

SAGUACHE COUNTY, COLORADO

FINANCIAL STATEMENTS

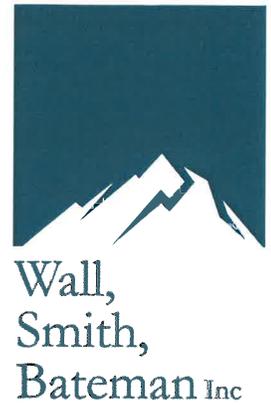
December 31, 2011



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

SAGUACHE COUNTY, COLORADO
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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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 23, 2012, 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.

Certified Public Accountants

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 the County's financial statements as a whole. The other supplementary information as listed in the table of contents and the Local Highway Finance Report 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 other supplementary information, 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 Inc.
Alamosa, Colorado

July 23, 2012

SAGUACHE COUNTY, COLORADO

BASIC FINANCIAL STATEMENTS

SAGUACHE COUNTY, COLORADO

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,604,474	\$ 95,560	\$ 1,700,034
Investments	3,484,382	-	3,484,382
Property Taxes Receivable	1,418,042	-	1,418,042
Accounts Receivable	23,446	-	23,446
Due from Other Governments	2,480,140	-	2,480,140
Other Assets	49,935	-	49,935
Inventory	192,252	-	192,252
Total Current Assets	<u>9,252,671</u>	<u>95,560</u>	<u>9,348,231</u>
Noncurrent Assets:			
Capital Assets:			
Land	90,122	73,331	163,453
Construction in Progress	257,473	-	257,473
Buildings, net	1,559,656	381,001	1,940,657
Vehicles & Equipment, net	3,003,704	-	3,003,704
Infrastructure, net	242,091	-	242,091
Total Noncurrent Assets	<u>5,153,046</u>	<u>454,332</u>	<u>5,607,378</u>
TOTAL ASSETS	<u>14,405,717</u>	<u>549,892</u>	<u>14,955,609</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	315,862	-	315,862
Accrued Payroll	6,340	-	6,340
Due to Other Governments	1,184,494	-	1,184,494
Deferred Revenue	49,935	-	49,935
Deferred Tax Revenue	1,418,042	-	1,418,042
Security Deposits	-	4,912	4,912
Capital Leases Payable (current portion)	30,993	-	30,993
Notes Payable (current portion)	-	19,231	19,231
Total Current Liabilities	<u>3,005,666</u>	<u>24,143</u>	<u>3,029,809</u>
Noncurrent Liabilities:			
Capital Leases Payable	199,948	-	199,948
Notes Payable	-	455,601	455,601
Closure and Post Closure Costs	466,558	-	466,558
Compensated Absences	160,716	-	160,716
Total Noncurrent Liabilities	<u>827,222</u>	<u>455,601</u>	<u>1,282,823</u>
TOTAL LIABILITIES	<u>3,832,888</u>	<u>479,744</u>	<u>4,312,632</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,455,547	(20,500)	4,435,047
Restricted for TABOR	250,000	-	250,000
Restricted for Forest Reserve Title III	198,065	-	198,065
Unrestricted	5,669,217	90,648	5,759,865
TOTAL NET ASSETS	<u>\$ 10,572,829</u>	<u>\$ 70,148</u>	<u>\$ 10,642,977</u>

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

SAGUACHE COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	TOTAL
Primary Government:							
Governmental Activities:							
General Government	\$ 3,157,451	\$ 723,452	\$ 128,079	\$ 205,571	\$ (2,100,349)	\$ -	\$ (2,100,349)
Public Safety	1,135,279	114,659	92,660	-	(927,960)	-	(927,960)
Health and Welfare	4,987,159	19,538	4,684,045	-	(283,576)	-	(283,576)
Public Works	3,331,039	153,792	4,586,384	144,334	1,553,471	-	1,553,471
Culture and Recreation	140,611	-	33,154	-	(107,457)	-	(107,457)
Interest Expense	8,731	-	-	-	(8,731)	-	(8,731)
Total Governmental Activities	12,760,270	1,011,441	9,524,322	349,905	(1,874,602)	-	(1,874,602)
Business-Type Activities:							
Housing Authority	181,096	174,269	-	-	-	(6,827)	(6,827)
Total Business-Type Activities	181,096	174,269	-	-	-	(6,827)	(6,827)
Total Primary Government	\$ 12,941,366	\$ 1,185,710	\$ 9,524,322	\$ 349,905	(1,874,602)	(6,827)	(1,881,429)
General Revenues:							
Taxes:							
General Property Taxes - Net					1,391,202	-	1,391,202
Sales Taxes					240,452	-	240,452
Other Taxes					138,333	-	138,333
Payment in Lieu of Taxes					453,678	-	453,678
Interest on Investments					9,670	414	10,084
Gain on Sale of Fixed Assets					13,960	-	13,960
Miscellaneous					326,855	17,601	344,456
Total General Revenues					2,574,150	18,015	2,592,165
Change in Net Assets					699,548	11,188	710,736
Net Assets - Beginning					9,873,281	58,960	9,932,241
Net Assets - Ending					\$ 10,572,829	\$ 70,148	\$ 10,642,977

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2011

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 1,702,435	\$ 2,895,907	\$ 193,655	\$ 296,859	\$ 5,088,856
Property Taxes Receivable	1,185,174	-	232,868	-	1,418,042
Accounts Receivable	23,446	-	-	-	23,446
Due from Other Funds	16,038	327	-	2,000	18,365
Due from Other Governments	1,350,645	1,004,059	81,357	44,079	2,480,140
Other Assets	49,935	-	-	-	49,935
Inventory	-	192,252	-	-	192,252
TOTAL ASSETS	\$ 4,327,673	\$ 4,092,545	\$ 507,880	\$ 342,938	\$ 9,271,036
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 59,177	\$ 232,649	\$ 11,807	\$ 18,569	\$ 322,202
Due to Other Funds	2,327	-	16,038	-	18,365
Due to Other Governments	1,184,494	-	-	-	1,184,494
Deferred Revenue	49,935	-	-	-	49,935
Deferred Tax Revenue	1,185,174	-	232,868	-	1,418,042
TOTAL LIABILITIES	2,481,107	232,649	260,713	18,569	2,993,038
FUND BALANCE					
Nonspendable					
Inventory	-	192,252	-	-	192,252
Restricted					
Tabor	250,000	-	-	-	250,000
Forest Service - Title III	198,065	-	-	-	198,065
Assigned					
Highway and Streets	-	3,667,644	-	-	3,667,644
Health and Welfare	-	-	247,167	47,563	294,730
Culture and Recreation	-	-	-	129,143	129,143
Emergency Services	-	-	-	63,780	63,780
Renewable Energy	-	-	-	81,507	81,507
Telecommunications	-	-	-	2,376	2,376
Unassigned	1,398,501	-	-	-	1,398,501
TOTAL FUND BALANCE	1,846,566	3,859,896	247,167	324,369	6,277,998
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,327,673	\$ 4,092,545	\$ 507,880	\$ 342,938	\$ 9,271,036

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

SAGUACHE COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total governmental fund balances		\$ 6,277,998
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,153,046
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital Leases Payable	\$ (230,941)	
Compensated Absences	(160,716)	
Landfill Closure and Post-Closure Costs	(466,558)	
		(858,215)
Net assets of governmental activities		\$ 10,572,829

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

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 1,268,566	\$ 33	\$ 247,519	\$ 253,869	\$ 1,769,987
Intergovernmental Revenue	2,053,321	3,419,656	4,142,682	574,517	10,190,176
Licenses and Permits	56,243	28,891	-	-	85,134
Interest on Deposits	9,670	-	-	-	9,670
Charges for Services	1,035,375	153,022	-	19,538	1,207,935
Miscellaneous	212,543	86,220	2,134	25,958	326,855
TOTAL REVENUES	4,635,718	3,687,822	4,392,335	873,882	13,589,757
EXPENDITURES					
Current Expenditures:					
General Government	3,267,754	-	-	500	3,268,254
Public Safety	1,043,486	-	-	47,888	1,091,374
Health and Welfare	4,162	-	4,349,512	677,499	5,031,173
Public Works	112,562	2,936,957	-	63,515	3,113,034
Culture and Recreation	28,978	-	-	111,633	140,611
Capital Outlay	26,630	363,895	41,015	-	431,540
Debt Service	-	35,448	-	-	35,448
TOTAL EXPENDITURES	4,483,572	3,336,300	4,390,527	901,035	13,111,434
Excess (deficiency) of revenues over expenditures	152,146	351,522	1,808	(27,153)	478,323
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	90,200	90,200
Transfers Out	(90,200)	-	-	-	(90,200)
Sale of Fixed Assets	-	23,772	-	-	23,772
TOTAL OTHER FINANCING SOURCES (USES)	(90,200)	23,772	-	90,200	23,772
Excess (deficiency) of revenues over expenditures and other sources (uses)	61,946	375,294	1,808	63,047	502,095
Fund Balance at Beginning of Year	1,784,620	3,484,602	245,359	261,322	5,775,903
Fund Balance at End of Year	\$ 1,846,566	\$ 3,859,896	\$ 247,167	\$ 324,369	\$ 6,277,998

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

SAGUACHE COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds \$ 502,095

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	\$	674,477	
Fixed asset deletions net of accumulated depreciation		(9,812)	
Depreciation expense		(489,816)	
		174,849	174,849

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			26,717
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		2,445	
Landfill Closure and Post-Closure Costs		(6,558)	
		(4,113)	(4,113)

Change in net assets of governmental funds \$ 699,548

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF NET ASSETS
December 31, 2011

	Business-type Activities
	HOUSING AUTHORITY
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 95,560
Total Current Assets	95,560
Noncurrent Assets:	
Capital Assets:	
Land	73,331
Buildings and Improvements, net	381,001
Total Noncurrent Assets	454,332
TOTAL ASSETS	549,892
LIABILITIES	
Current Liabilities:	
Security Deposit	4,912
Notes Payable (current portion)	19,231
Total Current Liabilities	24,143
Noncurrent Liabilities:	
Notes Payable	455,601
Total Noncurrent Liabilities	455,601
TOTAL LIABILITIES	479,744
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(20,500)
Unrestricted	90,648
TOTAL NET ASSETS	\$ 70,148

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

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2011

	Business-type Activities
	HOUSING AUTHORITY
OPERATING REVENUES	
Rent from Tenants and HUD Operating Subsidy	\$ 174,269
Miscellaneous	17,601
	191,870
Total Charges for Services	191,870
Total operating revenues	191,870
OPERATING EXPENSES	
Administrative	70,415
Utilities	43,376
Operating and Maintenance	9,237
Insurance	8,428
Depreciation Expense	34,769
	166,225
Total operating expenses	166,225
Operating Income (Loss)	25,645
NONOPERATING REVENUES (EXPENSES)	
Interest on Investments	414
Interest Expense	(14,871)
	(14,457)
Total Nonoperating Revenues (Expenses)	(14,457)
Changes in Net Assets	11,188
Net Assets, Beginning of Year	58,960
Net Assets, End of Year	\$ 70,148

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

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	Business-type Activities
	HOUSING AUTHORITY
Cash flows from operating activities:	
Cash received from tenants and others	\$ 113,033
Cash received from HUD operating subsidy	79,658
Cash paid to suppliers and service providers	(143,821)
Net cash provided (used) by operating activities:	48,870
Cash flows from noncapital financing activities:	-
Cash flows from capital and related financing activities:	
Payment of note principal and interest	(28,559)
Net cash provided (used) by capital and related financing activities	(28,559)
Cash flows from investing activities:	
Interest received	414
Net cash provided (used) by investing activities	414
Increase (decrease) in cash and investments	20,725
Cash and cash equivalents, Beginning of the Year	74,835
Cash and cash equivalents, End of the Year	\$ 95,560
Operating income (loss)	\$ 25,645
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	34,769
Increase (decrease) in due from other funds	821
Increase (decrease) in accounts payable	(12,365)
Total adjustments	23,225
Net cash provided (used) by operating activities	\$ 48,870

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

SAGUACHE COUNTY, COLORADO
FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS
December 31, 2011

	PUBLIC TRUSTEE	COUNTY TREASURER	COUNTY CLERK	SHERIFF'S TRUST	TOTAL AGENCY FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 13,680	\$ 924,719	\$ 20,071	\$ 9,574	\$ 968,044
TOTAL ASSETS	\$ 13,680	\$ 924,719	\$ 20,071	\$ 9,574	\$ 968,044
LIABILITIES					
Due to Other Governments	\$ -	\$ 924,719	\$ -	\$ -	\$ 924,719
Deposits held in Trust	13,680	-	20,071	9,574	43,325
TOTAL LIABILITIES	\$ 13,680	\$ 924,719	\$ 20,071	\$ 9,574	\$ 968,044

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2011

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:

- λ The organization is legally separate (can sue and be sued in their own name)
- λ The County holds the corporate powers of the organization
- λ The County appoints a voting majority of the organization's board
- λ The County is able to impose its will on the organization
- λ The organization has the potential to impose a financial benefit/burden on the County
- λ There is fiscal dependency by the organization on the County
- λ The organization is financially accountable to the County
- λ 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, 2011

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:

- λ Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- λ 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
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The County reports the following major governmental funds:

- λ 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.
- λ 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.
- λ 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.

- λ 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.

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
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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 2011 property tax levy due January 1, 2012 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
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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 2011.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

Fund Balance - Beginning with the 2011 year, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classification's and by clarifying the definitions of existing governmental fund types.

As a result fund balances are classified based on the extent to which the County is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. In accordance with the Statement, fund balances are now classified in one of the five categories:

- § *Nonspendable Fund Balance* - are amounts that cannot be spent because they are not in spendable form-such as inventory and prepaid expenses.

SAGUACHE COUNTY, COLORADO
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- § *Restricted Fund Balance*- are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- § *Committed Fund Balance*- are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of County Commissioners , the highest level of decision making authority, through resolution or ordinance. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- § *Assigned Fund Balance*- are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of County Commissioners or by an official or body to which the governing body delegates the authority.
- § *Unassigned Fund Balance*- are amounts that are available for any purpose; these amounts are reported only in the General Fund.

Beginning fund balances have been restated to reflect the above classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assignment actions.

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.

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:

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2011. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

Expenditures in the following funds exceeded appropriations during 2011. This may be a violation of Colorado State Statues.

	Excess
General Fund	\$ 1,095,630
Social Services Fund	385,523
Conservation Trust Fund	13,222

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	2,668,878
Less: amounts related to Trust & Agency Fund	(968,044)
Total cash and deposits: (Book Balance)	1,700,034
Investments	3,484,382
Total cash, deposits, and investments on Statement of Net Assets	\$ 5,184,416

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.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Custodial Credit Risk – Deposits

The County’s investment policy addresses custodial credit risk. At December 31, 2011, \$2,194,466 was exposed to custodial credit risk. Those deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

Investments

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

- λ Obligations of the United States and certain U.S. Government agency securities
- λ Certain international agency securities
- λ General obligation and revenue bonds of U.S. local government entities
- λ Bankers’ acceptances of certain banks
- λ Commercial paper
- λ Local government investment pools
- λ Repurchase agreements
- λ Money market funds
- λ Guaranteed investments contracts
- λ 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, 2011, the local government investment pools (C-SAFE and ColoTrust) in which the County had invested were rated AAA by Standard & Poor’s.

<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	4%	AAA	\$ 149,373	\$ -	\$ 149,373
Federal Home Loan Mortgage Corp	5%	AAA	168,335	-	168,335
Federal National Mortgage Assoc	5%	AAA	181,848	-	181,848
			499,556	\$ -	\$ 499,556
Money Market Funds (unrated)	0%	\$ 8,650			
C-SAFE	16%	558,726			
ColoTrust	69%	2,417,450			
			2,984,826		
			\$ 3,484,382		

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2011, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 1,185,174
Public Welfare Fund	<u>232,868</u>
	<u>\$ 1,418,042</u>

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2011, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Fund	\$ 16,038
Road and Bridge	General Fund	327
Nonmajor Funds	General Fund	2,000
		\$ 18,365

Interfund transfers for the year ended December 31, 2011, were as follows:

Transfer In	Transfer Out	Amount
Public Health Fund	General Fund	\$ 90,200
		\$ 90,200

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 90,122	\$ -	\$ -	\$ 90,122
Construction in Progress	-	257,473	-	257,473
Total capital assets not being depreciated	<u>90,122</u>	<u>257,473</u>	<u>-</u>	<u>347,595</u>
Capital assets being depreciated:				
Buildings and Improvements	7,717,922	270,661	197,552	7,791,031
Vehicles and Heavy Equipment	6,660,121	119,714	166,049	6,613,786
Equipment	263,089	26,629	-	289,718
Infrastructure	281,044	-	-	281,044
Total capital assets being depreciated	<u>14,922,176</u>	<u>417,004</u>	<u>363,601</u>	<u>14,975,579</u>
Less accumulated depreciation for:				
Buildings and Improvements	6,370,361	58,566	197,552	6,231,375
Vehicles and Equipment	3,461,484	397,902	156,237	3,703,149
Equipment	170,639	26,012	-	196,651
Infrastructure	31,617	7,336	-	38,953
Total accumulated depreciation	<u>10,034,101</u>	<u>489,816</u>	<u>353,789</u>	<u>10,170,128</u>
Total capital assets being depreciated, net	<u>4,888,075</u>	<u>(72,812)</u>	<u>9,812</u>	<u>4,805,451</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 4,978,197</u>	<u>\$ 184,661</u>	<u>\$ 9,812</u>	<u>\$ 5,153,046</u>
BUSINESS-TYPE ACTIVITIES				
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	668,434	34,769	-	703,203
Furniture and Equipment	66,636	-	-	66,636
Total accumulated depreciation	<u>735,070</u>	<u>34,769</u>	<u>-</u>	<u>769,839</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 489,101</u>	<u>\$ (34,769)</u>	<u>\$ -</u>	<u>\$ 454,332</u>

SAGUACHE COUNTY, COLORADO
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 32,948
Public Safety	43,905
Health and Welfare	14,069
Highways and Streets	398,894
	\$ 489,816
Business-type Activities:	
Housing Authority	\$ 34,769

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2011, were as follows:

	12/31/2010 Balance	Additions	Deletions	12/31/2011 Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 257,658	\$ -	\$ 26,717	\$ 230,941	\$ 30,993
Landfill Closure and Post-Closure	460,000	6,558		466,558	-
Compensated Absences	163,161	-	2,445	160,716	-
Total Governmental Activities	\$ 880,819	\$ 6,558	\$ 29,162	\$ 858,215	\$ 30,993
Business-Type Activities:					
DOLA-Division of Housing	\$ 292,703	\$ -	\$ 4,657	\$ 288,046	\$ 9,457
US Department of Agriculture					
Blue Waters Hacienda Project, 2004	77,225	-	8,575	68,650	9,287
Blue Waters Hacienda Project, 2005	118,592	-	456	118,136	487
Total Business-Type Activities	\$ 488,520	\$ -	\$ 13,688	\$ 474,832	\$ 19,231

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 \$37,740 at December 31, 2011.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The annual debt service for the capital lease is as follows:

	Principal	Interest	Total
2012	30,993	7,532	38,525
2013	32,095	6,430	38,525
2014	33,236	5,289	38,525
2015	134,617	1,323	135,940
	\$ 230,941	\$ 20,574	\$ 251,515

Landfill Closure and Post-Closure Care Costs

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County uses the “Local Government Finance Test” as its financial mechanism to assure full payment of all closure, post closure, and if applicable, corrective action estimated costs. The estimated liability for landfill closure and post closure care costs represents the County’s total current 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, 2011. As of December 31, 2011, 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 \$466,558 at December 31, 2011 is comprised of \$300,427 of estimated closure costs and \$166,131 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 2009 and 2010 payments were deferred due to cash flow shortages . Payments resumed in December 2011. The note maturity date is expected to be extended until December 2035.

United States Department of Agriculture

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

SAGUACHE COUNTY, COLORADO
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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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 19,231	\$ 15,226	\$ 34,457
2013	20,227	14,234	34,461
2014	21,292	13,171	34,463
2015	22,432	11,994	34,426
2016	23,655	10,837	34,492
2017-2021	72,134	49,229	121,363
2022-2026	65,554	41,971	107,525
2027-2031	74,035	33,490	107,525
2032-2036	68,805	23,548	92,353
2037-2041	15,072	16,599	31,671
2042-2046	21,103	10,568	31,671
2047-5051	29,547	2,555	32,102
2052-2054	21,745	-	21,745
	<u>\$ 474,832</u>	<u>\$ 243,422</u>	<u>\$ 718,254</u>

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 \$105,086.

NOTE 9 EMPLOYEE BENEFITS

Pension Plans

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

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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, 2011, total employee contributions to the Plan were \$95,494 and matching County contributions totaled \$82,934.

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, 2011.

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.

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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, 2011 year-end balances in the General Fund for this purpose in the aggregate amount of \$250,000, which is the approximate required emergency reserve.

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

NOTE 12 RISK MANAGEMENT

Colorado Counties Casualty and Property Pool (CAPP)

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

At December 31, 2011, CAPP had assets of \$26,461,204, liabilities of \$10,253,643 (including \$6,328,715 reserved for losses and claims), and members' equity of \$16,207,561. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2011 amounted to \$7,086,555 and total expenses were \$5,725,462, resulting in net income before return of surplus of \$1,361,093.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2011

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, 2011, CWCP had assets of \$35,758,135, liabilities of \$22,742,210 (including \$21,875,412 reserved for losses and claims) and members' equity of \$13,015,925. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2011 amounted to \$10,701,155, total expenses were \$11,650,853, resulting in a net loss before return of surplus of \$(949,698).

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.

SAGUACHE COUNTY, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the County's major special revenue funds.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,273,550	\$ 1,273,550	\$ 1,268,566	\$ (4,984)
Intergovernmental Revenue	724,465	856,465	2,053,321	1,196,856
Licenses and Permits	56,700	56,700	56,243	(457)
Interest Revenue	8,000	8,000	9,670	1,670
Charges for Services	1,168,044	1,168,044	1,035,375	(132,669)
Miscellaneous	55,835	55,835	212,543	156,708
TOTAL REVENUES	3,286,594	3,418,594	4,635,718	1,217,124
EXPENDITURES				
General Government	1,996,925	2,115,246	3,267,754	(1,152,508)
Public Safety	1,071,834	1,026,338	1,043,486	(17,148)
Health and Welfare	10,000	10,000	4,162	5,838
Public Works	150,000	115,754	112,562	3,192
Culture and Recreation	-	-	28,978	(28,978)
Capital Outlay	-	20,037	26,630	(6,593)
TOTAL BUDGETED EXPENDITURES	3,228,759	3,287,375	4,483,572	(1,196,197)
Excess (deficiency) of revenues over expenditures	57,835	131,219	152,146	20,927
OTHER FINANCING SOURCES (USES)				
Transfers Out	(41,500)	(190,767)	(90,200)	100,567
TOTAL OTHER FINANCING SOURCES (USES)	(41,500)	(190,767)	(90,200)	100,567
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	16,335	(59,548)	61,946	121,494
Fund Balance at Beginning of Year	1,501,030	1,501,030	1,784,620	283,590
Fund Balance at End of year	\$ 1,517,365	\$ 1,441,482	\$ 1,846,566	\$ 405,084

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, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 7,000	\$ 7,000	\$ 33	\$ (6,967)
Intergovernmental Revenue	3,724,584	3,724,584	3,419,656	(304,928)
Charges for Services	12,322	12,322	153,022	140,700
License and Permits	28,500	28,500	28,891	391
Miscellaneous	25,500	25,500	86,220	60,720
TOTAL REVENUES	<u>3,797,906</u>	<u>3,797,906</u>	<u>3,687,822</u>	<u>(110,084)</u>
EXPENDITURES				
Public Works	3,297,155	3,297,155	2,936,957	360,198
Capital Outlay	263,000	263,000	363,895	(100,895)
Debt Service	95,000	95,000	35,448	59,552
TOTAL EXPENDITURES	<u>3,655,155</u>	<u>3,655,155</u>	<u>3,336,300</u>	<u>318,855</u>
Excess (deficiency) of revenues over expenditures	142,751	142,751	351,522	208,771
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	5,000	5,000	23,772	18,772
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>5,000</u>	<u>23,772</u>	<u>18,772</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	147,751	147,751	375,294	227,543
Fund Balance at Beginning of Year	<u>3,536,710</u>	<u>3,536,710</u>	<u>3,484,602</u>	<u>(52,108)</u>
Fund Balance at End of Year	<u>\$ 3,684,461</u>	<u>\$ 3,684,461</u>	<u>\$ 3,859,896</u>	<u>\$ 175,435</u>

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, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 218,750	\$ 218,750	\$ 247,519	\$ 28,769
Intergovernmental Revenue	3,447,528	3,784,754	4,142,682	357,928
Miscellaneous	1,500	1,500	2,134	634
TOTAL REVENUES	3,667,778	4,005,004	4,392,335	387,331
EXPENDITURES				
Health and Welfare	3,597,278	3,934,504	4,349,512	(415,008)
Capital Outlay	70,500	70,500	41,015	29,485
TOTAL EXPENDITURES	3,667,778	4,005,004	4,390,527	(385,523)
Excess (deficiency) of revenues over expenditures	-	-	1,808	1,808
Fund Balance at Beginning of Year	237,257	237,257	245,359	8,102
Fund Balance at End of Year	\$ 237,257	\$ 237,257	\$ 247,167	\$ 9,910

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

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 was used to account for the operations of the County library. This fund was closed due to the formation of the new Library District in 2011.

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.

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

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.

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, 2011

NONMAJOR
SPECIAL REVENUE FUNDS

	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	TOTAL NONMAJOR GOVERNMENTAL
ASSETS									
Cash and Cash Equivalents	\$ 8,832	\$ -	\$ 61,095	\$ 2,376	\$ 25,945	\$ 63,780	\$ 55,324	\$ 79,507	\$ 296,859
Due from Other Funds	-	-	-	-	-	-	-	2,000	2,000
Due from Other Governments	44,079	-	-	-	-	-	-	-	44,079
TOTAL ASSETS	\$ 52,911	\$ -	\$ 61,095	\$ 2,376	\$ 25,945	\$ 63,780	\$ 55,324	\$ 81,507	\$ 342,938
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts Payable	\$ 5,348	\$ -	\$ 13,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,569
TOTAL LIABILITIES	5,348	-	13,221	-	-	-	-	-	18,569
FUND BALANCE									
Assigned									
Health and Welfare	47,563	-	-	-	-	-	-	-	47,563
Culture and Recreation	-	-	47,874	-	25,945	-	55,324	-	129,143
Emergency Services	-	-	-	-	-	63,780	-	-	63,780
Renewable Energy	-	-	-	-	-	-	-	81,507	81,507
Telecommunications	-	-	-	2,376	-	-	-	-	2,376
TOTAL FUND BALANCE	47,563	-	47,874	2,376	25,945	63,780	55,324	81,507	324,369
TOTAL LIABILITIES AND FUND BALANCE	\$ 52,911	\$ -	\$ 61,095	\$ 2,376	\$ 25,945	\$ 63,780	\$ 55,324	\$ 81,507	\$ 342,938

SAGUACHE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

NONMAJOR
SPECIAL REVENUE FUNDS

	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	TOTAL NONMAJOR GOVERNMENTAL
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 13,417	\$ 79,484	\$ 79,484	\$ 81,484	\$ 253,869
Intergovernmental Revenue	541,363	-	33,154	-	-	-	-	-	574,517
Charges for Services	19,538	-	-	-	-	-	-	-	19,538
Miscellaneous	20,693	310	-	-	4,955	-	-	-	25,958
TOTAL REVENUES	581,594	310	33,154	-	18,372	79,484	79,484	81,484	873,882
EXPENDITURES									
Current Expenditures									
General Government	-	-	-	500	-	-	-	-	500
Public Safety	-	-	-	-	-	47,888	-	-	47,888
Health and Welfare	677,499	-	-	-	-	-	-	-	677,499
Culture and Recreation	-	4,730	50,181	-	10,765	-	45,957	-	111,633
Public Works	-	-	-	-	-	-	-	63,515	63,515
TOTAL EXPENDITURES	677,499	4,730	50,181	500	10,765	47,888	45,957	63,515	901,035
Excess (deficiency) of revenues over expenditures	(95,905)	(4,420)	(17,027)	(500)	7,607	31,596	33,527	17,969	(27,153)
OTHER FINANCING SOURCES (USES)									
Transfer In	90,200	-	-	-	-	-	-	-	90,200
TOTAL OTHER FINANCING SOURCES (USES)	90,200	-	-	-	-	-	-	-	90,200
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(5,705)	(4,420)	(17,027)	(500)	7,607	31,596	33,527	17,969	63,047
Fund Balance at beginning of year	53,268	4,420	64,901	2,876	18,338	32,184	21,797	63,538	261,322
Fund Balance at end of year	\$ 47,563	\$ -	\$ 47,874	\$ 2,376	\$ 25,945	\$ 63,780	\$ 55,324	\$ 81,507	\$ 324,369

SAGUACHE COUNTY, COLORADO

OTHER SCHEDULES AND REPORTS

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF NET ASSETS
December 31, 2011

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 55,037	\$ 40,523	\$ 95,560
Total Current Assets	<u>55,037</u>	<u>40,523</u>	<u>95,560</u>
Noncurrent Assets:			
Capital Assets:			
Land	36,000	37,331	73,331
Buildings and Improvements, net	125,386	255,615	381,001
Total Noncurrent Assets	<u>161,386</u>	<u>292,946</u>	<u>454,332</u>
TOTAL ASSETS	<u>216,423</u>	<u>333,469</u>	<u>549,892</u>
LIABILITIES			
Current Liabilities:			
Security Deposit	1,804	3,108	4,912
Notes Payable (current portion)	9,774	9,457	19,231
Total Current Liabilities	<u>11,578</u>	<u>12,565</u>	<u>24,143</u>
Noncurrent Liabilities:			
Notes Payable	177,012	278,589	455,601
Total Noncurrent Liabilities	<u>177,012</u>	<u>278,589</u>	<u>455,601</u>
TOTAL LIABILITIES	<u>188,590</u>	<u>291,154</u>	<u>479,744</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(25,400)	4,900	(20,500)
Unrestricted	53,233	37,415	90,648
TOTAL NET ASSETS	<u>\$ 27,833</u>	<u>\$ 42,315</u>	<u>\$ 70,148</u>

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2011

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
OPERATING REVENUES			
Rent from Tenants	\$ 23,124	\$ 71,487	\$ 94,611
HUD Operating Subsidy	79,658	-	79,658
Miscellaneous	16,033	1,568	17,601
Total operating revenues	118,815	73,055	191,870
OPERATING EXPENSES			
Administrative	41,527	28,888	70,415
Utilities	20,152	23,224	43,376
Operating and Maintenance	6,115	3,122	9,237
Insurance	4,105	4,323	8,428
Depreciation Expense	24,091	10,678	34,769
Total operating expenses	95,990	70,235	166,225
Operating Income (Loss)	22,825	2,820	25,645
NONOPERATING REVENUES (EXPENSES)			
Interest on Investments	231	183	414
Interest Expense	(11,943)	(2,928)	(14,871)
Total Nonoperating Revenues (Expenses)	(11,712)	(2,745)	(14,457)
Changes in Net Assets	11,113	75	11,188
Net Assets, Beginning of Year	16,720	42,240	58,960
Net Assets, End of Year	\$ 27,833	\$ 42,315	\$ 70,148

SAGUACHE COUNTY, COLORADO
ENTERPRISE FUND TYPES
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended December 31, 2011

	HOUSING AUTHORITY		TOTAL ENTERPRISE FUND
	BLUE WATERS	PUERTO DEL NORTE HACIENDAS	
Cash flows from operating activities:			
Cash received from tenants and others	\$ 39,157	\$ 73,876	\$ 113,033
Cash received from HUD operating subsidy	79,658	-	79,658
Cash paid to suppliers and service providers	(83,334)	(60,487)	(143,821)
Net cash provided (used) by operating activities:	35,481	13,389	48,870
Cash flows from noncapital financing activities:	-	-	-
Cash flows from capital and related financing activities:			
Payment of note principal and interest	(20,974)	(7,585)	(28,559)
Net cash provided (used) by capital and related financing activities	(20,974)	(7,585)	(28,559)
Cash flows from investing activities:			
Interest received	231	183	414
Net cash provided (used) by investing activities	231	183	414
Increase (decrease) in cash and investments	14,738	5,987	20,725
Cash and cash equivalents, Beginning of the Year	40,299	34,536	74,835
Cash and cash equivalents, End of the Year	<u>\$ 55,037</u>	<u>\$ 40,523</u>	<u>\$ 95,560</u>
Operating income (loss)	\$ 22,825	\$ 2,820	\$ 25,645
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation	24,091	10,678	34,769
Increase (decrease) in security deposits	-	821	821
Increase (decrease) in accounts payable	(11,435)	(930)	(12,365)
Total adjustments	<u>12,656</u>	<u>10,569</u>	<u>23,225</u>
Net cash provided (used) by operating activities	<u>\$ 35,481</u>	<u>\$ 13,389</u>	<u>\$ 48,870</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, 2011

	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					
Governmental Funds							
Non-major Governmental Funds							
Special Revenue Funds							
Public Health Fund	\$ 728,179	\$ 728,179	\$ 677,499	\$ -	\$ 677,499	\$ 50,680	
Library Fund	-	34,003	4,730	-	4,730	29,273	
Conservation Trust Fund	34,000	36,959	50,181	-	50,181	(13,222)	
SLV TV Fund	500	500	500	-	500	-	
Tourism Fund	10,000	10,765	10,765	-	10,765	-	
Sales Tax - Emergency Services Fund	58,000	58,000	47,888	-	47,888	10,112	
Sales Tax - Youth and Seniors Fund	58,000	58,000	45,957	-	45,957	12,043	
Sales Tax - Renewable Energy Fund	58,000	70,515	63,515	-	63,515	7,000	
Total Non-major Governmental Funds	<u>\$ 946,679</u>	<u>\$ 996,921</u>	<u>\$ 901,035</u>	<u>\$ -</u>	<u>\$ 901,035</u>	<u>\$ 95,886</u>	
Proprietary Funds							
Enterprise Funds							
Blue Waters Housing Authority	\$ 109,716	\$ 109,716	\$ 107,933	\$ (24,091)	\$ 83,842	\$ 25,874	
Puerto Del Norte Haciendas Housing Authority	79,278	79,278	73,163	(10,678)	62,485	16,793	
Total Proprietary Funds	<u>\$ 188,994</u>	<u>\$ 188,994</u>	<u>\$ 181,096</u>	<u>\$ (34,769)</u>	<u>\$ 146,327</u>	<u>\$ 42,667</u>	

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

SAGUACHE COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
<i>Rural Rental Housing Cluster</i>			
Rural Rental Housing Loans			
Loan Funds	10.415		\$ 186,786
Interest Subsidy	10.415		11,943
Total <i>Rural Rental Housing Cluster</i>			<u>198,729</u>
COLORADO DEPT. OF HUMAN SERVICES			
<i>SNAP Cluster</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		60,410
Commodity Supplemental Food Program	10.565		22,870
<i>Emergency Food Assistance Cluster</i>			
Emergency Food Assistance Program (Food Commodities)	10.569		14,825
COLORADO DEPT. OF TREASURY			
<i>Schools and Roads Cluster</i>			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Title I and Title III Funds			
Direct Expenditures: Title III Funds			114,628
Direct Expenditures: Title I Funds			789,663
Passed to Sub recipients: Title I Funds			1,184,494
			<u>2,088,785</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
COLORADO DEPT. OF HUMAN SERVICES			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		356,785
Child Support Enforcement	93.563		87,833
Low-Income Home Energy Assistance	93.568		454,300
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		(48,373)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		46,201
Total for <i>CCDF Cluster</i>			<u>(2,172)</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645		6,957
Foster Care-Title IV-E	93.658		109,860
Adoption Assistance	93.659		30,758
Social Services Block Grant	93.667		60,849
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778		50,128
COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT			
Public Health Emergency Preparedness	93.069	EPR-HW1/2-HHS	16,167
<i>Immunization Cluster</i>			
Immunization Grants	93.268	IMM-KA1-HHS	7,048

SAGUACHE COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT Maternal and Child Health Services Block Grant to the States	93.994	MCH-MC1/2-HHS	484
CONEJOS COUNTY <i>CSBG Cluster</i> ARRA Community Services Block Grant Total for <i>CSBG Cluster</i>	93.710		3,099
U.S. DEPARTMENT OF HOMELAND SECURITY COLORADO DEPARTMENT OF LOCAL AFFAIRS Emergency Management Performance Grants	97.042		35,670
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 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	127,187
COLORADO HOUSING AND FINANCE AUTHORITY <i>Section 8 Project-Based Cluster</i> Section 8 Housing Assistance Payments Program	14.195		79,658
U.S. DEPARTMENT OF JUSTICE Bulletproof Vest Partnership Program	16.607		3,300
COLORADO DIVISION OF CRIMINAL JUSTICE Violence Against Women Formula Grants	16.588		<u>27,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,840,530</u></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 2011. * Denotes pass-through grant.



Wall,
Smith,
Bateman Inc

**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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 23, 2012. 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

Management of Saguache County, Colorado, is responsible for establishing and maintaining effective 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 11-1.

Certified Public Accountants

Compliance and Other Matters

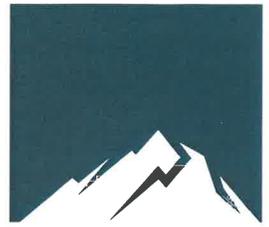
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 11-1.

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 Inc.
Alamosa, Colorado

July 23, 2012



Wall,
Smith,
Bateman Inc

**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, 2011. 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, 2011.

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

Certified Public Accountants

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.

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.

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

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 Inc.
Alamosa, Colorado

July 23, 2012

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- λ Material weakness(es) identified? yes no
- λ 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Cluster
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.568	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, 2011

Section II – Financial Statement Findings

**Finding 11-1: Internal Control Over Financial Reporting and on Compliance
(Repeat of Finding 09-1 and 10-1)**

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. The following funds had expenditures (including transfers) that exceeded the adopted budget for the year ended December 31, 2011, as described in Note 2. This may be a violation of Colorado Revised Statute 29-1-110. (Material noncompliance)

	<u>Excess</u>
General Fund	\$1,095,630
Social Services Fund	385,523
Conservation Trust Fund	13,222

2. 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.
3. The County is the recipient of the Colorado Rural Health grant and disbursed the funds to an outside party to complete the clinic remodeling project. The County did not act as the custodian for these funds until they were spent in accordance with the grant terms. In addition, expenditures for this grant were not presented for approval or monitoring to the Board of County Commissioners .
4. The Certification of Levies and Revenues approved by the Board of County Commissioners on December 14, 2010 contained calculation errors and inaccurate mill levies on two entities . The Assessor’s Abstract did not include a new taxing entity. The property tax collections were not affected by these errors because they were input by the Treasurer from the entities mill levy certification letters. The records of the Assessor, Treasurer, and Commissioners should be reconciled annually before the Abstract or Certification of Levies and Revenues are approved and submitted to the State.
5. Audit adjustments were proposed to properly state the General Fund, the Road and Bridge Fund, Library Fund, and the Housing Authority in the County financial statements as of December 31, 2011, in accordance with generally accepted accounting principles.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

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, routine and non-routine transactions, financial statement preparation, 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

None

SAGUACHE COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2011

Section II – Financial Statement Findings

Finding 10-1: 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: Partially Implemented. (See Finding 11-1)

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**

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

Status: Implemented.



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 Agriculture
U.S. Department of Health and Human Services

Saguache County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2011.

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

Audit period: Year ended December 31, 2011

The findings from the December 31, 2011 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 11-1: Internal Control Over Financial Reporting and on Compliance (Repeat of Finding 09-1 and 10-1)

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, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets to prevent these problems in the future.

Action taken: Saguache County is committed to obtain training and assistance with year end accounting and financial reporting requirements to ensure proper application of accounting principles, reconciliation of balance sheet accounts, monitoring of actual results in comparison with the budgeted expectations, and the proper recording of non-routine transactions. Accrual and deferral transactions will be considered in the final monitoring of budgetary results for all funds. The Social Services Fund will be reconciled in a more timely manner to allow the proper monitoring of budgetary results and the adoption of supplemental appropriations if necessary.

Responsible Parties: Earlyn Zimmer-Lambert, Co-County Administrator
Wendi Maez, Co-County Administrator

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

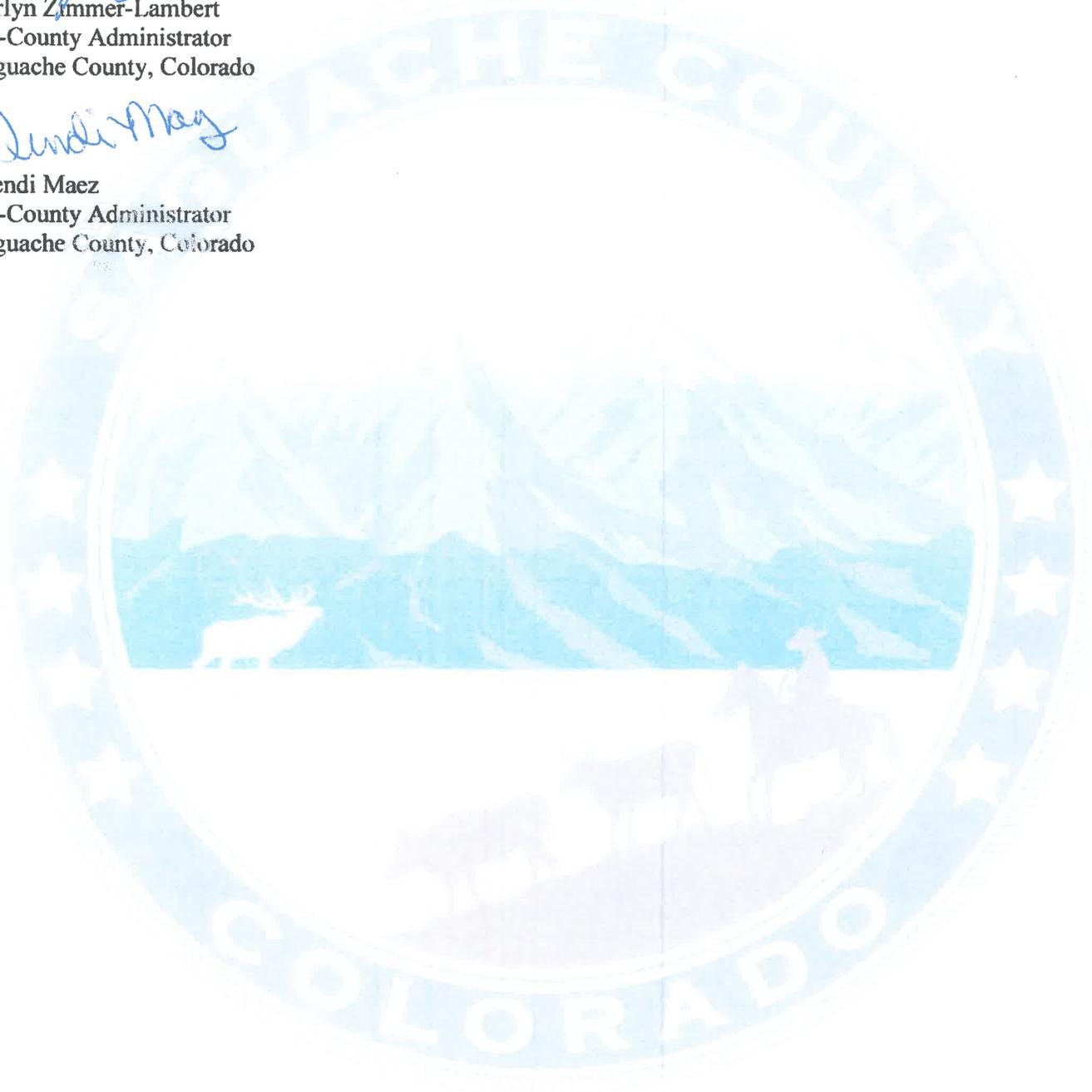
Sincerely yours,



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



Wendi Maez
Co-County Administrator
Saguache County, Colorado



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

LOCAL HIGHWAY FINANCE REPORT	City or County: Saguache County
	YEAR ENDING : December 2011

This Information From The Records Of (example - City of _ or County of Saguache County)	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
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	341,092
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,585,009
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	25,095
2. General fund appropriations		b. Snow and ice removal	10,417
3. Other local imposts (from page 2)	3,353	c. Other	131,924
4. Miscellaneous local receipts (from page 2)	263,014	d. Total (a. through c.)	167,436
5. Transfers from toll facilities		4. General administration & miscellaneous	184,512
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	58,251
a. Bonds - Original Issues		6. Total (1 through 5)	3,336,300
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	266,367	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	2,655,564	2. Notes:	
D. Receipts from Federal Government (from page 2)	789,663	a. Interest	
E. Total receipts (A.7 + B + C + D)	3,711,594	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,336,300

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,484,602	3,711,594	3,336,300	3,859,896	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2011

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	19	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	3,320	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	43,708
4. Licenses	0	f. Charges for Services	153,022
5. Specific Ownership &/or Other	14	g. Other Misc. Receipts	35,715
6. Total (1. through 5.)	3,334	h. Other	30,569
c. Total (a. + b.)	3,353	i. Total (a. through h.)	263,014
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,534,030	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	789,663
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	25,571	d. Federal Transit Admin	
d. Other (Specify) - CDOT Grant	95,963	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	121,534	g. Total (a. through f.)	789,663
4. Total (1. + 2. + 3.f)	2,655,564	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		341,092	341,092
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	341,092	341,092
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	341,092	341,092
			(Carry forward to page 1)

Notes and Comments: