

SAGUACHE COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2009

SAGUACHE COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT

To 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, 2009, 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.

We were unable to obtain sufficient audit evidence in regard to recorded revenues in the major special revenue Social Services Fund and the governmental activities, as described in Note 15 to the financial statements. The Department of Social Services has not reconciled the 2009 general ledger records of the County to the State of Colorado Department of Human Services "County Financial Management System" (CFMS) and we were unable to satisfy ourselves as to the revenue balances.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Social Services Fund revenues, 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 Saguache County, Colorado, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison information for the General Fund and the Major Special Revenue Funds, 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 September 2, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

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 combining and individual nonmajor fund financial statements, schedules, and reports listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wall, Smith, Bateman and Associates, Inc.

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

September 2, 2010

SAGUACHE COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS

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SAGUACHE COUNTY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,985,368	\$ 84,527	\$ 4,069,895
Accounts Receivable	38,059	-	38,059
Property Taxes Receivable	1,360,998	-	1,360,998
Due from Other Governments	2,952,006	-	2,952,006
Total Current Assets	8,336,431	84,527	8,420,958
Noncurrent Assets:			
Capital Assets:			
Land	90,122	73,331	163,453
Buildings, net	1,244,835	458,092	1,702,927
Vehicles & Equipment, net	2,285,200	-	2,285,200
Infrastructure, net	249,427	-	249,427
Total Noncurrent Assets	3,869,584	531,423	4,401,007
TOTAL ASSETS	12,206,015	615,950	12,821,965
LIABILITIES			
Current Liabilities:			
Accounts Payable	84,098	8,303	92,401
Accrued Payroll	6,393	-	6,393
Incurred But Not Reported Medical Claims	47,363	-	47,363
Due to Other Governments	894,661	-	894,661
Deferred Tax Revenue	1,360,998	-	1,360,998
Security Deposits	-	4,091	4,091
Notes Payable (current portion)	-	17,708	17,708
Total Current Liabilities	2,393,513	30,102	2,423,615
Noncurrent Liabilities:			
Notes Payable	-	479,157	479,157
Closure and Post Closure Costs	445,844	-	445,844
Compensated Absences	177,522	-	177,522
Total Noncurrent Liabilities	623,366	479,157	1,102,523
TOTAL LIABILITIES	3,016,879	509,259	3,526,138
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,423,740	34,558	3,458,298
Restricted for TABOR	250,000	-	250,000
Unrestricted	5,515,396	72,133	5,587,529
TOTAL NET ASSETS	\$ 9,189,136	\$ 106,691	\$ 9,295,827

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SAGUACHE COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs Primary Government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Governmental Activities:							
General Government	\$ 2,664,346	\$ 688,960	\$ 32,785	\$ 163,455	\$ (1,779,146)	\$ -	\$ (1,779,146)
Public Safety	1,058,965	161,221	76,955	-	(820,789)	-	(820,789)
Health and Welfare	4,725,572	63,646	4,416,685	-	(245,241)	-	(245,241)
Public Works	3,523,890	206,075	4,858,884	166,363	1,707,432	-	1,707,432
Culture and Recreation	209,428	-	57,646	-	(151,782)	-	(151,782)
Interest Expense	119,620	-	-	-	(119,620)	-	(119,620)
Total Governmental Activities	12,301,821	1,119,902	9,442,955	329,818	(1,409,146)	-	(1,409,146)
Business-Type Activities							
Housing Authority	306,750	143,291	-	-	-	(163,459)	(163,459)
Total Business-Type Activities	306,750	143,291	-	-	-	(163,459)	(163,459)
Total Primary Government	\$ 12,608,571	\$ 1,263,193	\$ 9,442,955	\$ 329,818	(1,409,146)	(163,459)	(1,572,605)
General Revenues:							
Taxes:							
General Property Taxes - Net					1,477,944	-	1,477,944
Sales Taxes					202,518	-	202,518
Other Taxes					13,783	-	13,783
Payment in Lieu of Taxes					766,276	-	766,276
Interest on Investments					41,647	196	41,843
Gain on Sale of Fixed Assets					118,694	-	118,694
Miscellaneous					120,687	136,144	256,831
Total General Revenues and Special Items					2,741,549	136,340	2,877,889
Change in Net Assets					1,332,403	(27,119)	1,305,284
Net Assets - Beginning, as Previously Stated					4,699,686	133,810	4,833,496
Prior Period Adjustment					3,157,047	-	3,157,047
Net Assets - Beginning, Restated					7,856,733	133,810	7,990,543
Net Assets - Ending					\$ 9,189,136	\$ 106,691	\$ 9,295,827

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2009

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 1,905,932	\$ 1,619,823	\$ 104,675	\$ 4,897	\$ 212,691	\$ 3,848,018
Receivables:						
Property Taxes Receivable	1,137,497	-	223,501	-	-	1,360,998
Accounts Receivable	35,112	-	2,947	-	-	38,059
Due from Other Funds	-	-	71,604	-	-	71,604
Due From Other Governments	1,061,024	1,724,712	91,324	74,946	-	2,952,006
TOTAL ASSETS	\$ 4,139,565	\$ 3,344,535	\$ 494,051	\$ 79,843	\$ 212,691	\$ 8,270,685
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 30,355	\$ 34,472	\$ 5,930	\$ 17,824	\$ 1,910	\$ 90,491
Due to Other Funds	-	-	-	71,604	-	71,604
Due to Other Governments	894,661	-	-	-	-	894,661
Deferred Tax Revenue	1,137,497	-	223,501	-	-	1,360,998
TOTAL LIABILITIES	2,062,513	34,472	229,431	89,428	1,910	2,417,754
FUND BALANCE						
Reserved for:						
Tabor	250,000	-	-	-	-	250,000
Undesignated:						
Subsequent Years Expenditures	33,926	-	-	-	500	34,426
Forest Service - Title III	215,986	-	-	-	-	215,986
General Fund	1,577,140	-	-	-	-	1,577,140
Special Revenue Funds	-	3,310,063	264,620	(9,585)	210,281	3,775,379
TOTAL FUND BALANCE	2,077,052	3,310,063	264,620	(9,585)	210,781	5,852,931
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,139,565	\$ 3,344,535	\$ 494,051	\$ 79,843	\$ 212,691	\$ 8,270,685

SAGUACHE COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2009

Total governmental fund balances	\$	5,852,931
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Accounts receivable used in the governmental activities that do not provide current financial resources and, therefore, are not reported in the funds.</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
		3,869,584
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences	\$ (177,522)	
Landfill Closure and Post-Closure Costs	<u>(445,844)</u>	
		(623,366)
<p>Internal Service Funds are used by management to charge the costs of self-insurance to the individual funds. The assets and liabilities of these funds are included in the governmental activities in the statement of net assets.</p>		
		<u>89,987</u>
Net assets of governmental activities	\$	<u>9,189,136</u>

SAGUACHE COUNTY, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2009

	GENERAL FUND	ROAD AND BRIDGE FUND	SOCIAL SERVICES FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 1,236,459	\$ 19	\$ 242,706	\$ -	\$ 215,061	\$ 1,694,245
Intergovernmental Revenue	2,178,283	3,857,114	3,721,504	695,181	57,646	10,509,728
Licenses and Permits	53,655	31,268	-	-	-	84,923
Interest on Deposits	41,647	-	-	-	-	41,647
Charges for Services	1,045,907	204,128	-	63,646	-	1,313,681
Miscellaneous	82,008	13,031	1,352	21,385	2,911	120,687
TOTAL REVENUES	4,637,959	4,105,560	3,965,562	780,212	275,618	13,764,911
EXPENDITURES						
Current Expenditures:						
General Government	2,755,345	-	-	-	500	2,755,845
Public Safety	999,181	-	-	-	67,820	1,067,001
Health and Welfare	5,450	-	3,920,240	863,276	-	4,788,966
Public Works	108,938	3,084,983	-	-	75,336	3,269,257
Culture and Recreation	-	-	-	-	209,428	209,428
Capital Outlay	40,522	681,784	-	-	-	722,306
Debt Service	-	495,252	-	-	-	495,252
TOTAL EXPENDITURES	3,909,436	4,262,019	3,920,240	863,276	353,084	13,308,055
Excess (deficiency) of revenues over expenditures	728,523	(156,459)	45,322	(83,064)	(77,466)	456,856
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	10,000	58,550	68,550
Transfers Out	(68,550)	-	-	-	-	(68,550)
Sale of Fixed Assets	-	126,027	-	-	-	126,027
TOTAL OTHER FINANCING SOURCES (USES)	(68,550)	126,027	45,322	10,000	58,550	126,027
Excess (deficiency) of revenues over expenditures and other sources (uses)	659,973	(30,432)	45,322	(73,064)	(18,916)	582,883
Fund Balance at Beginning of Year as previously stated	1,360,971	856,799	194,178	87,541	229,697	2,729,186
Prior Period Adjustment	56,108	2,483,696	25,120	(24,062)	-	2,540,862
Fund Balance at beginning of year, restated	1,417,079	3,340,495	219,298	63,479	229,697	5,270,048
Fund Balance at end of Year	\$ 2,077,052	\$ 3,310,063	\$ 264,620	\$ (9,585)	\$ 210,781	\$ 5,852,931

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, 2009

Net change in fund balances - total governmental funds \$ 582,883

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	\$	721,808	
Fixed asset deletions net of accumulated depreciation		(7,333)	
Depreciation expense		<u>(370,332)</u>	
			344,143

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		<u>375,632</u>	
			375,632

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			(5,066)
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Internal Service Funds are used by management to charge the costs of health insurance to the individual funds. The net revenue or loss of these services is reported with governmental activities.

			<u>34,811</u>
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Change in net assets of governmental funds			<u><u>\$ 1,332,403</u></u>
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SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
General Property Taxes, Net	\$ 1,140,000	\$ 1,140,000	\$ 1,081,200	\$ (58,800)
Specific Ownership Taxes	160,479	160,479	145,209	(15,270)
Delinquent Taxes and Interest	18,618	18,618	8,810	(9,808)
Cigarette Tax	1,050	1,050	1,240	190
Total Taxes	1,320,147	1,320,147	1,236,459	(83,688)
Intergovernmental Revenue				
Forest Service - Title III	-	-	150,363	150,363
PILT	724,279	724,279	766,276	41,997
Mineral Leasing	-	-	34,285	34,285
Forest Service	55,890	55,890	59,503	3,613
Other Grants	95,015	95,015	273,195	178,180
Total Intergovernmental Revenue	875,184	875,184	1,283,622	408,438
Licenses and Permits				
Building and Construction	10,000	10,000	20,535	10,535
Septic Permits	8,000	8,000	6,248	(1,752)
Land Use Fees	25,700	25,700	26,872	1,172
Total Licenses and Permits	43,700	43,700	53,655	9,955
Interest Revenue	35,000	35,000	41,647	6,647
Charges for Services				
Administrative Fees - Social Services	47,000	47,000	47,000	-
Administrative Fees - Road & Bridge	107,500	107,500	108,750	1,250
Administrative Fees - Public Health	27,000	27,000	27,002	2
Administrative Fees - Housing	72,350	72,350	66,629	(5,721)
Sheriff Fees	69,200	69,200	50,602	(18,598)
Clerk's Fees	402,000	402,000	398,697	(3,303)
Treasurer's Fees	139,910	139,910	143,122	3,212
Publications	14,000	14,000	14,063	63
Premium Bids	8,000	8,000	2,947	(5,053)
Landfill Fees	82,500	82,500	74,934	(7,566)
Traffic Code	80,000	80,000	110,619	30,619
Miscellaneous Fees	2,400	2,400	1,542	(858)
Total Charges for Services	1,051,860	1,051,860	1,045,907	(5,953)
Miscellaneous				
Rent	1,800	1,800	1,506	(294)
Refund of Expenditures	300	300	20,308	20,008
Sale of County Owned Property	-	-	38,200	38,200
Veterans Service Revenue	1,200	1,200	1,200	-
Other Miscellaneous	35	35	20,794	20,759
Total Miscellaneous	3,335	3,335	82,008	78,673

See Notes to the Basic Financial Statements

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
TOTAL REVENUES	3,329,226	3,329,226	3,743,298	414,072
EXPENDITURES				
General Government				
County Commissioners	230,197	230,197	214,134	16,063
Administration	283,108	282,608	245,972	36,636
Airport	481	481	507	(26)
County Attorney	35,823	35,823	36,319	(496)
Coroner	39,827	39,827	25,971	13,856
County Clerk	165,693	165,693	159,811	5,882
Elections	8,243	8,243	(2,328)	10,571
Treasurer	264,142	264,142	255,377	8,765
Assessor	310,484	310,484	292,854	17,630
CSBG	16,195	16,195	(2,796)	18,991
Judicial - District Attorney	89,058	89,058	89,058	-
Extension Office	18,800	18,800	18,800	-
Housing	70,750	70,750	63,180	7,570
Intergovernmental	16,070	16,070	16,180	(110)
Land Use	157,394	157,394	154,973	2,421
Planning Commission	3,202	3,202	6,652	(3,450)
Landfill	117,772	117,772	123,867	(6,095)
Maintenance	251,443	251,443	153,292	98,151
Veteran's Office	9,513	9,513	8,861	652
Total General Government	2,088,195	2,087,695	1,860,684	227,011
Public Safety				
Sheriff	599,978	627,978	616,227	11,751
Jail	348,528	348,528	357,160	(8,632)
Emergency Management	25,572	25,572	25,794	(222)
Total Public Safety	974,078	1,002,078	999,181	2,897
Health and Welfare				
Saguache Clinic	-	-	5,450	(5,450)
Total Health and Welfare	-	-	5,450	(5,450)
Public Works				
Forest Service Title III	92,500	92,500	105,608	(13,108)
Forest Service RAC	3,332	3,332	3,330	2
Total Public Works	95,832	95,832	108,938	(13,106)

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Capital Outlay				
Public Safety				
Sheriff	44,500	44,500	40,522	3,978
Total Capital Outlay	44,500	44,500	40,522	3,978
TOTAL BUDGETED EXPENDITURES	3,202,605	3,230,105	3,014,775	215,330
Non-Budgeted Pass-Thru Funds				
Federal Sources				
National Forest Payment - Secure Rural Schools			894,661	
General Government				
National Forest Payment - Secure Rural Schools			(894,661)	
TOTAL NON-BUDGETED PASS-THRU FUNDS			<u>-</u>	
Excess (deficiency) of revenues over expenditures	126,621	99,121	728,523	629,402
OTHER FINANCING SOURCES (USES)				
Transfers Out	(66,000)	(66,500)	(68,550)	(2,050)
TOTAL OTHER FINANCING SOURCES (USES)	(66,000)	(66,500)	(68,550)	(2,050)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	60,621	32,621	659,973	627,352
Fund Balance at beginning of year as previously stated	1,527,833	1,527,833	1,360,971	(166,862)
Prior Period Adjustment	<u>-</u>	<u>-</u>	56,108	56,108
Fund Balance at beginning of year, restated	1,527,833	1,527,833	1,417,079	(110,754)
Fund Balance at end of year	\$ 1,588,454	\$ 1,560,454	\$ 2,077,052	\$ 516,598

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
Delinquent Taxes and Interest	\$ -	\$ -	\$ 19	\$ 19
Total Taxes	-	-	19	19
Intergovernmental Revenue				
Highway Users Tax	2,184,700	2,184,700	2,195,601	10,901
Forest	2,530,109	2,530,109	1,661,513	(868,596)
Other Grants	47,000	47,000	-	(47,000)
Total Intergovernmental Revenue	4,761,809	4,761,809	3,857,114	(904,695)
Charges for Services	88,200	88,200	204,128	115,928
License and Permits				
Motor Vehicle and License Fees	32,000	32,000	31,268	(732)
Miscellaneous				
Refund of Expenditures	1,000	1,000	7,072	6,072
Other	800	800	5,959	5,159
Total Miscellaneous	1,800	1,800	13,031	11,231
TOTAL REVENUES	4,883,809	4,883,809	4,105,560	(778,249)
EXPENDITURES				
Public Works				
Administration	256,800	256,800	238,725	18,075
Maintenance	2,998,691	2,998,691	2,804,150	194,541
Snow Removal	20,311	20,311	17,633	2,678
Traffic Service	24,476	24,476	24,475	1
Total Highways and Streets	3,300,278	3,300,278	3,084,983	215,295
Capital Outlay				
Public Works	1,059,976	1,059,976	681,784	378,192
Debt Service				
Principal and Interest Payments	106,000	106,000	495,252	(389,252)
TOTAL EXPENDITURES	4,466,254	4,466,254	4,262,019	204,235
Excess (deficiency) of revenues over expenditures	417,555	417,555	(156,459)	(574,014)
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	63,000	63,000	126,027	63,027
TOTAL OTHER FINANCING SOURCES (USES)	63,000	63,000	126,027	63,027

See Notes to the Basic Financial Statements

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	480,555	480,555	(30,432)	(510,987)
Fund Balance at beginning of year, as previously stated	1,099,305	1,099,305	856,799	(242,506)
Prior Period Adjustment	-	-	2,483,696	2,483,696
Fund Balance at beginning of year, restated	1,099,305	1,099,305	3,340,495	2,241,190
Fund Balance at end of year	<u>\$ 1,579,860</u>	<u>\$ 1,579,860</u>	<u>\$ 3,310,063</u>	<u>\$ 1,730,203</u>

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SERVICES FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes				
General Property Taxes, Net	\$ 220,000	\$ 220,000	\$ 212,439	\$ (7,561)
Specific Ownership Taxes	20,000	20,000	28,532	8,532
Delinquent Taxes and Interest	1,500	1,500	1,735	235
Total Taxes	<u>241,500</u>	<u>241,500</u>	<u>242,706</u>	<u>1,206</u>
Intergovernmental Revenue				
Federal and State Funding	3,566,409	3,566,409	3,721,504	155,095
Total Intergovernmental Revenue	<u>3,566,409</u>	<u>3,566,409</u>	<u>3,721,504</u>	<u>155,095</u>
Miscellaneous	-	-	1,352	1,352
TOTAL REVENUES	<u>3,807,909</u>	<u>3,807,909</u>	<u>3,965,562</u>	<u>157,653</u>
EXPENDITURES				
Health and Welfare				
Assistance Payments - EBT	2,680,017	2,680,017	2,874,259	(194,242)
Administration	271,706	271,706	116,825	154,881
IV-D Administration	90,132	90,132	82,801	7,331
LEAP Administration	22,892	23,487	24,099	(612)
TANF Administration	188,900	212,372	211,574	798
Child Welfare	538,842	555,112	582,616	(27,504)
General Assistance	1,000	1,000	407	593
Child Care	14,420	24,890	27,659	(2,769)
Total Health and Welfare	<u>3,807,909</u>	<u>3,858,716</u>	<u>3,920,240</u>	<u>(61,524)</u>
TOTAL EXPENDITURES	<u>3,807,909</u>	<u>3,858,716</u>	<u>3,920,240</u>	<u>(61,524)</u>
Excess (deficiency) of revenues over expenditures	-	(50,807)	45,322	96,129
Fund Balance at Beginning of Year as previously stated	<u>211,152</u>	<u>211,152</u>	<u>194,178</u>	<u>(16,974)</u>
Prior Period Adjustment	-	-	25,120	25,120
Fund Balance at beginning of year, restated	<u>211,152</u>	<u>211,152</u>	<u>219,298</u>	<u>8,146</u>
Fund Balance at end of Year	<u>\$ 211,152</u>	<u>\$ 160,345</u>	<u>\$ 264,620</u>	<u>\$ 104,275</u>

SAGUACHE COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUBLIC HEALTH FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Intergovernmental Revenue				
Medicaid - Personal Care Providers	\$ 541,500	\$ 541,500	\$ 497,625	\$ (43,875)
State Nursing	22,000	22,000	29,196	7,196
STEPP	19,373	19,373	26,049	6,676
ADAD	110,000	110,000	92,851	(17,149)
Emergency Preparedness	14,138	14,138	18,736	4,598
Immunizations	8,800	8,800	13,806	5,006
Other Grants	33,418	11,418	16,918	5,500
Total Intergovernmental Revenue	749,229	727,229	695,181	(32,048)
Private Pay	45,000	45,000	63,646	18,646
Miscellaneous	19,850	19,600	21,385	1,785
TOTAL REVENUES	814,079	791,829	780,212	(11,617)
EXPENDITURES				
Health and Welfare				
Public Health	161,349	161,339	177,495	(16,156)
Personal Care Providers	487,376	547,988	550,360	(2,372)
STEPP	19,273	23,500	23,494	6
Emergency Preparedness	14,138	29,588	26,452	3,136
Drug and Alcohol Prevention	103,000	103,000	81,193	21,807
Miscellaneous	7,000	3,852	4,282	(430)
Total Health and Welfare	792,136	869,267	863,276	5,991
TOTAL EXPENDITURES	792,136	869,267	863,276	5,991
Excess (deficiency) of revenues over expenditures	21,943	(77,438)	(83,064)	(5,626)
OTHER FINANCING SOURCES (USES)				
Transfers In	3,000	3,000	10,000	7,000
TOTAL OTHER FINANCING SOURCES (USES)	3,000	3,000	10,000	7,000
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	24,943	(74,438)	(73,064)	1,374
Fund Balance at Beginning of Year as previously stated	44,145	44,145	87,541	43,396
Prior Period Adjustment	-	-	(24,062)	(24,062)
Fund Balance at beginning of year, restated	44,145	44,145	63,479	19,334
Fund Balance at end of Year	\$ 69,088	\$ (30,293)	\$ (9,585)	\$ 20,708

See Notes to the Basic Financial Statements

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF NET ASSETS
December 31, 2009

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>HOUSING AUTHORITY</u>	<u>Internal Service Fund HEALTH INSURANCE FUND</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 84,527	\$ 137,350
Total Current Assets	<u>84,527</u>	<u>137,350</u>
Noncurrent Assets:		
Capital Assets:		
Land	73,331	-
Buildings and Improvements, net	458,092	-
Total Noncurrent Assets	<u>531,423</u>	<u>-</u>
TOTAL ASSETS	<u>615,950</u>	<u>137,350</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,303	-
Incurred but Unreported Claims	-	47,363
Security Deposit	4,091	-
Notes Payable (current portion)	17,708	-
Total Current Liabilities	<u>30,102</u>	<u>47,363</u>
Noncurrent Liabilities:		
Notes Payable	479,157	-
Total Noncurrent Liabilities	<u>479,157</u>	<u>-</u>
TOTAL LIABILITIES	<u>509,259</u>	<u>47,363</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	34,558	-
Unrestricted	72,133	89,987
TOTAL NET ASSETS	<u>\$ 106,691</u>	<u>\$ 89,987</u>

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2009

	Business-type Activities	Governmental Activities
	HOUSING AUTHORITY	Internal Service Fund HEALTH INSURANCE FUND
OPERATING REVENUES		
Rent from Tenants	\$ 143,291	\$ -
Charges for Service	-	591,903
Reinsurance Recoveries	-	137,221
Miscellaneous	136,144	-
Total Charges for Services	<u>279,435</u>	<u>729,124</u>
Total operating revenues	<u>279,435</u>	<u>729,124</u>
OPERATING EXPENSES		
Administrative	88,655	-
Utilities	39,880	-
Operating and Maintenance	119,648	-
Insurance	6,072	-
Depreciation Expense	42,324	-
Purchased Services	-	695,089
Total operating expenses	<u>296,579</u>	<u>695,089</u>
Operating Income (Loss)	<u>(17,144)</u>	<u>34,035</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on Investments	196	776
Interest Expense	(10,171)	-
Total Nonoperating Revenues (Expenses)	<u>(9,975)</u>	<u>776</u>
Changes in Net Assets	<u>(27,119)</u>	<u>34,811</u>
Net Assets, Beginning of Year, as previously stated	133,810	-
Prior Period Adjustment	<u>-</u>	<u>55,176</u>
Net Assets, Beginning of Year, restated	<u>133,810</u>	<u>55,176</u>
Net Assets, End of Year	<u>\$ 106,691</u>	<u>\$ 89,987</u>

SAGUACHE COUNTY, COLORADO
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>HOUSING AUTHORITY</u>	<u>Internal Service Fund HEALTH INSURANCE FUND</u>
Cash flows from operating activities:		
Cash received from tenants and others	\$ 203,251	\$ 591,903
Cash received from HUD operating subsidy	76,184	-
Cash paid to suppliers and service providers	<u>(254,018)</u>	<u>(575,181)</u>
Net cash provided (used) by operating activities:	25,417	16,722
Cash flows from capital and related financing activities:		
Payment of note principal and interest	<u>(17,882)</u>	-
Net cash provided (used) by capital and related financing activities	(17,882)	-
Cash flows from investing activities:		
Interest received	<u>196</u>	<u>776</u>
Net cash provided (used) by investing activities	<u>196</u>	<u>776</u>
Increase (decrease) in cash and investments	7,731	17,498
Cash and cash equivalents, Beginning of the Year	<u>76,796</u>	<u>119,852</u>
Cash and cash equivalents, End of the Year	<u>\$ 84,527</u>	<u>\$ 137,350</u>
Operating income (loss)	\$ (17,144)	\$ 34,035
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	42,324	-
Increase (decrease) in accounts payable	237	-
Increase (decrease) in incurred but unreported claims	<u>-</u>	<u>(17,313)</u>
Total adjustments	<u>42,561</u>	<u>(17,313)</u>
Net cash provided (used) by operating activities	<u>\$ 25,417</u>	<u>\$ 16,722</u>

SAGUACHE COUNTY, COLORADO
FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS
December 31, 2009

	<u>PUBLIC TRUSTEE</u>	<u>COUNTY TREASURER</u>	<u>COUNTY CLERK</u>	<u>SHERIFF'S TRUST</u>	<u>TOTAL AGENCY FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 5,859	\$ 416,851	\$ 221,421	\$ 7,058	\$ 651,189
TOTAL ASSETS	<u>\$ 5,859</u>	<u>\$ 416,851</u>	<u>\$ 221,421</u>	<u>\$ 7,058</u>	<u>\$ 651,189</u>
LIABILITIES					
Due to Other Governments	\$ -	\$ 416,851	\$ -	\$ -	\$ 416,851
Deposits held in Trust	5,859	-	221,421	7,058	234,338
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 416,851</u>	<u>\$ 221,421</u>	<u>\$ 7,058</u>	<u>\$ 651,189</u>

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

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

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

Component Units

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

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

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

The County reports the following major governmental funds:

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

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.

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

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

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

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

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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 2009 property tax levy due January 1, 2010 has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

Inventories

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

Capital Assets

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

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

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

Compensated Absences

Annual leave may be accrued to the maximum of:

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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 2009.

Deferred Revenue

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

Encumbrances

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

Fund Equity

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

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:

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2009. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

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

The Public Health Fund had a deficit fund balance of \$9,585 as of December 31, 2009. This may be a violation of Colorado State Statutes.

Expenditures in the following funds exceeded appropriations during 2009. This may be a violation of Colorado State Statutes.

	Excess
Social Services Fund	\$ 61,524
Tourism Fund	1,227
Sales Tax - Emergency Services Fund	17,820
Sales Tax - Youth and Seniors Fund	35,400
Sales Tax - Renewable Energy Fund	25,336
Library Fund	1,436
Housing Authority	85,451

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

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

Cash on Hand	\$ 800
Cash Deposited with Banks	2,137,882
Investments	2,582,402
Total cash, deposits, and investments: (Book Balance)	4,721,084
Less: amounts related to Trust & Agency Fund	(651,189)
Total cash, deposits, and investments on Statement of Net Assets	\$ 4,069,895

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 Emergency Economic Stabilization Act of 2008 raised the basic limit on Federal Deposit Insurance Coverage from \$100,000 to \$250,000 per depositor.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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

Custodial Credit Risk – Deposits

The County’s investment policy addresses custodial credit risk. At December 31, 2009, \$500,722 was exposed to custodial credit risk. \$433,334 of those deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA. \$67,388 of those deposits are in a Credit Union accounts that are not protected by PDPA. This is a violation of CRS 11-10.5-103.

Investments

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

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

Custodial Credit Risk - Investments

The County’s investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The policy allows for the investment in local government investment pools. As of December 31, 2009, 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>		
C-SAFE	7%	\$ 169,307
ColoTrust	93%	<u>2,413,095</u>
		<u>\$ 2,582,402</u>

Interest Rate Risk

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2009, the County had an estimated property tax receivable divided among the funds as follows:

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

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Interfund receivable and payable balances at December 31, 2009, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Social Services Fund	Public Health Fund	<u>\$ 71,604</u>

Interfund transfers for the year ended December 31, 2009 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Library Fund	General Fund	\$ 58,550
Public Health Fund	General Fund	<u>10,000</u>
		<u>\$ 68,550</u>

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

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Adjustments	Additions	Deletions	Balance 12/31/2009
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 90,122	\$ -	\$ -	\$ -	\$ 90,122
Construction in Progress	142,437	-	-	142,437	-
Total capital assets not being depreciated	<u>232,559</u>	<u>-</u>	<u>-</u>	<u>142,437</u>	<u>90,122</u>
Capital assets being depreciated:					
Buildings and Improvements	7,400,838	-	164,894	-	7,565,732
Vehicles and Heavy Equipment	4,485,554	523,482	667,745	395,000	5,281,781
Equipment	169,282	7,595	31,607	-	208,484
Infrastructure	281,044	-	-	-	281,044
Total capital assets being depreciated	<u>12,336,718</u>	<u>531,077</u>	<u>864,246</u>	<u>395,000</u>	<u>13,337,041</u>
Less accumulated depreciation for:					
Buildings and Improvements	6,279,136	-	41,761	-	6,320,897
Vehicles and Equipment	3,169,248	(29,932)	310,224	387,667	3,061,874
Equipment	124,844	-	18,347	-	143,191
Infrastructure	31,617	-	-	-	31,617
Total accumulated depreciation	<u>9,604,845</u>	<u>(29,932)</u>	<u>370,332</u>	<u>387,667</u>	<u>9,557,579</u>
Total capital assets being depreciated, net	<u>2,731,873</u>	<u>561,009</u>	<u>493,914</u>	<u>7,333</u>	<u>3,779,462</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 2,964,432</u>	<u>\$ 561,009</u>	<u>\$ 493,914</u>	<u>\$ 149,770</u>	<u>\$ 3,869,584</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>-</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>-</u>	<u>1,150,840</u>
Less accumulated depreciation for:					
Buildings and Improvements	583,790	-	42,322	-	626,112
Furniture and Equipment	66,636	-	-	-	66,636
Total accumulated depreciation	<u>650,426</u>	<u>-</u>	<u>42,322</u>	<u>-</u>	<u>692,748</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 573,745</u>	<u>\$ -</u>	<u>\$ (42,322)</u>	<u>\$ -</u>	<u>\$ 531,423</u>

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

Capital asset balances required adjustment to beginning balances due to calculation errors in the depreciation schedule. The adjustment to the capital assets were \$561,009 for the governmental activities as detailed in the table above.

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

Governmental Activities:	
General Government	\$ 27,332
Public Safety	35,501
Health and Welfare	10,608
Highways and Streets	<u>296,891</u>
	<u>\$ 370,332</u>
Business-type Activities:	
Housing Authority	<u>\$ 42,322</u>

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2009 were as follows:

	12/31/2008 Balance	Additions	Deletions	12/31/2009 Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 375,632	\$ -	\$ 375,632	\$ -	\$ -
Landfill Closure and Post-Closure	445,844	-		445,844	-
Compensated Absences	<u>172,456</u>	<u>5,066</u>	<u>-</u>	<u>177,522</u>	<u>-</u>
Total Governmental Activities	<u>\$ 993,932</u>	<u>\$ 5,066</u>	<u>\$ 375,632</u>	<u>\$ 623,366</u>	<u>\$ -</u>
Business-Type Activities:					
DOLA-Division of Housing	\$ 292,703	\$ -	\$ -	\$ 292,703	\$ 9,363
US Department of Agriculture					
Blue Waters Hacienda Project, 2004	92,455	-	7,311	85,144	7,919
Blue Waters Hacienda Project, 2005	<u>119,416</u>	<u>-</u>	<u>398</u>	<u>119,018</u>	<u>426</u>
Total Business-Type Activities	<u>\$ 504,574</u>	<u>\$ -</u>	<u>\$ 7,709</u>	<u>\$ 496,865</u>	<u>\$ 17,708</u>

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

GOVERNMENTAL ACTIVITIES:

Capital Lease

The County entered into a capital lease payable to Caterpillar Financial Services, payable in monthly installments of \$3,725, beginning August 22, 2007, at 4.85% interest, for the purchase of a Caterpillar 140H motor grader. This lease was paid off in March 2009.

The County entered into a \$249,185 capital lease payable to Wagner Equipment, payable in monthly installments of \$5,938, beginning December 20, 2008, at 6.75% interest, for the purchase of a Caterpillar D6T XL dozer. Final payment is due in 2012. This lease was paid off in March 2009.

Landfill Closure and Post-Closure Care Costs

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The estimated liability for landfill closure and post closure care costs represents the County's total current estimated of such future costs, and is based on the estimated amount to be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2009. As of December 31, 2009, the County estimated that existing landfill capacity was approximately 20% utilized (filled), and that the existing landfill was expected to be filled to capacity in fiscal year 2025. The aggregate liability of \$445,844 at December 31, 2009 is comprised of \$293,003 of estimated closure costs and \$152,841 of estimated post closure costs. However, the actual costs of closure and post closure may be higher, due to inflation, changes in technology, or changes in the landfill laws and regulations.

BUSINESS-TYPE ACTIVITIES:

Colorado Department of Affairs – Division of Housing

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

The payments in 2009 were deferred due to cash flow shortages. The payments will begin again May 2010 and the note will mature on May 2034.

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 with a remaining principal balance of \$116,935. Monthly payments began in January 2005 with a maturity date of 2017.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

Mortgage note payable to the United States Department of Agriculture (USDA), with original principal amount of \$120,743, maturing December 2054, payable in blended monthly payments of \$528, and with a stated interest rate of 6.75% per annum. The mortgage note was entered into to refinance the construction of two projects operated by the Housing Authority and is secured by a deed of trust on the Housing Authority's Blue Waters Haciendas housing project, which is located in Saguache, County. The annual debt service for the Mortgage Notes Payable is as follows:

	Principal	Interest	Total
2010	\$ 17,708	\$ 16,718	\$ 34,426
2011	18,583	15,843	34,426
2012	19,518	14,908	34,426
2013	20,519	13,907	34,426
2014	21,590	12,836	34,426
2015-2019	95,675	51,596	147,271
2020-2024	64,268	43,257	107,525
2025-2029	72,410	35,115	107,525
2030-2034	74,385	25,553	99,938
2035-2039	13,174	18,497	31,671
2040-2044	18,445	13,226	31,671
2045-2049	25,825	5,846	31,671
2050-2054	34,765	76	34,841
	\$ 496,865	\$ 267,378	\$ 764,243

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 \$28,683.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 9 EMPLOYEE BENEFITS

Pension Plans

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

For the year ended December 31, 2009, total employee contributions to the Plan were \$83,322 and matching County contributions totaled \$68,067.

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, 2009.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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.

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, 2009 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.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 12 RISK MANAGEMENT

Health-Insurance Fund

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

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

The claim liability of \$47,363 reported in the Self Insurance Fund is based in the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claim liability amount in fiscal year 2009 are as follows:

	2009
Liability at January 1	\$ 64,676
Current year claims and changes in estimates	(428,106)
Claims Paid	(445,419)
Balance at December 31	\$ 47,363

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, 2009, CAPP had assets of \$28,471,095, liabilities of \$8,822,136 (including \$4,899,651 reserved for losses and claims), and members' equity of \$19,648,959. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2009 amounted to \$7,996,386 and total expenses were \$7,105,635, resulting in an excess of expenses over revenues (net loss) of \$890,751.

SAGUACHE COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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, 2009, CWCP had assets of \$33,641,111, liabilities of \$20,020,011 (including \$19,141,181 reserved for losses and claims) and members' equity of \$13,621,100. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2009 amounted to \$10,669,328, total expenses were \$8,813,071, resulting in an excess of revenues over expenses of \$1,856,257.

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 14 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were required to accurately state beginning fund balance, net asset, and receivable account balances. These adjustments were required to properly account for the County funded health insurance, accrue 2008 Forest Service payments, recognize prior year internal service fund claims liabilities, and properly state other balance sheet accounts. The capital asset accounts were adjusted for prior year misstatement in asset and accumulated depreciation balances. A summary of how these adjustments affected the fund and government-wide financial statements is as follows:

GOVERNMENTAL ACTIVITIES	
General Fund	
Establishment of Health Insurance Internal Service Fund	\$ (119,852)
Correct cash balance in the Health Insurance Account	20,729
2008 Forest Service Title III Accrual	<u>155,231</u>
	56,108
Road and Bridge Fund	
2008 Forest Service Accrual	2,483,696
Social Services Fund	
Reversal of prior year credit balance in accounts receivable	25,120
Public Health Fund	
Reversal of 2006 accounts receivable	<u>(24,062)</u>
Total Governmental Funds Prior Period Adjustment	2,540,862
Capital Asset Adjustments	561,009
Internal Service Fund Establishment	
Transfer of cash account from General Fund	119,852
Prior year Incurred but not Reported Claims Liability	<u>(64,676)</u>
	<u>55,176</u>
STATEMENT OF ACTIVITIES PRIOR PERIOD ADJUSTMENT	<u><u>\$ 3,157,047</u></u>

NOTE 15 SOCIAL SERVICES FUND RECONCILIATION

The County Department of Human Services transactions are reported to the State of Colorado Department of Health and Human Services on a monthly basis through the County Financial Management System (CFMS). In order to ensure that the financial transactions are recorded accurately, a reconciliation between the accounting records of the County and the State is required on a monthly basis. The County has not been able to reconcile the accounting records with CFMS for 2009. Therefore, the classification and timing of the revenue recognition has not been determined as of December 31, 2009.

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SAGUACHE COUNTY, COLORADO

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.

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**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.

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

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

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

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

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

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SAGUACHE COUNTY, COLORADO
OTHER SCHEDULES AND REPORTS

SAGUACHE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
 December 31, 2009

	NONMAJOR SPECIAL REVENUE FUNDS										TOTAL NONMAJOR GOVERNMENTAL
	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				
ASSETS											
Cash and Cash Equivalents	\$ 6,869	\$ 74,253	\$ 3,303	\$ 14,875	\$ 34,821	\$ 20,440	\$ 58,130				\$ 212,691
TOTAL ASSETS	<u>\$ 6,869</u>	<u>\$ 74,253</u>	<u>\$ 3,303</u>	<u>\$ 14,875</u>	<u>\$ 34,821</u>	<u>\$ 20,440</u>	<u>\$ 58,130</u>				<u>\$ 212,691</u>
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts Payable	\$ 1,910	-	-	-	-	-	-				\$ 1,910
TOTAL LIABILITIES	<u>1,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>				<u>1,910</u>
FUND BALANCE											
Unreserved:											
Designated for Subsequent Years Expenditures	-	-	500	-	-	-	-				500
Undesignated	4,959	74,253	2,803	14,875	34,821	20,440	58,130				210,281
TOTAL FUND BALANCE	<u>4,959</u>	<u>74,253</u>	<u>3,303</u>	<u>14,875</u>	<u>34,821</u>	<u>20,440</u>	<u>58,130</u>				<u>210,781</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,869</u>	<u>\$ 74,253</u>	<u>\$ 3,303</u>	<u>\$ 14,875</u>	<u>\$ 34,821</u>	<u>\$ 20,440</u>	<u>\$ 58,130</u>				<u>\$ 212,691</u>

SAGUACHE COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	NONMAJOR SPECIAL REVENUE FUNDS							TOTAL NONMAJOR GOVERNMENTAL
	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	
REVENUES								
Taxes	-	-	-	\$ 12,543	\$ 67,506	\$ 67,506	\$ 67,506	\$ 215,061
Intergovernmental Revenue	23,000	34,646	-	-	-	-	-	57,646
Miscellaneous	2,911	-	-	-	-	-	-	2,911
TOTAL REVENUES	<u>25,911</u>	<u>34,646</u>	<u>-</u>	<u>12,543</u>	<u>67,506</u>	<u>67,506</u>	<u>67,506</u>	<u>275,618</u>
EXPENDITURES								
Current Expenditures								
General Government	-	-	500	-	-	-	-	500
Public Safety	-	-	-	-	67,820	-	-	67,820
Culture and Recreation	86,908	25,493	-	11,627	-	85,400	-	209,428
Public Works	-	-	-	-	-	-	75,336	75,336
TOTAL EXPENDITURES	<u>86,908</u>	<u>25,493</u>	<u>500</u>	<u>11,627</u>	<u>67,820</u>	<u>85,400</u>	<u>75,336</u>	<u>353,084</u>
Excess (deficiency) of revenues over expenditures	<u>(60,997)</u>	<u>9,153</u>	<u>(500)</u>	<u>916</u>	<u>(314)</u>	<u>(17,894)</u>	<u>(7,830)</u>	<u>(77,466)</u>
OTHER FINANCING SOURCES (USES)								
Transfer In	58,550	-	-	-	-	-	-	58,550
TOTAL OTHER FINANCING SOURCES (USES)	<u>58,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,550</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(2,447)</u>	<u>9,153</u>	<u>(500)</u>	<u>916</u>	<u>(314)</u>	<u>(17,894)</u>	<u>(7,830)</u>	<u>(18,916)</u>
Fund Balance at beginning of year	<u>7,406</u>	<u>65,100</u>	<u>3,803</u>	<u>13,959</u>	<u>35,135</u>	<u>38,334</u>	<u>65,960</u>	<u>229,697</u>
Fund Balance at end of year	<u>\$ 4,959</u>	<u>\$ 74,253</u>	<u>\$ 3,303</u>	<u>\$ 14,875</u>	<u>\$ 34,821</u>	<u>\$ 20,440</u>	<u>\$ 58,130</u>	<u>\$ 210,781</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenue				
Other Grants	\$ 34,000	\$ 34,000	\$ 23,000	\$ (11,000)
Miscellaneous	1,000	1,000	2,911	1,911
TOTAL REVENUES	35,000	35,000	25,911	(9,089)
EXPENDITURES				
Culture and Recreation	80,167	85,472	86,908	(1,436)
TOTAL EXPENDITURES	80,167	85,472	86,908	(1,436)
Excess (deficiency) of revenues over expenditures	(45,167)	(50,472)	(60,997)	(10,525)
OTHER FINANCING SOURCES (USES)				
Transfers In	44,531	44,531	58,550	14,019
TOTAL OTHER FINANCING SOURCES (USES)	44,531	44,531	58,550	14,019
Excess (deficiency) of revenues over expenditures and other sources (uses)	(636)	(5,941)	(2,447)	3,494
Fund Balance at Beginning of Year	15,203	15,203	7,406	(7,797)
Fund Balance at End of Year	\$ 14,567	\$ 9,262	\$ 4,959	\$ (4,303)

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenue				
Lottery Proceeds	\$ 36,000	\$ 36,000	\$ 34,646	\$ (1,354)
TOTAL REVENUES	<u>36,000</u>	<u>36,000</u>	<u>34,646</u>	<u>(1,354)</u>
EXPENDITURES				
Culture and Recreation	<u>36,000</u>	<u>36,000</u>	<u>25,493</u>	<u>10,507</u>
TOTAL EXPENDITURES	<u>36,000</u>	<u>36,000</u>	<u>25,493</u>	<u>10,507</u>
Excess (deficiency) of revenues over expenditures			9,153	9,153
Fund Balance at beginning of year	<u>70,496</u>	<u>70,496</u>	<u>65,100</u>	<u>(5,396)</u>
Fund Balance at end of year	<u>\$ 70,496</u>	<u>\$ 70,496</u>	<u>\$ 74,253</u>	<u>\$ 3,757</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SLV TV FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
General Government				
Contributions	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(500)	(500)	(500)	-
Fund Balance at beginning of year	<u>3,799</u>	<u>3,799</u>	<u>3,803</u>	<u>4</u>
Fund Balance at end of year	<u>\$ 3,299</u>	<u>\$ 3,299</u>	<u>\$ 3,303</u>	<u>\$ 4</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TOURISM FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes				
Lodging Tax	\$ 9,500	\$ 9,500	\$ 12,543	\$ 3,043
TOTAL REVENUES	<u>9,500</u>	<u>9,500</u>	<u>12,543</u>	<u>3,043</u>
EXPENDITURES				
Culture and Recreation				
Advertising and Legal Notices	7,125	5,500	4,917	583
Contributions	2,375	4,900	4,900	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,810</u>	<u>(1,810)</u>
TOTAL EXPENDITURES	<u>9,500</u>	<u>10,400</u>	<u>11,627</u>	<u>(1,227)</u>
Excess (deficiency) of revenues over expenditures	-	(900)	916	1,816
Fund Balance at beginning of year	<u>13,072</u>	<u>13,072</u>	<u>13,959</u>	<u>887</u>
Fund Balance at end of year	<u>\$ 13,072</u>	<u>\$ 12,172</u>	<u>\$ 14,875</u>	<u>\$ 2,703</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SALES TAX - EMERGENCY SERVICES FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
County Sales Tax	\$ 50,000	\$ 50,000	\$ 67,506	\$ 17,506
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>67,506</u>	<u>17,506</u>
EXPENDITURES				
Public Safety				
Contributions	50,000	50,000	67,820	(17,820)
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>67,820</u>	<u>(17,820)</u>
Excess (deficiency) of revenues over expenditures			(314)	(314)
Fund Balance at beginning of year		-	35,135	35,135
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,821</u>	<u>\$ 34,821</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SALES TAX - YOUTH AND SENIORS FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
County Sales Tax	\$ 50,000	\$ 50,000	\$ 67,506	\$ 17,506
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>67,506</u>	<u>17,506</u>
EXPENDITURES				
Culture and Recreation				
Contributions	50,000	50,000	85,400	(35,400)
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>85,400</u>	<u>(35,400)</u>
Excess (deficiency) of revenues over expenditures			(17,894)	(17,894)
Fund Balance at beginning of year		-	38,334	38,334
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,440</u>	<u>\$ 20,440</u>

SAGUACHE COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SALES TAX - RENEWABLE ENERGY FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
County Sales Tax	\$ 50,000	\$ 50,000	\$ 67,506	\$ 17,506
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>67,506</u>	<u>17,506</u>
EXPENDITURES				
Public Works				
Contributions	50,000	50,000	75,336	(25,336)
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>75,336</u>	<u>(25,336)</u>
Excess (deficiency) of revenues over expenditures	-	-	(7,830)	(7,830)
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>65,960</u>	<u>65,960</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,130</u>	<u>\$ 58,130</u>

SAGUACHE COUNTY, COLORADO
BUSINESS-TYPE ACTIVITIES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - NON GAAP
HOUSING AUTHORITY FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUES				
Rental Income	\$ 174,836	\$ 174,836	\$ 143,291	\$ (31,545)
Other Income	14,000	14,000	136,144	122,144
TOTAL OPERATING REVENUES	188,836	188,836	279,435	90,599
OPERATING EXPENSES				
Administrative	76,331	76,331	88,655	(12,324)
Utilities	43,812	43,812	39,880	3,932
Operating and Maintenance	19,229	19,229	119,648	(100,419)
Capital Outlay	24,560	24,560	-	24,560
Insurance	4,872	4,872	6,072	(1,200)
TOTAL OPERATING EXPENSES	168,804	168,804	254,255	(85,451)
Operating income (loss)	20,032	20,032	25,180	5,148
NONOPERATING REVENUES (EXPENSES)				
Interest on Deposits	970	970	196	(774)
Bond Principal and Interest	(34,426)	(34,426)	(17,880)	16,546
Total nonoperating revenues (expenses)	(33,456)	(33,456)	(17,684)	15,772
Net Income - Budget Basis	(13,424)	(13,424)	7,496	20,920
Add: Principal Payments			7,709	
Less: Depreciation			(42,324)	
Net Income			(27,119)	
Net Assets at beginning of year	26,076	26,076	133,810	107,734
Net Assets at end of year	\$ 12,652	\$ 12,652	\$ 106,691	\$ 94,039

SAGUACHE COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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		\$ 204,162
Interest Subsidy	10.415		3,635
Total <i>Rural Rental Housing Cluster</i>			<u>207,797</u>
COLORADO DEPT. OF HUMAN SERVICES			
<i>SNAP Cluster</i>			
Supplemental Nutrition Assistance Program	10.551		1,334,504
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		53,401
Total for <i>SNAP Cluster</i>			<u>1,387,905</u>
<i>Emergency Food Assistance Cluster</i>			
Emergency Food Assistance Program (Food Commodities)	10.569		23,430
COLORADO DEPT. OF TREASURY			
<i>Schools and Roads Cluster</i>			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Direct Expenditures			4,450,803
Passed to Subrecipients			1,049,892
			<u>5,500,695</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
COLORADO DEPT. OF HUMAN SERVICES			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	079SP1118101	90,820
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		271,734
Child Support Enforcement	93.563		89,248
Low-Income Home Energy Assistance	93.568		507,752
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		(3,133)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		58,035
CCDF ARRA	93.713		17,194
Total for <i>CCDF Cluster</i>			<u>72,096</u>
Child Welfare Services-State Grants	93.645		5,463
Foster Care-Title IV-E	93.658		135,828
Adoption Assistance	93.659		22,283
Social Services Block Grant	93.667		62,134
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778		55,855
COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT			
Public Health Emergency Preparedness	93.069	EPI/EPR-HW9/O/KR0-HHS	15,174
<i>Immunization Cluster</i>			
Immunization Grants	93.268	IMM-KA9-HHS	23,299

SAGUACHE COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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			
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	EPI-QW8-HHS	999
Maternal and Child Health Services Block Grant to the States	93.994	MCH-MH9-HHS	1,662
U.S. DEPARTMENT OF HOMELAND SECURITY			
COLORADO DEPARTMENT OF LOCAL AFFAIRS			
Emergency Management Performance Grants	97.042	9EM09L56	11,799
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	08-010	16,000
COLORADO HOUSING AND FINANCE AUTHORITY			
<i>Section 8 Project-Based Cluster</i>			
Section 8 Housing Assistance Payments Program	14.195		64,686
CENTER HOUSING AUTHORITY			
<i>Housing Voucher Cluster</i>			
Section 8 Housing Choice Vouchers	14.871		11,498
U.S. DEPARTMENT OF JUSTICE			
COLORADO DIVISION OF CRIMINAL JUSTICE			
Violence Against Women Formula Grants	16.588	27-VW-12-7/28-VW-12-7	<u>23,031</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,601,188</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: FEDERAL IMMUNIZATIONS/VACCINE

Non-cash federal assistance under the Federal Immunization Program is reported in the schedule. This assistance is the dollar amount of vaccines that were received directly from Colorado Department of Public Health and Environment for the 2009 year.

**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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Findings 09-01 and 09-02.

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 09-01 and 09-02.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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, others within the entity, the Board of County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.

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

September 2, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 the compliance of Saguache County, Colorado (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Wall, Smith, Bateman and Associates, Inc.

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

September 2, 2010

**SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Cluster

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

Auditee qualified as a low-risk auditee? ✓ yes no

Section II – Financial Statement Findings

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

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

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

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

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. Numerous audit and prior period adjustments were proposed in order to properly state the financial statement balances.
2. The revenues and expenditures of the Social Services Fund were not accurately updated and reconciled to the County Financial Management System (CFMS) on a monthly basis in 2009. Audit adjustments were proposed to correct the revenues and expenditures balances and current year discrepancies that could be identified. At December 31, 2009, there were unallocated revenues of \$137,228. (*material noncompliance*)
3. The Housing Authority accounting records were not adequately reconciled during 2009. This included the failure to record prior year audit adjustments and bank account activity for large transactions not included in the accounting records. All asset and liability accounts should be reconciled monthly to determine that all activity of the Housing Authority is recognized as needed.

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

Management's Response: See corrective action plan.

Finding 09-2: Bank Accounts

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

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

Criteria: U.S. generally accepted accounting principles (GAAP) requires that all monies running through the County be reported in the financial statements. Colorado Revised Statute 30-10-102 requires all monies received in the County must be deposited to the Treasurer. Colorado Revised Statute 11-10.5-103 requires all public deposits to be in institutions covered by the Public Deposit Protection Act.

SAGUACHE COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Cause: The monthly bank account reconciliation policies and procedures are inadequately designed for proper recording in the Treasurer's Fund Ledger and deposit in an approved institution.

Effect: Audit adjustments were required to include bank accounts ending balances in the fiduciary fund statement of net assets. In addition, the County is in violation of CRS 30-10-102 and 11-10.5-103.

Recommendation: The County should develop and implement a consistent process to ensure all bank accounts are reconciled monthly. Copies of all reconciliation documentation should be printed and filed each month. In addition, activity and reconciliation documentation for the month should be presented to the County Treasurer to record in the Treasurer's Fund Ledger as an agency fund. This will also provide the Treasurer with the opportunity to identify deposits in bank accounts not covered by the Public Deposit Protection Act.

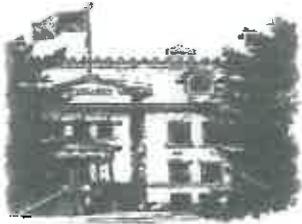
Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – Summary Schedule of Prior Audit Findings

None.



SAGUACHE COUNTY GOVERNMENT

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

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



CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Agriculture

Saguache County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2009.

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

Audit period: Year ended December 31, 2009

The findings from the December 31, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 09-01: Internal Control Over Financial Reporting and on Compliance

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

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

Action Taken:

Saguache County Dept. of Social Services will reconcile revenues and expenditures using reports from the County Fundware accounting system, to the County Financial Management System (CFMS) for the year 2010 to date, beginning with the adjusted balance for December 31, 2009.. This reconciliation will be performed on a monthly basis going forward. The Department is hiring an accounting consultant to assist the bookkeeping staff in the establishment of correct procedures. Jeannie Norris, 8-11-2010

Saguache County Commissioners

Mike Spearman

Sam Pace, Chairman

Linda Joseph

Responsible Party: Earlyn Zimmer, Co-County Administrator (719)655-2231

Finding 09-2: Bank Accounts

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

Recommendation: The County should develop and implement a consistent process to ensure all bank accounts are reconciled monthly. Copies of all reconciliation documentation should be printed and filed each month. In addition, activity and reconciliation documentation for the month should be presented to the County Treasurer to record in the Treasurer's Fund Ledger as an agency fund. This will also provide the Treasurer with the opportunity to identify deposits in bank accounts not covered by the Public Deposit Protection Act.

Action Taken:

The County Treasurer has contacted the appropriate Department Heads requesting all bank account information as well as discussion as to what paperwork needs to be given to the County Treasurer on a monthly basis. As of date, the Sheriff Commissary Fund account has set up the appropriate items needed to move forward. The County Clerk & Recorder has not furnished the information needed at this point, nor has training with the appropriate personnel taken place. The date in which these will be completely implemented will be 9/1/2010.

Responsible Party: Earlyn Zimmer, Co-County Administrator (719)655-2231

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

If the U.S. Department of Agriculture has questions regarding this plan, please call the responsible parties listed above.

Sincerely yours,



Earlyn Zimmer
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 2009	
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Iris Garcia Phone: 719-655-2554

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	13,049
4. Miscellaneous local receipts (from page 2)	334,803
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	347,852
B. Private Contributions	
C. Receipts from State government (from page 2)	2,222,222
D. Receipts from Federal Government (from page 2)	1,661,513
E. Total receipts (A.7 + B + C + D)	4,231,587

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	1,007,160
2. Maintenance:	2,907,902
3. Road and street services:	
a. Traffic control operations	24,476
b. Snow and ice removal	17,633
c. Other	125,326
d. Total (a. through c.)	167,435
4. General administration & miscellaneous	113,399
5. Highway law enforcement and safety	66,124
6. Total (1 through 5)	4,262,019
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
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)	4,262,019

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
1,099,877	4,231,587	4,262,019	3,310,063	(2,240,618)

Notes and Comments:

Prior period adjustment for Forest Service: (2,483,696)
 Beg Balance off from prior year fund balance: 243,078
 Total Adjustments: (2,240,618)

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2009

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	18	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	13,031	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	126,026
4. Licenses		f. Charges for Services	208,777
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	13,031	h. Other	
c. Total (a. + b.)	13,049	i. Total (a. through h.)	334,803
	(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	2,195,601	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	1,661,513
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	26,621	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	26,621	g. Total (a. through f.)	1,661,513
4. Total (1. + 2. + 3 f.)	2,222,222	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		1,007,160	1,007,160
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,007,160	1,007,160
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,007,160	1,007,160
			(Carry forward to page 1)

Notes and Comments: