVICES FUND	SALES TAX- YOUTH AND SENIORS FUND	SALES TAX- RENEWABLE ENERGY FUND			
<b>ASSETS</b>											
Cash and Cash Equivalents	\$ 13,849	\$ 197	\$ 64,901	\$ 2,876	\$ 18,338	\$ 32,184	\$ 21,797	\$ 63,538			\$ 217,680
Due from Other Funds	-	5,546	-	-	-	-	-	-			5,546
Due from Other Governments	52,012	-	-	-	-	-	-	-			52,012
<b>TOTAL ASSETS</b>	<b>\$ 65,861</b>	<b>\$ 5,743</b>	<b>\$ 64,901</b>	<b>\$ 2,876</b>	<b>\$ 18,338</b>	<b>\$ 32,184</b>	<b>\$ 21,797</b>	<b>\$ 63,538</b>			<b>\$ 275,238</b>
<b>LIABILITIES AND FUND BALANCE</b>											
<b>LIABILITIES</b>											
Accounts Payable	\$ 10,784	\$ 1,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 11,916
Due to Other Funds	1,809	191	-	-	-	-	-	-			2,000
<b>TOTAL LIABILITIES</b>	<b>12,593</b>	<b>1,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>13,916</b>
<b>FUND BALANCE</b>											
Unreserved:											
Designated for Subsequent Years Expenditures	-	-	-	500	-	-	-	-			500
Undesignated	53,268	4,420	64,901	2,376	18,338	32,184	21,797	63,538			260,822
<b>TOTAL FUND BALANCE</b>	<b>53,268</b>	<b>4,420</b>	<b>64,901</b>	<b>2,876</b>	<b>18,338</b>	<b>32,184</b>	<b>21,797</b>	<b>63,538</b>			<b>261,322</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 65,861</b>	<b>\$ 5,743</b>	<b>\$ 64,901</b>	<b>\$ 2,876</b>	<b>\$ 18,338</b>	<b>\$ 32,184</b>	<b>\$ 21,797</b>	<b>\$ 63,538</b>			<b>\$ 275,238</b>

**SAGUACHE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2010**

	NONMAJOR SPECIAL REVENUE FUNDS										TOTAL NONMAJOR GOVERNMENTAL
	PUBLIC HEALTH FUND	LIBRARY FUND	CONSERVATION TRUST FUND	SLV TV FUND	TOURISM FUND	SALES TAX- EMERGENCY SERVICES FUND	SALES TAX- YOUTH AND SENIORS FUND	SALES TAX- RENEWABLE ENERGY FUND			
<b>REVENUES</b>											
Taxes	-	-	\$ -	\$ 73	\$ 13,716	\$ 71,357	\$ 71,357	\$ 71,358			\$ 227,861
Intergovernmental Revenue	656,710	5,000	33,148	-	-	-	-	-			694,858
Charges for Services	14,075	-	-	-	-	-	-	-			14,075
Miscellaneous	15,421	2,812	-	-	-	-	-	-			18,233
<b>TOTAL REVENUES</b>	<b>686,206</b>	<b>7,812</b>	<b>33,148</b>	<b>73</b>	<b>13,716</b>	<b>71,357</b>	<b>71,357</b>	<b>71,358</b>			<b>955,027</b>
<b>EXPENDITURES</b>											
Current Expenditures											
General Government	-	-	-	500	-	-	-	-			500
Public Safety	-	-	-	-	-	73,994	-	-			73,994
Health and Welfare	746,353	-	-	-	-	-	-	-			746,353
Culture and Recreation	-	86,291	42,500	-	10,253	-	70,000	-			209,044
Public Works	-	-	-	-	-	-	-	65,950			65,950
<b>TOTAL EXPENDITURES</b>	<b>746,353</b>	<b>86,291</b>	<b>42,500</b>	<b>500</b>	<b>10,253</b>	<b>73,994</b>	<b>70,000</b>	<b>65,950</b>			<b>1,095,841</b>
Excess (deficiency) of revenues over expenditures	(60,147)	(78,479)	(9,352)	(427)	3,463	(2,637)	1,357	5,408			(140,814)
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfer In	123,000	77,940	-	-	-	-	-	-			200,940
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>123,000</b>	<b>77,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>200,940</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	62,853	(539)	(9,352)	(427)	3,463	(2,637)	1,357	5,408			60,126
<b>Fund Balance at beginning of year</b>	<b>(9,585)</b>	<b>4,959</b>	<b>74,253</b>	<b>3,303</b>	<b>14,875</b>	<b>34,821</b>	<b>20,440</b>	<b>58,130</b>			<b>201,196</b>
<b>Fund Balance at end of year</b>	<b>\$ 53,268</b>	<b>\$ 4,420</b>	<b>\$ 64,901</b>	<b>\$ 2,876</b>	<b>\$ 18,338</b>	<b>\$ 32,184</b>	<b>\$ 21,797</b>	<b>\$ 63,538</b>			<b>\$ 261,322</b>

**SAGUACHE COUNTY, COLORADO**  
**OTHER SCHEDULES AND REPORTS**

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**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**SCHEDULE OF NET ASSETS**  
**December 31, 2010**

	<u>HOUSING AUTHORITY</u>		<u>TOTAL ENTERPRISE FUND</u>
	<u>BLUE WATERS</u>	<u>PUERTO DEL NORTE HACIENDAS</u>	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 40,299	\$ 34,536	\$ 74,835
<b>Total Current Assets</b>	<u>40,299</u>	<u>34,536</u>	<u>74,835</u>
<b>Noncurrent Assets:</b>			
Capital Assets:			
Land	36,000	37,331	73,331
Buildings and Improvements, net	149,477	266,293	415,770
<b>Total Noncurrent Assets</b>	<u>185,477</u>	<u>303,624</u>	<u>489,101</u>
<b>TOTAL ASSETS</b>	<u>225,776</u>	<u>338,160</u>	<u>563,936</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	11,435	930	12,365
Security Deposit	1,804	2,287	4,091
Notes Payable (current portion)	9,032	292,703	301,735
<b>Total Current Liabilities</b>	<u>22,271</u>	<u>295,920</u>	<u>318,191</u>
<b>Noncurrent Liabilities:</b>			
Notes Payable	186,785	-	186,785
<b>Total Noncurrent Liabilities</b>	<u>186,785</u>	<u>-</u>	<u>186,785</u>
<b>TOTAL LIABILITIES</b>	<u>209,056</u>	<u>295,920</u>	<u>504,976</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	(10,340)	10,921	581
Unrestricted	27,060	31,319	58,379
<b>TOTAL NET ASSETS</b>	<u>\$ 16,720</u>	<u>\$ 42,240</u>	<u>\$ 58,960</u>

**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2010**

	<b>HOUSING AUTHORITY</b>		<b>TOTAL ENTERPRISE FUND</b>
	<b>BLUE WATERS</b>	<b>PUERTO DEL NORTE HACIENDAS</b>	
<b>OPERATING REVENUES</b>			
Rent from Tenants	\$ 22,763	\$ 57,492	\$ 80,255
HUD Operating Subsidy	74,912	1,552	76,464
Miscellaneous	1,090	754	1,844
	<u>98,765</u>	<u>59,798</u>	<u>158,563</u>
Total Charges for Services	98,765	59,798	158,563
<b>Total operating revenues</b>	<u>98,765</u>	<u>59,798</u>	<u>158,563</u>
<b>OPERATING EXPENSES</b>			
Administrative	47,335	37,072	84,407
Utilities	23,567	23,872	47,439
Operating and Maintenance	11,445	2,794	14,239
Insurance	3,123	3,297	6,420
Depreciation Expense	31,644	10,678	42,322
	<u>117,114</u>	<u>77,713</u>	<u>194,827</u>
<b>Total operating expenses</b>	<u>117,114</u>	<u>77,713</u>	<u>194,827</u>
Operating Income (Loss)	<u>(18,349)</u>	<u>(17,915)</u>	<u>(36,264)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on Investments	16	140	156
Interest Expense	<u>(11,623)</u>	<u>-</u>	<u>(11,623)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(11,607)</u>	<u>140</u>	<u>(11,467)</u>
Changes in Net Assets	(29,956)	(17,775)	(47,731)
<b>Net Assets, Beginning of Year</b>	<u>46,676</u>	<u>60,015</u>	<u>106,691</u>
<b>Net Assets, End of Year</b>	<u>\$ 16,720</u>	<u>\$ 42,240</u>	<u>\$ 58,960</u>

**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**SCHEDULE OF CASH FLOWS**  
**For the Year Ended December 31, 2010**

	<b>HOUSING AUTHORITY</b>		<b>TOTAL ENTERPRISE FUND</b>
	<b>BLUE WATERS</b>	<b>PUERTO DEL NORTE HACIENDAS</b>	
<b>Cash flows from operating activities:</b>			
Cash received from tenants and others	\$ 23,853	\$ 58,246	\$ 82,099
Cash received from HUD operating subsidy	74,912	1,552	76,464
Cash paid to suppliers and service providers	(83,089)	(65,354)	(148,443)
Net cash provided (used) by operating activities:	15,676	(5,556)	10,120
<b>Cash flows from noncapital financing activities:</b>	-	-	-
<b>Cash flows from capital and related financing activities:</b>			
Payment of note principal and interest	(19,968)	-	(19,968)
Net cash provided (used) by capital and related financing activities	(19,968)	-	(19,968)
<b>Cash flows from investing activities:</b>			
Interest received	16	140	156
Net cash provided (used) by investing activities	16	140	156
<b>Increase (decrease) in cash and investments</b>	(4,276)	(5,416)	(9,692)
<b>Cash and cash equivalents, Beginning of the Year</b>	44,575	39,952	84,527
<b>Cash and cash equivalents, End of the Year</b>	<u>\$ 40,299</u>	<u>\$ 34,536</u>	<u>\$ 74,835</u>
<b>Operating income (loss)</b>	\$ (18,349)	\$ (17,915)	\$ (36,264)
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b>			
Depreciation	31,644	10,678	42,322
Increase (decrease) in accounts payable	2,381	1,681	4,062
Total adjustments	34,025	12,359	46,384
<b>Net cash provided (used) by operating activities</b>	<u>\$ 15,676</u>	<u>\$ (5,556)</u>	<u>\$ 10,120</u>

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS OUT**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS AND ALL PROPRIETARY FUNDS**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2010**

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON THE GAAP BASIS		ADJUSTMENTS TO BUDGETARY BASIS		EXPENDITURES ON THE BUDGETARY BASIS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	THE GAAP BASIS	ADJUSTMENTS TO BUDGETARY BASIS	EXPENDITURES REPORTED ON THE GAAP BASIS	ADJUSTMENTS TO BUDGETARY BASIS	EXPENDITURES ON THE BUDGETARY BASIS	EXPENDITURES ON THE BUDGETARY BASIS	FINAL BUDGET POSITIVE (NEGATIVE)	
<b>Governmental Funds</b>										
Non-major Governmental Funds										
Special Revenue Funds										
Public Health Fund	\$ 819,414	\$ 819,414	\$ 746,353	\$ -	\$ 746,353	\$ -	\$ 746,353	\$ 73,061		
Library Fund	80,167	85,720	86,291	-	86,291	-	86,291	(571)		
Conservation Trust Fund	34,000	42,500	42,500	-	42,500	-	42,500	-		
SLV TV Fund	500	500	500	-	500	-	500	-		
Tourism Fund	10,000	10,498	10,253	-	10,253	-	10,253	245		
Sales Tax - Emergency Services Fund	50,000	73,994	73,994	-	73,994	-	73,994	-		
Sales Tax - Youth and Seniors Fund	50,000	70,000	70,000	-	70,000	-	70,000	-		
Sales Tax - Renewable Energy Fund	50,000	65,950	65,950	-	65,950	-	65,950	-		
<b>Total Non-major Governmental Funds</b>	<b>\$ 1,094,081</b>	<b>\$ 1,168,576</b>	<b>\$ 1,095,841</b>	<b>\$ -</b>	<b>\$ 1,095,841</b>	<b>\$ -</b>	<b>\$ 1,095,841</b>	<b>\$ 72,735</b>		
<b>Proprietary Funds</b>										
Enterprise Funds										
Blue Waters Housing Authority	107,033	107,033	128,737	(31,644)	97,093		97,093	9,940		
Puerto Del Norte Haciendas Housing Authority	75,985	75,985	77,713	(10,678)	67,035		67,035	8,950		
<b>Total Proprietary Funds</b>	<b>\$ 183,018</b>	<b>\$ 183,018</b>	<b>\$ 206,450</b>	<b>\$ (42,322)</b>	<b>\$ 164,128</b>	<b>\$ -</b>	<b>\$ 164,128</b>	<b>\$ 18,890</b>		

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

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: <b>Saguache County</b>
	YEAR ENDING : December 2010
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Iris Garcia Phone: 719-655-2554

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

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,127,786
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,406,748
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	23,174
2. General fund appropriations		b. Snow and ice removal	472
3. Other local imposts (from page 2)	32,865	c. Other	123,749
4. Miscellaneous local receipts (from page 2)	78,643	d. Total (a. through c.)	147,395
5. Transfers from toll facilities		4. General administration & miscellaneous	110,200
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	3,792,129
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	111,508	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	2,508,794	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	1,346,366	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	3,966,668	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	3,792,129

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,310,063	3,966,668	3,792,129	3,484,602	0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2010

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	11	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	7,231	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	2,637
4. Licenses	25,623	f. Charges for Services	38,451
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	32,854	h. Other	37,555
c. Total (a. + b.)	32,865	i. Total (a. through h.)	78,643
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	2,508,794	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	1,323,144
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	23,222
f. Total (a. through e.)		g. Total (a. through f.)	1,346,366
4. Total (1. + 2. + 3.f)	2,508,794	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		1,127,786	1,127,786
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,127,786	1,127,786
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,127,786	1,127,786
			(Carry forward to page 1)

Notes and Comments:

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2010**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Rural Rental Housing Cluster</i>			
Rural Rental Housing Loans			
Loan Funds	10.415		\$ 195,817
Interest Subsidy	10.415		11,623
<i>Total Rural Rental Housing Cluster</i>			<u>207,440</u>
<b>COLORADO DEPT. OF HUMAN SERVICES</b>			
<i>SNAP Cluster</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		56,254
Commodity Supplemental Food Program	10.565		4,395
<i>Emergency Food Assistance Cluster</i>			
Emergency Food Assistance Program (Food Commodities)	10.569		21,519
<b>COLORADO DEPT. OF TREASURY</b>			
<i>Schools and Roads Cluster</i>			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Direct Expenditures			1,471,395
Passed to Subrecipients			1,197,131
			<u>2,668,526</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>COLORADO DEPT. OF HUMAN SERVICES</b>			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		366,251
Child Support Enforcement	93.563		100,835
Low-Income Home Energy Assistance	93.568		485,445
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		(23,645)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		48,874
CCDF ARRA	93.713		13,427
<i>Total for CCDF Cluster</i>			<u>38,656</u>
Child Welfare Services-State Grants	93.645		3,371
Foster Care-Title IV-E	93.658		180,620
Adoption Assistance	93.659		20,220
Social Services Block Grant	93.667		63,638
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778		52,290
<b>COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT</b>			
Public Health Emergency Preparedness	93.069	EPR-HW0/1/KR0/ KV0/KW0-HHS	54,032
<i>Immunization Cluster</i>			
Immunization Grants	93.268	IMM-KA0/9-HHS	9,553

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2010**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT Maternal and Child Health Services Block Grant to the States	93.994	MCH-MC0-HHS	1,211
<b>CONEJOS COUNTY</b> <i>CSBG Cluster</i> ARRA Community Services Block Grant Total for <i>CSBG Cluster</i>	93.710		15,673
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b> COLORADO DEPARTMENT OF LOCAL AFFAIRS Emergency Management Performance Grants	97.042		34,285
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> COLORADO DEPARTMENT OF LOCAL AFFAIRS <i>CDBG - State-Administered Small Cities Program Cluster</i> Community Development Block Grants/State's Program	* 14.228	10-501	20,678
<b>COLORADO HOUSING AND FINANCE AUTHORITY</b> <i>Section 8 Project-Based Cluster</i> Section 8 Housing Assistance Payments Program	14.195		74,912
<b>CENTER HOUSING AUTHORITY</b> <i>Housing Voucher Cluster</i> Section 8 Housing Choice Vouchers	14.871		1,552
<b>U.S. DEPARTMENT OF JUSTICE</b> COLORADO DIVISION OF CRIMINAL JUSTICE Violence Against Women Formula Grants	16.588		23,256
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,504,612</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saguache County, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B: SUBRECIPIENTS**

The County provided federal awards to subrecipients during 2010. \* Denotes pass-through grant.

**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**

To the Board of County Commissioners  
Saguache County, Colorado  
Saguache, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Saguache County, Colorado (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Finding 10-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 10-1.

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

July 18, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of County Commissioners  
Saguache County, Colorado  
Saguache, Colorado

**Compliance**

We have audited Saguache County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Saguache County, Colorado complied, in all material respects, with the 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, 2010.

**Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an

opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we have identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 10-2 to be a significant deficiency.

The County's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

July 18, 2011

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2010**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes  no

Identification of major programs:

CFDA Number(s)

10.665

93.558

93.568

Name of Federal Program or Cluster

Schools and Roads Cluster

Temporary Assistance for Needy Families (TANF) Cluster

Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee?

yes  no

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2010**

**Section II – Financial Statement Findings**

**Finding 10-1: Internal Control Over Financial Reporting and on Compliance  
(Repeat of Finding 09-1)**

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

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

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

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

1. A budget was not adopted for the Health Insurance Internal Service Fund for 2010. In addition, the following funds had expenditures (including transfers) that exceeded the adopted budget for the year ended December 31, 2010, as described in Note 2. This may be a violation of Colorado Revised Statute 29-1-110. (Material noncompliance)

	Excess
General Fund	\$1,201,753
Social Services Fund	299,621
Library Fund	571

2. The Saguache County Housing Authority (a component unit) was in default on the loan from the Colorado Division of Housing which has a principal balance of \$292,703 at December 31, 2010. (Material noncompliance)
3. A physical count of Road and Bridge inventory was not taken at December 31, 2010. An audit adjustment was proposed to reflect the balance of the estimated year end inventory as an asset in the financial statements.
4. The County Assessor's office has a backlog of properties to be assessed for the effects of new construction dating back to 2008. The total assessed valuation of the taxing entities within the County is understated by the value of this new construction.
5. The general ledger revenues and expenditures of the Social Services Fund were not accurately updated and reconciled to the County Financial Management System (CFMS) on a monthly basis in 2010. Audit adjustments were proposed to properly state financial statement balances.
6. Audit adjustments were proposed in order to properly state the financial statement balances in the General Fund, the Road and Bridge Fund, Social Services Fund, and the Housing Authority.

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2010**

*Recommendation:* The County should strengthen its system of internal controls that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, physical inventory, accurate inventory records, and the safeguarding of assets to prevent these problems in the future.

*Management's Response:* See corrective action plan.

**Section III – Federal Award Findings and Questioned Costs**

**Finding 10-2: Temporary Assistance for Needy Families (TANF) Cluster, CFDA No. 93.558,  
Low-Income Home Energy Assistance, CFDA No. 93.568,  
U.S. Department of Health and Human Services**

*Passed through Colorado Department of Human Services*

*Compliance Requirements: Eligibility*

*Grant No.: Not applicable*

*Type of finding: Internal Control Over Compliance (significant deficiency)*

*Condition:* The County Department of Human Services does not have an adequate eligibility determination review process in place.

*Cause:* The Department does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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

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

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

*Grantee's Response:* See corrective action plan.

**SAGUACHE COUNTY, COLORADO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2010**

**Section II – Financial Statement Findings**

**Finding 09-1: Internal Control Over Financial Reporting and on Compliance**

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

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

*Status:* Not Implemented. (See Finding 10-1)

**Finding 09-2: Bank Accounts**

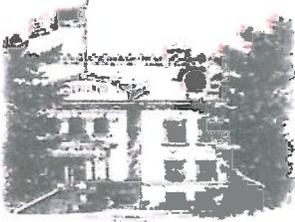
*Type of finding: Internal control (material weakness) and compliance (material noncompliance)*

*Condition:* There are numerous bank accounts throughout the County that are not recognized in the County Treasurer's Fund Ledger. Three of these accounts, with balances totaling \$67,388 at December 31, 2009, are held at the Saguache County Credit Union which is not a Public Deposit Protection Act approved institution for the deposit of public funds.

*Status:* Implemented.

**Section III – Federal Award Findings and Questioned Costs**

None



## SAGUACHE COUNTY GOVERNMENT

501 Fourth Street • P. O. Box 655  
Saguache, Colorado 81149

Phone: (719) 655-2231 • Fax: (719) 655-2635

### CORRECTIVE ACTION PLAN

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

Saguache County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2010.

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

Audit period: Year ended December 31, 2010

The findings from the December 31, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

#### Section II – Financial Statement Findings

**Finding 10-1: Internal Control Over Financial Reporting and on Compliance  
(Repeat of Finding 09-1)**

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

*Recommendation: The County should strengthen its system of internal controls that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, physical inventory, accurate inventory records, and the safeguarding of assets to prevent these problems in the future.*

*Action Taken: The Department of Social Services is in balance with the State accounting system, but has not yet been able to balance with Saguache County. In order to facilitate that process, the Department has hired a certified public accountant to consult with the bookkeeping department and assist with implementing the necessary procedures to be in balance with the County on a monthly basis.*

*County offices will meet in August 2011 and will finalize policies and procedures by August 31, 2011.*

**Section III – Federal Award Findings and Questioned Costs**

**Finding 10-2: Temporary Assistance for Needy Families (TANF) Cluster, CFDA No. 93.558, Low-Income Home Energy Assistance, CFDA No. 93.568, U.S. Department of Health and Human Services**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility*

*Grant No.: Not applicable*

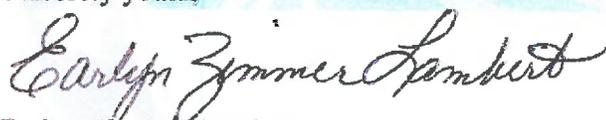
*Type of finding: Internal Control Over Compliance (significant deficiency)*

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

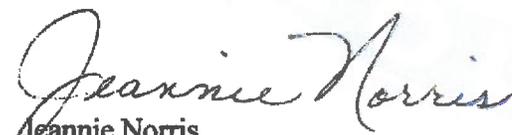
*Action Taken: The Department of Social Services has practiced random checks of cases in the LEAP program, and has identified and reported criminal fraud. In response to the audit determination that there is deficiency in the TANF and LEAP programs, the Department has implemented, effective immediately, a committee consisting of three persons which will review case files in both programs on a monthly basis.*

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

Sincerely yours,



Earlyn Zimmer-Lambert  
County Co-Administrator  
Saguache County, Colorado



Jeannie Norris  
County Director of Social Services  
Saguache County, Colorado