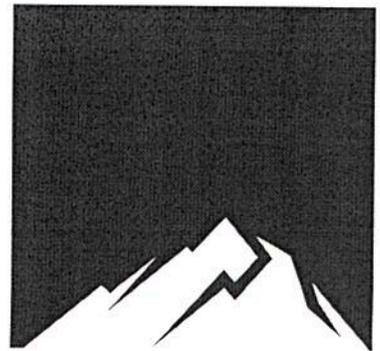
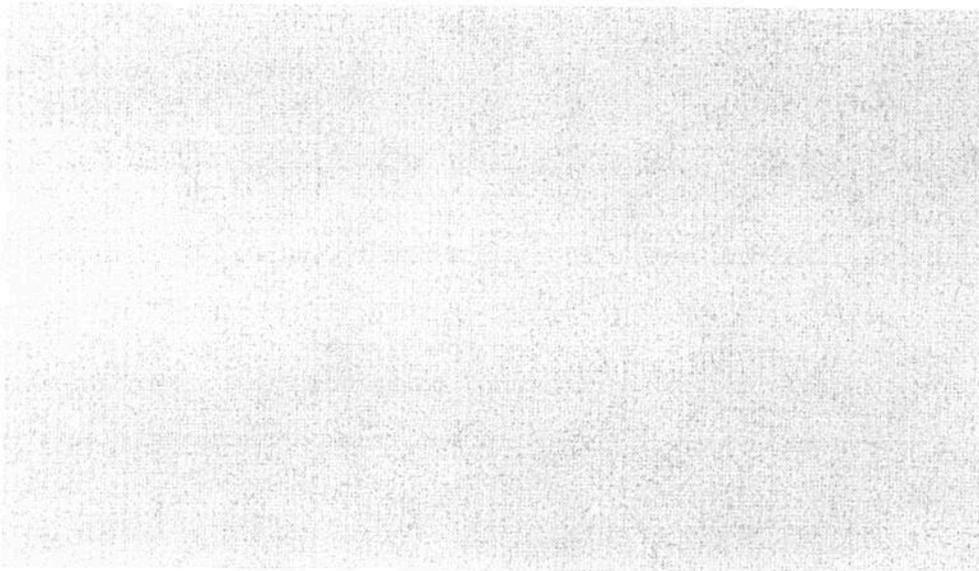


**SAGUACHE COUNTY, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2012**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

**SAGUACHE COUNTY, COLORADO**  
**TABLE OF CONTENTS**  
**December 31, 2012**

|   | <u>PAGE</u> |
|---|-------------|
| <b>Independent Auditors' Report</b>   | 1           |
| <b>Basic Financial Statements:</b>  |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position   | 4           |
| Statement of Activities   | 5           |
| Governmental Fund Financial Statements:   |             |
| Balance Sheet   | 6           |
| Reconciliation of Total Governmental Fund Balances to the Statement of Net Position   | 7           |
| Statements of Revenues, Expenditures, and Changes in Fund Balances  | 8           |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities   | 9           |
| Proprietary Fund Financial Statements   |             |
| Statement of Net Position   | 10          |
| Statement of Revenues, Expenses, and Changes in Net Position  | 11          |
| Statement of Cash Flows   | 12          |
| Fiduciary Fund Financial Statements   |             |
| Statement of Net Position   | 13          |
| Notes to the Basic Financial Statements   | 14          |
| <b>Required Supplementary Information:</b>  |             |
| Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund and Major Special Revenue Funds:   |             |
| General Fund  | 30          |
| Road and Bridge Fund  | 31          |
| Social Services Fund  | 32          |
| <b>Other Supplementary Information:</b>   |             |
| Nonmajor Governmental Funds:  |             |
| Combining Statements of Nonmajor Governmental Funds:  |             |
| Combining Balance Sheet   | 33          |
| Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  | 34          |
| Combining Enterprise Funds Schedules:   |             |
| Schedule of Net Position  | 35          |
| Schedule of Revenues, Expenses, and Changes in Net Position   | 36          |
| Schedule of Cash Flows  | 37          |
| Schedule of Expenditures and Transfers Out – Nonmajor Governmental Funds and All Proprietary Funds – Budget and Actual  | 38          |
| <b>Other Schedules and Reports:</b>   |             |
| Schedule of Expenditures of Federal Awards  | 39          |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 42          |
| Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133             | 44          |
| Schedule of Findings and Questioned Costs   | 46          |
| Summary Schedule of Prior Audit Findings  | 49          |
| Corrective Action Plan  | 50          |
| Local Highway Finance Report  |             |

## INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

To the Board of County Commissioners  
Saguache County, Colorado

### **Report on the Financial Statements**

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, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 1 to the financial statements, in 2012 the County adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements and schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

The combining fund financial statements and schedules, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 2, 2013

**SAGUACHE COUNTY, COLORADO**

**BASIC FINANCIAL STATEMENTS**

**SAGUACHE COUNTY, COLORADO**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

|  | <b>Primary Government</b>          |                                     | <b>TOTAL</b>         |
|--|------------------------------------|-------------------------------------|----------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |                      |
| <b>ASSETS</b>                                  |                                    |                                     |                      |
| <b>Current Assets:</b>                         |                                    |                                     |                      |
| Cash and Cash Equivalents                      | \$ 887,165                         | \$ 118,663                          | \$ 1,005,828         |
| Investments                                    | 3,495,638                          | -                                   | 3,495,638            |
| Property Taxes Receivable                      | 1,418,042                          | -                                   | 1,418,042            |
| Due from Other Governments                     | 1,764,371                          | -                                   | 1,764,371            |
| Inventory                                      | 207,382                            | -                                   | 207,382              |
| <b>Total Current Assets</b>                    | <u>7,772,598</u>                   | <u>118,663</u>                      | <u>7,891,261</u>     |
| <b>Noncurrent Assets:</b>                      |                                    |                                     |                      |
| Capital Assets:                                |                                    |                                     |                      |
| Land   | 90,122                             | 73,331                              | 163,453              |
| Buildings, net                                 | 2,124,708                          | 344,147                             | 2,468,855            |
| Vehicles & Equipment, net                      | 2,968,264                          | -                                   | 2,968,264            |
| Infrastructure, net                            | 754,155                            | -                                   | 754,155              |
| <b>Total Noncurrent Assets</b>                 | <u>5,937,249</u>                   | <u>417,478</u>                      | <u>6,354,727</u>     |
| <b>TOTAL ASSETS</b>                            | <u>13,709,847</u>                  | <u>536,141</u>                      | <u>14,245,988</u>    |
| <b>LIABILITIES</b>                             |                                    |                                     |                      |
| <b>Current Liabilities:</b>                    |                                    |                                     |                      |
| Accounts Payable                               | 149,296                            | -                                   | 149,296              |
| Accrued Payroll                                | 15,588                             | -                                   | 15,588               |
| Due to Other Governments                       | 1,480,206                          | -                                   | 1,480,206            |
| Security Deposits                              | -                                  | 4,912                               | 4,912                |
| Compensated Absences (current portion)         | 8,252                              | -                                   | 8,252                |
| Notes Payable (current portion)                | -                                  | 20,227                              | 20,227               |
| <b>Total Current Liabilities</b>               | <u>1,653,342</u>                   | <u>25,139</u>                       | <u>1,678,481</u>     |
| <b>Noncurrent Liabilities:</b>                 |                                    |                                     |                      |
| Notes Payable                                  | -                                  | 435,374                             | 435,374              |
| Closure and Post Closure Costs                 | 352,983                            | -                                   | 352,983              |
| Compensated Absences                           | 157,432                            | -                                   | 157,432              |
| <b>Total Noncurrent Liabilities</b>            | <u>510,415</u>                     | <u>435,374</u>                      | <u>945,789</u>       |
| <b>TOTAL LIABILITIES</b>                       | <u>2,163,757</u>                   | <u>460,513</u>                      | <u>2,624,270</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES - CURRENT</b> |                                    |                                     |                      |
| Unearned Revenue - Property Tax                | 1,418,042                          | -                                   | 1,418,042            |
| <b>NET POSITION</b>                            |                                    |                                     |                      |
| Net Investment in Capital Assets               | 5,584,266                          | (38,123)                            | 5,546,143            |
| Restricted for TABOR                           | 225,000                            | -                                   | 225,000              |
| Restricted for Forest Reserve Title III        | 27,652                             | -                                   | 27,652               |
| Unrestricted                                   | 4,291,130                          | 113,751                             | 4,404,881            |
| <b>TOTAL NET POSITION</b>                      | <u>\$ 10,128,048</u>               | <u>\$ 75,628</u>                    | <u>\$ 10,203,676</u> |

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

**SAGUACHE COUNTY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2012

| Functions/Programs                    | Expenses             | Program Revenues                |                                  |                                | Net (Expense) Revenue and Changes in Net Position |                      |
|---------------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|---|----------------------|
|                                       |                      | Charges for Services            | Operating Grants & Contributions | Capital Grants & Contributions | Primary Government                                | TOTAL                |
| <b>Primary Government:</b>            |                      |                                 |                                  |                                |   |                      |
| General Government                    | \$ 3,113,366         | \$ 779,792                      | \$ 52,278                        | \$ 382,135                     | \$ (1,899,161)                                    | \$ (1,899,161)       |
| Public Safety                         | 1,138,299            | 109,562                         | 100,729                          | -                              | (928,008)   | (928,008)            |
| Health and Welfare                    | 4,877,725            | 340,940                         | 4,235,837                        | -                              | (300,948)   | (300,948)            |
| Public Works                          | 2,720,079            | 51,647                          | 3,002,096                        | -                              | 333,664   | 333,664              |
| Culture and Recreation                | 159,926              | -                               | 33,759                           | -                              | (126,167)   | (126,167)            |
| <b>Total Governmental Activities</b>  | <b>12,009,395</b>    | <b>1,281,941</b>                | <b>7,424,699</b>                 | <b>382,135</b>                 | <b>(2,920,620)</b>                                | <b>(2,920,620)</b>   |
| <b>Business-Type Activities:</b>      |                      |                                 |                                  |                                |   |                      |
| Housing Authority                     | 188,003              | 189,963                         | -                                | -                              | -   | 1,960                |
| <b>Total Business-Type Activities</b> | <b>188,003</b>       | <b>189,963</b>                  | <b>-</b>                         | <b>-</b>                       | <b>-</b>  | <b>1,960</b>         |
| <b>Total Primary Government</b>       | <b>\$ 12,197,398</b> | <b>\$ 1,471,904</b>             | <b>\$ 7,424,699</b>              | <b>\$ 382,135</b>              | <b>(2,920,620)</b>                                | <b>(2,918,660)</b>   |
|                                       |                      | <b>General Revenues:</b>        |                                  |                                |   |                      |
|                                       |                      | Taxes:                          |                                  |                                |   |                      |
|                                       |                      | General Property Taxes - Net    |                                  |                                | 1,419,769   | 1,419,769            |
|                                       |                      | Sales Taxes                     |                                  |                                | 259,998   | 259,998              |
|                                       |                      | Other Taxes                     |                                  |                                | 149,086   | 149,086              |
|                                       |                      | Payment in Lieu of Taxes        |                                  |                                | 467,448   | 467,448              |
|                                       |                      | Interest on Investments         |                                  |                                | 11,132  | 11,666               |
|                                       |                      | Gain on Sale of Fixed Assets    |                                  |                                | 3,790   | 3,790                |
|                                       |                      | Miscellaneous                   |                                  |                                | 164,616   | 167,602              |
|                                       |                      | <b>Total General Revenues</b>   |                                  |                                | <b>2,475,839</b>                                  | <b>2,479,359</b>     |
|                                       |                      | Change in Net Position          |                                  |                                | (444,781)   | (439,301)            |
|                                       |                      | <b>Net Position - Beginning</b> |                                  |                                | <b>10,572,829</b>                                 | <b>10,642,977</b>    |
|                                       |                      | <b>Net Position - Ending</b>    |                                  |                                | <b>\$ 10,128,048</b>                              | <b>\$ 10,203,676</b> |

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

**SAGUACHE COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2012**

|   | GENERAL<br>FUND     | ROAD<br>AND BRIDGE<br>FUND | SOCIAL<br>SERVICES<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|----------------------------|----------------------------|--------------------------------|-----------------------|--------------------------------|
| <b>ASSETS</b>                             |                     |                            |                            |                                |                       |                                |
| Cash and Investments                      | \$ 1,673,196        | \$ 2,223,250               | \$ 228,181                 | \$ 269,174                     | \$ 4,393,801          |                                |
| Property Taxes Receivable                 | 1,185,174           | -                          | 232,868                    | -                              | 1,418,042             |                                |
| Due from Other Funds                      | 252                 | -                          | -                          | 4,336                          | 4,588                 |                                |
| Due from Other Governments                | 1,556,955           | 110,880                    | 62,654                     | 33,882                         | 1,764,371             |                                |
| Inventory                                 | -                   | 207,382                    | -                          | -                              | 207,382               |                                |
| <b>TOTAL ASSETS</b>                       | <u>\$ 4,415,577</u> | <u>\$ 2,541,512</u>        | <u>\$ 523,703</u>          | <u>\$ 307,392</u>              | <u>\$ 7,788,184</u>   |                                |
| <b>LIABILITIES AND FUND BALANCE</b>       |                     |                            |                            |                                |                       |                                |
| <b>LIABILITIES</b>                        |                     |                            |                            |                                |                       |                                |
| Checks in Excess of Deposits              | \$ -                | \$ -                       | \$ -                       | \$ 10,998                      | \$ 10,998             |                                |
| Accounts Payable                          | 98,702              | 57,287                     | 1,030                      | 7,865                          | 164,884               |                                |
| Due to Other Funds                        | 4,336               | 252                        | -                          | -                              | 4,588                 |                                |
| Due to Other Governments                  | 1,480,206           | -                          | -                          | -                              | 1,480,206             |                                |
| <b>TOTAL LIABILITIES</b>                  | <u>1,583,244</u>    | <u>57,539</u>              | <u>1,030</u>               | <u>18,863</u>                  | <u>1,660,676</u>      |                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                     |                            |                            |                                |                       |                                |
| Unearned Revenue - Property Tax           | 1,185,174           | -                          | 232,868                    | -                              | 1,418,042             |                                |
| <b>FUND BALANCE</b>                       |                     |                            |                            |                                |                       |                                |
| Nonspendable                              | -                   | 207,382                    | -                          | -                              | 207,382               |                                |
| Inventory                                 | -                   | -                          | -                          | -                              | -                     |                                |
| Restricted                                | 225,000             | -                          | -                          | -                              | 225,000               |                                |
| Tabor                                     | 27,652              | -                          | -                          | -                              | 27,652                |                                |
| Forest Service - Title III                | -                   | -                          | -                          | -                              | -                     |                                |
| Assigned                                  | -                   | 2,276,591                  | -                          | -                              | 2,276,591             |                                |
| Highway and Streets                       | -                   | -                          | -                          | 15,019                         | 304,824               |                                |
| Health and Welfare                        | -                   | -                          | 289,805                    | -                              | 121,792               |                                |
| Culture and Recreation                    | -                   | -                          | -                          | 64,684                         | 64,684                |                                |
| Emergency Services                        | -                   | -                          | -                          | 85,158                         | 85,158                |                                |
| Renewable Energy                          | -                   | -                          | -                          | 1,876                          | 1,876                 |                                |
| Telecommunications                        | -                   | -                          | -                          | -                              | -                     |                                |
| Unassigned                                | 1,394,507           | -                          | -                          | -                              | 1,394,507             |                                |
| <b>TOTAL FUND BALANCE</b>                 | <u>1,647,159</u>    | <u>2,483,973</u>           | <u>289,805</u>             | <u>288,529</u>                 | <u>4,709,466</u>      |                                |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 4,415,577</u> | <u>\$ 2,541,512</u>        | <u>\$ 523,703</u>          | <u>\$ 307,392</u>              | <u>\$ 7,788,184</u>   |                                |

6  
The accompanying notes are an integral part of this financial statement.

**SAGUACHE COUNTY, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2012**

|   |              |                      |
|---|--------------|----------------------|
| <b>Total governmental fund balances</b>   |              | \$ 4,709,466         |
| Amounts reported for governmental activities in the statement of net position are different because:                      |              |                      |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. |              | 5,937,249            |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.        |              |                      |
| Compensated Absences  | \$ (165,684) |                      |
| Landfill Closure and Post-Closure Costs   | (352,983)    |                      |
|   |              | (518,667)            |
| <b>Net position of governmental activities</b>  |              | <b>\$ 10,128,048</b> |

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

**SAGUACHE COUNTY, COLORADO**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2012**

|  | GENERAL<br>FUND     | ROAD<br>AND BRIDGE<br>FUND | 13                | SOCIAL<br>SERVICES<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|----------------------------|-------------------|----------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                            |                   |                            |                                |                                |
| Taxes  | \$ 1,297,276        | \$                         |                   | \$ 254,974                 | \$ 276,590                     | \$ 1,828,853                   |
| Intergovernmental Revenue  | 1,429,051           | 2,550,511                  | 4,055,615         | 213,981                    | 8,249,158                      |                                |
| Licenses and Permits   | 42,638              | 35,096                     | -                 | -                          | 77,734                         |                                |
| Interest on Deposits   | 11,132              | -                          | -                 | -                          | 11,132                         |                                |
| Charges for Services   | 1,101,813           | 41,675                     | -                 | 340,940                    | 1,484,428                      |                                |
| Miscellaneous  | 75,717              | 57,083                     | -                 | 31,816                     | 164,616                        |                                |
| <b>TOTAL REVENUES</b>  | <b>3,957,627</b>    | <b>2,684,378</b>           | <b>4,310,589</b>  | <b>863,327</b>             | <b>11,815,921</b>              |                                |
| <b>EXPENDITURES</b>  |                     |                            |                   |                            |                                |                                |
| Current Expenditures:  |                     |                            |                   |                            |                                |                                |
| General Government   | 2,465,408           | 789,688                    | -                 | 500                        | 3,255,596                      |                                |
| Public Safety  | 1,004,267           | -                          | -                 | 85,270                     | 1,089,537                      |                                |
| Health and Welfare   | 53,176              | -                          | 4,267,951         | 606,062                    | 4,927,189                      |                                |
| Public Works   | 170,647             | 2,690,715                  | -                 | 83,999                     | 2,945,361                      |                                |
| Culture and Recreation   | -                   | -                          | -                 | 143,936                    | 143,936                        |                                |
| Capital Outlay   | 442,936             | 354,485                    | -                 | -                          | 797,421                        |                                |
| Debt Service   | -                   | 229,203                    | -                 | -                          | 229,203                        |                                |
| <b>TOTAL EXPENDITURES</b>  | <b>4,136,434</b>    | <b>4,064,091</b>           | <b>4,267,951</b>  | <b>919,767</b>             | <b>13,388,243</b>              |                                |
| Excess (deficiency) of revenues over expenditures                          | (178,807)           | (1,379,713)                | 42,638            | (56,440)                   | (1,572,322)                    |                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                                      |                     |                            |                   |                            |                                |                                |
| Transfers In   | -                   | -                          | -                 | 20,600                     | 20,600                         |                                |
| Transfers Out  | (20,600)            | -                          | -                 | -                          | (20,600)                       |                                |
| Sale of Capital Assets   | -                   | 3,790                      | -                 | -                          | 3,790                          |                                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                | <b>(20,600)</b>     | <b>3,790</b>               | <b>-</b>          | <b>20,600</b>              | <b>3,790</b>                   |                                |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | (199,407)           | (1,375,923)                | 42,638            | (35,840)                   | (1,568,532)                    |                                |
| <b>Fund Balance at Beginning of Year</b>                                   | <b>1,846,566</b>    | <b>3,859,896</b>           | <b>247,167</b>    | <b>324,369</b>             | <b>6,277,998</b>               |                                |
| <b>Fund Balance at End of Year</b>   | <b>\$ 1,647,159</b> | <b>\$ 2,483,973</b>        | <b>\$ 289,805</b> | <b>\$ 288,529</b>          | <b>\$ 4,709,466</b>            |                                |

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

**SAGUACHE COUNTY, COLORADO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

**Net change in fund balances - total governmental funds** \$ (1,568,532)

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

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

|                       |    |                  |         |
|-----------------------|----|------------------|---------|
| Fixed asset additions | \$ | 1,330,782        |         |
| Depreciation expense  |    | <u>(546,579)</u> | 784,203 |

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

|                        |         |
|------------------------|---------|
| Capital Lease Payments | 230,941 |
|------------------------|---------|

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                    |  | (4,968)        |                |
| Landfill Closure and Post-Closure Costs |  | <u>113,575</u> | <u>108,607</u> |

**Change in net position of governmental funds** \$ (444,781)

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

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

|                                  | <b>Business-type<br/>Activities</b> |
|----------------------------------|-------------------------------------|
|                                  | <b>HOUSING<br/>AUTHORITY</b>        |
| <b>ASSETS</b>                    |                                     |
| <b>Current Assets:</b>           |                                     |
| Cash and Cash Equivalents        | \$ 118,663                          |
| Total Current Assets             | 118,663                             |
| <b>Noncurrent Assets:</b>        |                                     |
| Capital Assets:                  |                                     |
| Land                             | 73,331                              |
| Buildings and Improvements, net  | 344,147                             |
| Total Noncurrent Assets          | 417,478                             |
| <b>TOTAL ASSETS</b>              | 536,141                             |
| <b>LIABILITIES</b>               |                                     |
| <b>Current Liabilities:</b>      |                                     |
| Security Deposit                 | 4,912                               |
| Notes Payable (current portion)  | 20,227                              |
| Total Current Liabilities        | 25,139                              |
| <b>Noncurrent Liabilities:</b>   |                                     |
| Notes Payable                    | 435,374                             |
| Total Noncurrent Liabilities     | 435,374                             |
| <b>TOTAL LIABILITIES</b>         | 460,513                             |
| <b>NET POSITION</b>              |                                     |
| Net Investment in Capital Assets | (38,123)                            |
| Unrestricted                     | 113,751                             |
| <b>TOTAL NET POSITION</b>        | \$ 75,628                           |

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

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2012**

|   | <b>Business-type<br/>Activities</b> |
|---|-------------------------------------|
|   | <b>HOUSING<br/>AUTHORITY</b>        |
| <b>OPERATING REVENUES</b>                     |                                     |
| Rent from Tenants and HUD Operating Subsidy   | \$ 189,963                          |
| Miscellaneous                                 | 2,986                               |
|   | 192,949                             |
| Total Charges for Services                    | 192,949                             |
| <b>Total operating revenues</b>               | <b>192,949</b>                      |
| <b>OPERATING EXPENSES</b>                     |                                     |
| Administrative                                | 72,596                              |
| Utilities                                     | 46,888                              |
| Operating and Maintenance                     | 9,730                               |
| Insurance                                     | 6,740                               |
| Depreciation Expense                          | 36,854                              |
|   | 172,808                             |
| <b>Total operating expenses</b>               | <b>172,808</b>                      |
| Operating Income (Loss)                       | 20,141                              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                                     |
| Interest on Investments                       | 534                                 |
| Interest Expense                              | (15,195)                            |
|   | (14,661)                            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>(14,661)</b>                     |
| Changes in Net Position                       | 5,480                               |
| <b>Net Position, Beginning of Year</b>        | <b>70,148</b>                       |
| <b>Net Position, End of Year</b>              | <b>\$ 75,628</b>                    |

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

**SAGUACHE COUNTY, COLORADO**  
**PROPRIETARY FUND TYPES**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2012**

|  | <b>Business-type<br/>Activities</b> |
|--|-------------------------------------|
|  | <b>HOUSING<br/>AUTHORITY</b>        |
| <b>Cash flows from operating activities:</b>   |                                     |
| Cash received from tenants and others  | \$ 98,650                           |
| Cash received from HUD operating subsidy   | 94,299                              |
| Cash paid to employees for services  | (72,596)                            |
| Cash paid to suppliers and service providers   | (63,358)                            |
| Net cash provided (used) by operating activities:  | 56,995                              |
| <b>Cash flows from noncapital financing activities:</b>  | -                                   |
| <b>Cash flows from capital and related financing activities:</b>                               |                                     |
| Payment of note principal and interest   | (34,426)                            |
| Net cash provided (used) by capital and related financing activities                           | (34,426)                            |
| <b>Cash flows from investing activities:</b>   |                                     |
| Interest received  | 534                                 |
| Net cash provided (used) by investing activities   | 534                                 |
| <b>Increase (decrease) in cash and investments</b>   | 23,103                              |
| <b>Cash and cash equivalents, Beginning of the Year</b>  | 95,560                              |
| <b>Cash and cash equivalents, End of the Year</b>  | \$ 118,663                          |
| <b>Operating income (loss)</b>   | \$ 20,141                           |
| <b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b> |                                     |
| Depreciation   | 36,854                              |
| Total adjustments  | 36,854                              |
| <b>Net cash provided (used) by operating activities</b>  | \$ 56,995                           |

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

**SAGUACHE COUNTY, COLORADO**  
**FIDUCIARY FUND TYPES**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

|                           | <u>PUBLIC<br/>TRUSTEE</u> | <u>COUNTY<br/>TREASURER</u> | <u>COUNTY<br/>CLERK</u> | <u>SHERIFF'S<br/>TRUST</u> | <u>TOTAL<br/>AGENCY<br/>FUNDS</u> |
|---------------------------|---------------------------|-----------------------------|-------------------------|----------------------------|-----------------------------------|
| <b>ASSETS</b>             |                           |                             |                         |                            |                                   |
| Cash and Cash Equivalents | \$ 10,958                 | \$ 1,229,543                | \$ 30,262               | \$ 7,747                   | \$ 1,278,510                      |
| <b>TOTAL ASSETS</b>       | <u>\$ 10,958</u>          | <u>\$ 1,229,543</u>         | <u>\$ 30,262</u>        | <u>\$ 7,747</u>            | <u>\$ 1,278,510</u>               |
| <b>LIABILITIES</b>        |                           |                             |                         |                            |                                   |
| Due to Other Governments  | \$ -                      | \$ 1,229,543                | \$ -                    | \$ -                       | \$ 1,229,543                      |
| Deposits held in Trust    | 10,958                    | -                           | 30,262                  | 7,747                      | 48,967                            |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 10,958</u>          | <u>\$ 1,229,543</u>         | <u>\$ 30,262</u>        | <u>\$ 7,747</u>            | <u>\$ 1,278,510</u>               |

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

**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 and governed by the Saguache County Commissioners. The District is blended into the County's financial statements as an Enterprise Fund.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements include a statement of net position 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.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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.

The County reports the following major governmental funds:

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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 based upon determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as non-operating.

- The *Housing Authority Fund* is reported as an enterprise fund. The principal operating revenue of the Housing Authority Fund are monthly unit rental fees charged to tenants.

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.

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 Position have been eliminated.

**ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

*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 2012 property tax levy due January 1, 2013 has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources 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.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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 |

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 2012.

***Unearned 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 unearned revenues.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

***Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

***Fund Balance***

Fund balances are reported based on the extent to which the County is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. Fund balances are now classified in one of the five categories:

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

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

***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.

***Use of Estimates***

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

*New Accounting Pronouncements*

During 2012, the County adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement affects the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgets and Budgetary Accounting*

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

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

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2012. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

*Stewardship*

Expenditures in the General Fund exceeded appropriations during 2012 by \$388,209. This may be a violation of Colorado State Statues.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3 CASH, DEPOSITS, AND INVESTMENTS**

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

|   |                         |
|---|-------------------------|
| Cash on Hand  | \$ 1,250                |
| Cash Deposited with Banks                             | 2,283,088               |
| Less: amounts related to Trust & Agency Fund          | <u>(1,278,510)</u>      |
|   | 1,005,828               |
| Investments   | <u>3,495,638</u>        |
| Total cash, deposits, and investments: (Book Balance) | <u><u>4,501,466</u></u> |

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

The County’s investment policy addresses custodial credit risk. At December 31, 2012, \$2,089,690 was exposed to custodial credit risk. Those deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

***Investments***

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

- 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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

***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, 2012, the local government investment pools (C-SAFE and ColoTrust) in which the County had invested were rated AAA by Standard & Poor's.

| <u>Investment Type</u>          |     | <u>Moody's<br/>Rating</u> | <u>Fair Value</u> | <u>Up to 120<br/>Days</u> | <u>121 Days to<br/>5 Years</u> |
|---------------------------------|-----|---------------------------|-------------------|---------------------------|--------------------------------|
| Federal Farm Credit Bank        | 7%  | AAA                       | \$ 242,142        | \$ -                      | \$ 242,142                     |
| Federal Home Loan Mortgage Corp | 3%  | AAA                       | 115,666           | -                         | 115,666                        |
| Federal National Mortgage Assoc | 4%  | AAA                       | 140,968           | -                         | 140,968                        |
|                                 |     |                           | 498,776           | \$ -                      | \$ 498,776                     |
| Money Market Funds (unrated)    | 1%  |                           | \$ 18,229         |                           |                                |
| C-SAFE                          | 16% |                           | 559,709           |                           |                                |
| ColoTrust                       | 69% |                           | 2,418,924         |                           |                                |
|                                 |     |                           | 2,996,862         |                           |                                |
|                                 |     |                           | \$ 3,495,638      |                           |                                |

***Interest Rate Risk***

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

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

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

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At December 31, 2012, the County had an estimated property tax receivable divided among the funds as follows:

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

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

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

Interfund receivable and payable balances at December 31, 2012, were as follows:

| Receivable Fund | Payable Fund    | Amount          |
|-----------------|-----------------|-----------------|
| General Fund    | Road and Bridge | \$ 252          |
| Nonmajor Funds  | General Fund    | <u>4,336</u>    |
|                 |                 | <u>\$ 4,588</u> |

Interfund transfers for the year ended December 31, 2012, were as follows:

| Transfer In        | Transfer Out | Amount           |
|--------------------|--------------|------------------|
| Public Health Fund | General Fund | <u>\$ 20,600</u> |
|                    |              | <u>\$ 20,600</u> |

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

|   | Balance<br>12/31/2011 | Additions           | Deletions         | Balance<br>12/31/2012 |
|---|-----------------------|---------------------|-------------------|-----------------------|
| <b><i>Governmental Activities:</i></b>              |                       |                     |                   |                       |
| Capital assets not being depreciated:               |                       |                     |                   |                       |
| Land  | \$ 90,122             | \$ -                | \$ -              | \$ 90,122             |
| Construction in Progress                            | 257,473               | -                   | 257,473           | -                     |
| Total capital assets not being depreciated          | <u>347,595</u>        | <u>-</u>            | <u>257,473</u>    | <u>90,122</u>         |
| Capital assets being depreciated:                   |                       |                     |                   |                       |
| Buildings and Improvements                          | 7,791,031             | 639,608             | -                 | 8,430,639             |
| Vehicles and Heavy Equipment                        | 6,613,786             | 361,196             | 42,968            | 6,932,014             |
| Equipment   | 289,718               | 70,633              | 19,974            | 340,377               |
| Infrastructure                                      | 281,044               | 532,400             | -                 | 813,444               |
| Total capital assets being depreciated              | <u>14,975,579</u>     | <u>1,603,837</u>    | <u>62,942</u>     | <u>16,516,474</u>     |
| Less accumulated depreciation for:                  |                       |                     |                   |                       |
| Buildings and Improvements                          | 6,231,375             | 74,556              | -                 | 6,305,931             |
| Vehicles and Equipment                              | 3,703,149             | 416,579             | 27,386            | 4,092,342             |
| Equipment   | 196,651               | 35,108              | 19,974            | 211,785               |
| Infrastructure                                      | 38,953                | 20,336              | -                 | 59,289                |
| Total accumulated depreciation                      | <u>10,170,128</u>     | <u>546,579</u>      | <u>47,360</u>     | <u>10,669,347</u>     |
| Total capital assets being depreciated, net         | <u>4,805,451</u>      | <u>1,057,258</u>    | <u>15,582</u>     | <u>5,847,127</u>      |
| <i>Governmental Activities Capital Assets, net</i>  | <u>\$ 5,153,046</u>   | <u>\$ 1,057,258</u> | <u>\$ 273,055</u> | <u>\$ 5,937,249</u>   |
| <b><i>Business-type Activities:</i></b>             |                       |                     |                   |                       |
| Capital assets not being depreciated:               |                       |                     |                   |                       |
| Land  | \$ 73,331             | \$ -                | \$ -              | \$ 73,331             |
| Total capital assets not being depreciated          | <u>73,331</u>         | <u>-</u>            | <u>-</u>          | <u>73,331</u>         |
| Capital assets being depreciated:                   |                       |                     |                   |                       |
| Buildings and Improvements                          | 1,084,204             | -                   | -                 | 1,084,204             |
| Furniture and Equipment                             | 66,636                | -                   | -                 | 66,636                |
| Total capital assets being depreciated              | <u>1,150,840</u>      | <u>-</u>            | <u>-</u>          | <u>1,150,840</u>      |
| Less accumulated depreciation for:                  |                       |                     |                   |                       |
| Buildings and Improvements                          | 703,203               | 36,854              | -                 | 740,057               |
| Furniture and Equipment                             | 66,636                | -                   | -                 | 66,636                |
| Total accumulated depreciation                      | <u>769,839</u>        | <u>36,854</u>       | <u>-</u>          | <u>806,693</u>        |
| <i>Business-type Activities Capital Assets, net</i> | <u>\$ 454,332</u>     | <u>\$ (36,854)</u>  | <u>\$ -</u>       | <u>\$ 417,478</u>     |

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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

|                                      |                   |
|--------------------------------------|-------------------|
| <i>Governmental Activities:</i>      |                   |
| General Government                   | \$ 29,065         |
| Public Safety                        | 48,646            |
| Health and Welfare                   | 15,188            |
| Highways and Streets                 | 437,690           |
| Culture and Recreation               | 15,990            |
|                                      | <u>\$ 546,579</u> |
| <br><i>Business-type Activities:</i> |                   |
| Housing Authority                    | \$ 36,854         |
|                                      | <u>\$ 36,854</u>  |

**NOTE 7 LONG-TERM LIABILITIES**

*Changes in Long-term Liabilities*

Long-term liability activity for the year ended December 31, 2012, were as follows:

|                                      | 12/31/2011<br>Balance | Additions       | Deletions         | 12/31/2012<br>Balance | Due Within<br>One Year |
|--------------------------------------|-----------------------|-----------------|-------------------|-----------------------|------------------------|
| <i>Governmental Activities:</i>      |                       |                 |                   |                       |                        |
| Capital Lease                        | \$ 230,941            | \$ -            | \$ 230,941        | \$ -                  | \$ -                   |
| Landfill Closure and Post-Closure    | 466,558               | -               | 113,575           | 352,983               | -                      |
| Compensated Absences                 | 160,716               | 4,968           | -                 | 165,684               | 8,252                  |
| Total Governmental Activities        | <u>\$ 858,215</u>     | <u>\$ 4,968</u> | <u>\$ 344,516</u> | <u>\$ 518,667</u>     | <u>\$ 8,252</u>        |
| <br><i>Business-Type Activities:</i> |                       |                 |                   |                       |                        |
| DOLA-Division of Housing             | \$ 288,046            | \$ -            | \$ 9,457          | \$ 278,589            | \$ 9,647               |
| US Department of Agriculture         |                       |                 |                   |                       |                        |
| Blue Waters Hacienda Project, 2004   | 68,650                | -               | 9,287             | 59,363                | 10,058                 |
| Blue Waters Hacienda Project, 2005   | 118,136               | -               | 487               | 117,649               | 522                    |
| Total Business-Type Activities       | <u>\$ 474,832</u>     | <u>\$ -</u>     | <u>\$ 19,231</u>  | <u>\$ 455,601</u>     | <u>\$ 20,227</u>       |

**GOVERNMENTAL ACTIVITIES:**

*Capital Lease*

The County entered into a capital lease payable to Caterpillar Financial Services on April 16, 2010 in the amount of \$283,050, payable in 60 monthly installments of \$3,210, beginning April 2010, at 3.50% interest, with a final payment due in April 2015 of the outstanding principal balance. This lease was entered into for the purchase of a Caterpillar 140H motor grader. This asset is recorded in the fixed assets of the government-wide financial statements at \$283,050, less accumulated depreciation of \$56,610 at December 31, 2012. Road and bridge paid the lease in full during 2012.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

*Landfill Closure and Post-Closure Care Costs*

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County uses the "Local Government Finance Test" as its financial mechanism to assure full payment of all closure, post closure, and if applicable, corrective action estimated costs. The estimated liability for landfill closure and post closure care costs represents the County's total current estimated of such future costs, and is based on the estimated amount to be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2012. As of December 31, 2012, the County estimated that existing landfill capacity was approximately 40% utilized (filled), and that the existing landfill was expected to be filled to capacity in fiscal year 2025. The aggregate liability of \$352,983 at December 31, 2012 is comprised of \$119,718 of estimated closure costs and \$233,265 of estimated post closure costs. However, the actual costs of closure and post closure may be higher, due to inflation, changes in technology, or changes in the landfill laws and regulations.

**BUSINESS-TYPE ACTIVITIES:**

*Colorado Department of Affairs – Division of Housing*

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

The 2009 and 2010 payments were deferred due to cash flow shortages . Payments resumed in December 2011. The note maturity date was extended until December 2035.

*United States Department of Agriculture*

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

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

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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

|           | Principal         | Interest          | Total             |
|-----------|-------------------|-------------------|-------------------|
| 2013      | \$ 20,227         | \$ 14,234         | \$ 34,461         |
| 2014      | 21,292            | 13,171            | 34,463            |
| 2015      | 22,432            | 11,994            | 34,426            |
| 2016      | 23,655            | 10,837            | 34,492            |
| 2017      | 24,967            | 10,376            | 35,343            |
| 2018-2022 | 59,662            | 47,863            | 107,525           |
| 2023-2027 | 67,143            | 40,381            | 107,524           |
| 2028-2032 | 75,904            | 31,621            | 107,525           |
| 2033-2037 | 55,474            | 21,707            | 77,181            |
| 2038-2042 | 16,122            | 15,549            | 31,671            |
| 2043-2047 | 22,572            | 9,099             | 31,671            |
| 2048-2052 | 31,604            | 1,362             | 32,966            |
| 2053-2054 | 14,547            | -                 | 14,547            |
|           | <u>\$ 455,601</u> | <u>\$ 228,194</u> | <u>\$ 683,795</u> |

**NOTE 8 OPERATING LEASES**

The County is committed under various cancellable leases for office equipment and software. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$109,334.

**NOTE 9 EMPLOYEE BENEFITS**

***Pension Plans***

The County provides a participatory salary deferral plan under Internal Revenue Code (IRC) section 401(k), a defined contribution plan, administered by Principal Financial Group, for all County employees over the age of 18 with more than six months of employment with the County. Participating employees may contribute, on a tax-deferred basis, any whole percentage 3% or more of their total pay each period to the Plan. Federal law limits the deferral amounts in any tax year. The County matches 100% of the first 4% contributed by each employee. The County's matching 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, 2012, total employee contributions to the Plan were \$83,596 and matching County contributions totaled \$70,922.

***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.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

*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, 2012.

**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, 2012 year-end balances in the General Fund for this purpose in the aggregate amount of \$225,000, 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, 2012**

**NOTE 12 RISK MANAGEMENT**

*Colorado Counties Casualty and Property Pool (CAPP)*

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

At December 31, 2012, CAPP had assets of \$25,498,916, liabilities of \$8,598,883 (including \$6,249,991 reserved for losses and claims), and members' equity of \$16,900,033. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2012 amounted to \$6,740,270 and total expenses were \$4,250,936, resulting in net income before return of surplus of \$2,489,334.

*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, 2012, CWCP had assets of \$36,922,350, liabilities of \$22,903,979 (including \$21,924,529 reserved for losses and claims) and members' equity of \$14,018,371. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2012 amounted to \$10,870,976, total expenses were \$9,185,919, resulting in a net loss before return of surplus of \$1,685,057.

**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 a party to various legal actions normally associated with governmental activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

*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.

**NOTE 14 CHANGE IN ACCOUNTING ESTIMATE**

*Saguache County Landfill*

The Colorado Department of Public Health and Environment performed an on-site review in June 2013 and determined landfill cells used and filled were adequately closed and covered and required no further closure cost accrual. Therefore, the closure and post-closure cost estimate has been reduced from \$466,558 to \$352,983 to reflect the costs to close the exposed cubic yards.

**NOTE 15 SUBSEQUENT EVENT**

*Saguache County Landfill*

The landfill was closed on June 30, 2013, pending Colorado Department of Public Health and Environment regulatory review and implementation cost analysis are completed.

## **SAGUACHE COUNTY, COLORADO**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

**For the Year Ended December 31, 2012**

|   | BUDGETED AMOUNTS    |                     | ACTUAL              | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|---------------------|---------------------|---------------------|---|
|   | ORIGINAL            | FINAL               |                     |   |
| <b>REVENUES</b>   |                     |                     |                     |   |
| Taxes   | \$ 1,323,550        | \$ 1,323,550        | \$ 1,297,276        | \$ (26,274)   |
| Intergovernmental Revenue   | 578,276             | 1,110,295           | 1,429,051           | 318,756   |
| Licenses and Permits  | 54,700              | 54,700              | 42,638              | (12,062)  |
| Interest Revenue  | 8,000               | 8,000               | 11,132              | 3,132   |
| Charges for Services  | 1,115,832           | 1,115,832           | 1,101,813           | (14,019)  |
| Miscellaneous   | 54,335              | 63,036              | 75,717              | 12,681  |
| <b>TOTAL REVENUES</b>   | <b>3,134,693</b>    | <b>3,675,413</b>    | <b>3,957,627</b>    | <b>282,214</b>  |
| <b>EXPENDITURES</b>   |                     |                     |                     |   |
| General Government  | 1,537,631           | 2,110,504           | 2,465,408           | (354,904)   |
| Public Safety   | 998,931             | 1,045,559           | 1,004,267           | 41,292  |
| Health and Welfare  | 3,600               | 3,600               | 53,176              | (49,576)  |
| Public Works  | 170,648             | 170,648             | 170,647             | 1   |
| Capital Outlay  | 417,914             | 417,914             | 442,936             | (25,022)  |
| <b>TOTAL BUDGETED EXPENDITURES</b>  | <b>3,128,724</b>    | <b>3,748,225</b>    | <b>4,136,434</b>    | <b>(388,209)</b>  |
| Excess (deficiency) of revenues over expenditures                                       | 5,969               | (72,812)            | (178,807)           | (105,995)   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                     |                     |                     |   |
| Transfers Out   | -                   | (20,600)            | (20,600)            | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>-</b>            | <b>(20,600)</b>     | <b>(20,600)</b>     | <b>-</b>  |
| Excess (deficiency) of revenues over expenditures<br>and other financing sources (uses) | 5,969               | (93,412)            | (199,407)           | (105,995)   |
| <b>Fund Balance at Beginning of Year</b>  | <b>1,825,135</b>    | <b>1,825,135</b>    | <b>1,846,566</b>    | <b>21,431</b>   |
| <b>Fund Balance at End of Year</b>  | <b>\$ 1,831,104</b> | <b>\$ 1,731,723</b> | <b>\$ 1,647,159</b> | <b>\$ (84,564)</b>                                      |

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2012**

|   | BUDGETED AMOUNTS    |                     | ACTUAL              | VARIANCE WITH          |
|---|---------------------|---------------------|---------------------|------------------------|
|   | ORIGINAL            | FINAL               |                     | FINAL BUDGET           |
|   |                     |                     |                     | POSITIVE<br>(NEGATIVE) |
| <b>REVENUES</b>   |                     |                     |                     |                        |
| Taxes   | \$ 7,000            | \$ 7,000            | \$ 13               | \$ (6,987)             |
| Intergovernmental Revenue   | 3,690,121           | 3,690,121           | 2,550,511           | (1,139,610)            |
| Charges for Services  | 33,000              | 33,000              | 41,675              | 8,675                  |
| License and Permits   | 19,000              | 19,000              | 35,096              | 16,096                 |
| Miscellaneous   | 36,000              | 36,000              | 57,083              | 21,083                 |
| <b>TOTAL REVENUES</b>   | <b>3,785,121</b>    | <b>3,785,121</b>    | <b>2,684,378</b>    | <b>(1,100,743)</b>     |
| <b>EXPENDITURES</b>   |                     |                     |                     |                        |
| General Government - Secure Rural Schools   | -                   | 1,085,846           | 789,688             | 296,158                |
| Public Works  | 3,137,645           | 3,137,645           | 2,690,715           | 446,930                |
| Capital Outlay  | 585,239             | 585,239             | 354,485             | 230,754                |
| Debt Service  | 48,000              | 48,000              | 229,203             | (181,203)              |
| <b>TOTAL EXPENDITURES</b>   | <b>3,770,884</b>    | <b>4,856,730</b>    | <b>4,064,091</b>    | <b>792,639</b>         |
| Excess (deficiency) of revenues over expenditures                                       | 14,237              | (1,071,609)         | (1,379,713)         | (308,104)              |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                     |                     |                     |                        |
| Sale of Fixed Assets  | -                   | -                   | 3,790               | 3,790                  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>-</b>            | <b>-</b>            | <b>3,790</b>        | <b>3,790</b>           |
| Excess (deficiency) of revenues over expenditures<br>and other financing sources (uses) | 14,237              | (1,071,609)         | (1,375,923)         | (304,314)              |
| <b>Fund Balance at Beginning of Year</b>  | <b>4,117,103</b>    | <b>4,117,103</b>    | <b>3,859,896</b>    | <b>(257,207)</b>       |
| <b>Fund Balance at End of Year</b>  | <b>\$ 4,131,340</b> | <b>\$ 3,045,494</b> | <b>\$ 2,483,973</b> | <b>\$ (561,521)</b>    |

**Notes to Required Supplementary Information**

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SOCIAL SERVICES FUND**  
**For the Year Ended December 31, 2012**

|   | BUDGETED AMOUNTS  |                   | ACTUAL            | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|-------------------|-------------------|-------------------|---|
|   | ORIGINAL          | FINAL             |                   |   |
| <b>REVENUES</b>                                   |                   |                   |                   |   |
| Taxes   | \$ 474,026        | \$ 474,026        | \$ 254,974        | \$ (219,052)  |
| Intergovernmental Revenue                         | 4,216,947         | 4,216,947         | 4,055,615         | (161,332)   |
| <b>TOTAL REVENUES</b>                             | <u>4,690,973</u>  | <u>4,690,973</u>  | <u>4,310,589</u>  | <u>(380,384)</u>  |
| <b>EXPENDITURES</b>                               |                   |                   |                   |   |
| Health and Welfare                                | 4,690,973         | 4,690,973         | 4,267,951         | 423,022   |
| <b>TOTAL EXPENDITURES</b>                         | <u>4,690,973</u>  | <u>4,690,973</u>  | <u>4,267,951</u>  | <u>423,022</u>  |
| Excess (deficiency) of revenues over expenditures | -                 | -                 | 42,638            | 42,638  |
| <b>Fund Balance at Beginning of Year</b>          | <u>380,295</u>    | <u>380,295</u>    | <u>247,167</u>    | <u>(133,128)</u>  |
| <b>Fund Balance at End of Year</b>                | <u>\$ 380,295</u> | <u>\$ 380,295</u> | <u>\$ 289,805</u> | <u>\$ (90,490)</u>                                      |

**Notes to Required Supplementary Information**

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

## **SAGUACHE COUNTY, COLORADO**

### **OTHER SUPPLEMENTARY INFORMATION**

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

**SAGUACHE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

**SAGUACHE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2012**

|   | NONMAJOR<br>SPECIAL REVENUE FUNDS |                               |                 |                  |   |  |   |             |                   |  | TOTAL<br>NONMAJOR<br>GOVERNMENTAL |
|---|-----------------------------------|-------------------------------|-----------------|------------------|---|--|---|-------------|-------------------|--|-----------------------------------|
|   | PUBLIC<br>HEALTH<br>FUND          | CONSERVATION<br>TRUST<br>FUND | SLV TV<br>FUND  | TOURISM<br>FUND  | SALES TAX-<br>EMERGENCY<br>SERVICES<br>FUND | SALES TAX-<br>YOUTH AND<br>SENIORS<br>FUND | SALES TAX-<br>RENEWABLE<br>ENERGY<br>FUND |             |                   |  |                                   |
| <b>ASSETS</b>                             |                                   |                               |                 |                  |   |  |   |             |                   |  |                                   |
| Cash and Cash Equivalents                 | \$ -                              | \$ 50,075                     | \$ 1,876        | \$ 35,327        | \$ 64,684                                   | \$ 35,530                                  | \$ 81,682                                 | \$ -        | \$ 269,174        |  |                                   |
| Due from Other Funds                      | -                                 | -                             | -               | 60               | -   | 800  | 3,476                                     | -           | 4,336             |  |                                   |
| Due from Other Governments                | 33,882                            | -                             | -               | -                | -   | -  | -   | -           | 33,882            |  |                                   |
| <b>TOTAL ASSETS</b>                       | <u>\$ 33,882</u>                  | <u>\$ 50,075</u>              | <u>\$ 1,876</u> | <u>\$ 35,387</u> | <u>\$ 64,684</u>                            | <u>\$ 36,330</u>                           | <u>\$ 85,158</u>                          | <u>\$ -</u> | <u>\$ 307,392</u> |  |                                   |
| <b>LIABILITIES AND FUND BALANCE</b>       |                                   |                               |                 |                  |   |  |   |             |                   |  |                                   |
| <b>LIABILITIES</b>                        |                                   |                               |                 |                  |   |  |   |             |                   |  |                                   |
| Checks in Excess of Deposits              | \$ 10,998                         | \$ -                          | \$ -            | \$ -             | \$ -  | \$ -                                       | \$ -                                      | \$ -        | \$ 10,998         |  |                                   |
| Accounts Payable                          | 7,865                             | -                             | -               | -                | -   | -  | -   | -           | 7,865             |  |                                   |
| <b>TOTAL LIABILITIES</b>                  | <u>18,863</u>                     | <u>-</u>                      | <u>-</u>        | <u>-</u>         | <u>-</u>                                    | <u>-</u>                                   | <u>-</u>                                  | <u>-</u>    | <u>18,863</u>     |  |                                   |
| <b>FUND BALANCE</b>                       |                                   |                               |                 |                  |   |  |   |             |                   |  |                                   |
| Assigned                                  |                                   |                               |                 |                  |   |  |   |             |                   |  |                                   |
| Health and Welfare                        | 15,019                            | -                             | -               | -                | -   | -  | -   | -           | 15,019            |  |                                   |
| Culture and Recreation                    | -                                 | 50,075                        | -               | 35,387           | -   | 36,330                                     | -   | -           | 121,792           |  |                                   |
| Emergency Services                        | -                                 | -                             | -               | -                | 64,684                                      | -  | -   | -           | 64,684            |  |                                   |
| Renewable Energy                          | -                                 | -                             | -               | -                | -   | -  | 85,158                                    | -           | 85,158            |  |                                   |
| Telecommunications                        | -                                 | -                             | 1,876           | -                | -   | -  | -   | -           | 1,876             |  |                                   |
| <b>TOTAL FUND BALANCE</b>                 | <u>15,019</u>                     | <u>50,075</u>                 | <u>1,876</u>    | <u>35,387</u>    | <u>64,684</u>                               | <u>36,330</u>                              | <u>85,158</u>                             | <u>-</u>    | <u>288,529</u>    |  |                                   |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 33,882</u>                  | <u>\$ 50,075</u>              | <u>\$ 1,876</u> | <u>\$ 35,387</u> | <u>\$ 64,684</u>                            | <u>\$ 36,330</u>                           | <u>\$ 85,158</u>                          | <u>\$ -</u> | <u>\$ 307,392</u> |  |                                   |

**SAGUACHE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2012**

|   | NONMAJOR<br>SPECIAL REVENUE FUNDS |                               |                |                 |   |  |   |          |          |          | TOTAL<br>NONMAJOR<br>GOVERNMENTAL |
|---|-----------------------------------|-------------------------------|----------------|-----------------|---|--|---|----------|----------|----------|-----------------------------------|
|   | PUBLIC<br>HEALTH<br>FUND          | CONSERVATION<br>TRUST<br>FUND | SLV TV<br>FUND | TOURISM<br>FUND | SALES TAX-<br>EMERGENCY<br>SERVICES<br>FUND | SALES TAX-<br>YOUTH AND<br>SENIORS<br>FUND | SALES TAX-<br>RENEWABLE<br>ENERGY<br>FUND |          |          |          |                                   |
| <b>REVENUES</b>   |                                   |                               |                |                 |   |  |   |          |          |          |                                   |
| Taxes   | -                                 | -                             | -              | -               | -   | -  | -   | -        | -        | -        | -                                 |
| Intergovernmental Revenue   | 180,222                           | 33,759                        | -              | 16,592          | 86,174                                      | 86,174                                     | 87,650                                    | -        | -        | -        | 276,590                           |
| Charges for Services  | 340,940                           | -                             | -              | -               | -   | -  | -   | -        | -        | -        | 213,981                           |
| Miscellaneous   | 31,756                            | -                             | -              | 60              | -   | -  | -   | -        | -        | -        | 340,940                           |
| <b>TOTAL REVENUES</b>   | <b>552,918</b>                    | <b>33,759</b>                 | <b>-</b>       | <b>16,652</b>   | <b>86,174</b>                               | <b>86,174</b>                              | <b>87,650</b>                             | <b>-</b> | <b>-</b> | <b>-</b> | <b>863,327</b>                    |
| <b>EXPENDITURES</b>   |                                   |                               |                |                 |   |  |   |          |          |          |                                   |
| Current Expenditures  | -                                 | -                             | 500            | -               | -   | -  | -   | -        | -        | -        | 500                               |
| General Government  | -                                 | -                             | -              | -               | 85,270                                      | -  | -   | -        | -        | -        | 85,270                            |
| Public Safety   | 606,062                           | -                             | -              | -               | -   | -  | -   | -        | -        | -        | 606,062                           |
| Health and Welfare  | -                                 | 31,558                        | -              | 7,210           | -   | 105,168                                    | -   | -        | -        | -        | 143,936                           |
| Culture and Recreation  | -                                 | -                             | -              | -               | -   | -  | 83,999                                    | -        | -        | -        | 83,999                            |
| Public Works  | -                                 | -                             | -              | -               | -   | -  | -   | -        | -        | -        | -                                 |
| <b>TOTAL EXPENDITURES</b>   | <b>606,062</b>                    | <b>31,558</b>                 | <b>500</b>     | <b>7,210</b>    | <b>85,270</b>                               | <b>105,168</b>                             | <b>83,999</b>                             | <b>-</b> | <b>-</b> | <b>-</b> | <b>919,767</b>                    |
| Excess (deficiency) of revenues over expenditures                                       | (53,144)                          | 2,201                         | (500)          | 9,442           | 904   | (18,994)                                   | 3,651                                     | -        | -        | -        | (56,440)                          |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                                   |                               |                |                 |   |  |   |          |          |          |                                   |
| Transfer In   | 20,600                            | -                             | -              | -               | -   | -  | -   | -        | -        | -        | 20,600                            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>20,600</b>                     | <b>-</b>                      | <b>-</b>       | <b>-</b>        | <b>-</b>                                    | <b>-</b>                                   | <b>-</b>                                  | <b>-</b> | <b>-</b> | <b>-</b> | <b>20,600</b>                     |
| Excess (deficiency) of revenues over expenditures<br>and other financing sources (uses) | (32,544)                          | 2,201                         | (500)          | 9,442           | 904   | (18,994)                                   | 3,651                                     | -        | -        | -        | (35,840)                          |
| <b>Fund Balance at beginning of year</b>  | <b>47,563</b>                     | <b>47,874</b>                 | <b>2,376</b>   | <b>25,945</b>   | <b>63,780</b>                               | <b>55,324</b>                              | <b>81,507</b>                             | <b>-</b> | <b>-</b> | <b>-</b> | <b>324,369</b>                    |
| <b>Fund Balance at end of year</b>  | <b>15,019</b>                     | <b>50,075</b>                 | <b>1,876</b>   | <b>35,387</b>   | <b>64,684</b>                               | <b>36,330</b>                              | <b>85,158</b>                             | <b>-</b> | <b>-</b> | <b>-</b> | <b>288,529</b>                    |

**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**COMBINING SCHEDULE OF NET POSITION**  
**December 31, 2012**

|                                  | <u>HOUSING AUTHORITY</u> |   | <u>TOTAL<br/>ENTERPRISE<br/>FUND</u> |
|----------------------------------|--------------------------|---|--------------------------------------|
|                                  | <u>BLUE<br/>WATERS</u>   | <u>PUERTO<br/>DEL NORTE<br/>HACIENDAS</u> |                                      |
| <b>ASSETS</b>                    |                          |   |                                      |
| <b>Current Assets:</b>           |                          |   |                                      |
| Cash and Cash Equivalents        | \$ 65,854                | \$ 52,809                                 | \$ 118,663                           |
| Total Current Assets             | <u>65,854</u>            | <u>52,809</u>                             | <u>118,663</u>                       |
| <b>Noncurrent Assets:</b>        |                          |   |                                      |
| <b>Capital Assets:</b>           |                          |   |                                      |
| Land                             | 36,000                   | 37,331                                    | 73,331                               |
| Buildings and Improvements, net  | 99,210                   | 244,937                                   | 344,147                              |
| Total Noncurrent Assets          | <u>135,210</u>           | <u>282,268</u>                            | <u>417,478</u>                       |
| <b>TOTAL ASSETS</b>              | <u>201,064</u>           | <u>335,077</u>                            | <u>536,141</u>                       |
| <b>LIABILITIES</b>               |                          |   |                                      |
| <b>Current Liabilities:</b>      |                          |   |                                      |
| Security Deposit                 | 1,804                    | 3,108                                     | 4,912                                |
| Notes Payable (current portion)  | 10,580                   | 9,647                                     | 20,227                               |
| <b>Total Current Liabilities</b> | <u>12,384</u>            | <u>12,755</u>                             | <u>25,139</u>                        |
| <b>Noncurrent Liabilities:</b>   |                          |   |                                      |
| Notes Payable                    | 166,432                  | 268,942                                   | 435,374                              |
| Total Noncurrent Liabilities     | <u>166,432</u>           | <u>268,942</u>                            | <u>435,374</u>                       |
| <b>TOTAL LIABILITIES</b>         | <u>178,816</u>           | <u>281,697</u>                            | <u>460,513</u>                       |
| <b>NET POSITION</b>              |                          |   |                                      |
| Net Investment in Capital Assets | (41,802)                 | 3,679                                     | (38,123)                             |
| Unrestricted                     | 64,050                   | 49,701                                    | 113,751                              |
| <b>TOTAL NET POSITION</b>        | <u>\$ 22,248</u>         | <u>\$ 53,380</u>                          | <u>\$ 75,628</u>                     |

**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2012**

|   | <b>HOUSING AUTHORITY</b> |   | <b>TOTAL<br/>ENTERPRISE<br/>FUND</b> |
|---|--------------------------|---|--------------------------------------|
|   | <b>BLUE<br/>WATERS</b>   | <b>PUERTO<br/>DEL NORTE<br/>HACIENDAS</b> |                                      |
| <b>OPERATING REVENUES</b>                     |                          |   |                                      |
| Rent from Tenants                             | \$ 29,054                | \$ 66,610                                 | \$ 95,664                            |
| HUD Operating Subsidy                         | 80,692                   | 13,607                                    | 94,299                               |
| Miscellaneous                                 | 1,409                    | 1,577                                     | 2,986                                |
| <b>Total operating revenues</b>               | <b>111,155</b>           | <b>81,794</b>                             | <b>192,949</b>                       |
| <b>OPERATING EXPENSES</b>                     |                          |   |                                      |
| Administrative                                | 48,507                   | 24,089                                    | 72,596                               |
| Utilities                                     | 22,807                   | 24,081                                    | 46,888                               |
| Operating and Maintenance                     | 7,091                    | 2,639                                     | 9,730                                |
| Insurance                                     | 2,978                    | 3,762                                     | 6,740                                |
| Depreciation Expense                          | 26,176                   | 10,678                                    | 36,854                               |
| <b>Total operating expenses</b>               | <b>107,559</b>           | <b>65,249</b>                             | <b>172,808</b>                       |
| Operating Income (Loss)                       | 3,596                    | 16,545                                    | 20,141                               |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                          |   |                                      |
| Interest on Investments                       | 300                      | 234                                       | 534                                  |
| Interest Expense                              | (9,481)                  | (5,714)                                   | (15,195)                             |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>(9,181)</b>           | <b>(5,480)</b>                            | <b>(14,661)</b>                      |
| Changes in Net Position                       | (5,585)                  | 11,065                                    | 5,480                                |
| <b>Net Position, Beginning of Year</b>        | <b>27,833</b>            | <b>42,315</b>                             | <b>70,148</b>                        |
| <b>Net Position, End of Year</b>              | <b>\$ 22,248</b>         | <b>\$ 53,380</b>                          | <b>\$ 75,628</b>                     |

**SAGUACHE COUNTY, COLORADO**  
**ENTERPRISE FUND TYPES**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**For the Year Ended December 31, 2012**

|  | <b>HOUSING AUTHORITY</b> |   | <b>TOTAL<br/>ENTERPRISE<br/>FUND</b> |
|--|--------------------------|---|--------------------------------------|
|  | <b>BLUE<br/>WATERS</b>   | <b>PUERTO<br/>DEL NORTE<br/>HACIENDAS</b> |                                      |
| <b>Cash flows from operating activities:</b>   |                          |   |                                      |
| Cash received from tenants and others  | \$ 30,463                | \$ 68,187                                 | \$ 98,650                            |
| Cash received from HUD operating subsidy   | 80,692                   | 13,607                                    | 94,299                               |
| Cash paid to employees for services  | (48,507)                 | (24,089)                                  | (72,596)                             |
| Cash paid to suppliers and service providers   | (32,876)                 | (30,482)                                  | (63,358)                             |
| Net cash provided (used) by operating activities:  | <u>29,772</u>            | <u>27,223</u>                             | <u>56,995</u>                        |
| <b>Cash flows from noncapital financing activities:</b>  | -                        | -   | -                                    |
| <b>Cash flows from capital and related financing activities:</b>                               |                          |   |                                      |
| Payment of note principal and interest   | (19,255)                 | (15,171)                                  | (34,426)                             |
| Net cash provided (used) by capital and related financing activities                           | <u>(19,255)</u>          | <u>(15,171)</u>                           | <u>(34,426)</u>                      |
| <b>Cash flows from investing activities:</b>   |                          |   |                                      |
| Interest received  | 300                      | 234                                       | 534                                  |
| Net cash provided (used) by investing activities   | <u>300</u>               | <u>234</u>                                | <u>534</u>                           |
| <b>Increase (decrease) in cash and investments</b>   | 10,817                   | 12,286                                    | 23,103                               |
| <b>Cash and cash equivalents, Beginning of the Year</b>  | <u>55,037</u>            | <u>40,523</u>                             | <u>95,560</u>                        |
| <b>Cash and cash equivalents, End of the Year</b>  | <u>\$ 65,854</u>         | <u>\$ 52,809</u>                          | <u>\$ 118,663</u>                    |
| <b>Operating income (loss)</b>   | \$ 3,596                 | \$ 16,545                                 | \$ 20,141                            |
| <b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b> |                          |   |                                      |
| Depreciation   | 26,176                   | 10,678                                    | 36,854                               |
| Total adjustments  | <u>26,176</u>            | <u>10,678</u>                             | <u>36,854</u>                        |
| <b>Net cash provided (used) by operating activities</b>  | <u>\$ 29,772</u>         | <u>\$ 27,223</u>                          | <u>\$ 56,995</u>                     |

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS OUT**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS AND ALL PROPRIETARY FUNDS**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2012**

|  | BUDGETED AMOUNTS  |                   | EXPENDITURES REPORTED ON THE GAAP BASIS |                    | ADJUSTMENTS TO BUDGETARY BASIS |                   | EXPENDITURES ON THE BUDGETARY BASIS |  | VARIANCE WITH FINAL BUDGET |            |
|--|-------------------|-------------------|---|--------------------|--------------------------------|-------------------|-------------------------------------|--|----------------------------|------------|
|  | ORIGINAL          | FINAL             |   |                    |                                |                   |                                     |  | POSITIVE                   | (NEGATIVE) |
| <b>Governmental Funds</b>                    |                   |                   |   |                    |                                |                   |                                     |  |                            |            |
| Non-major Governmental Funds                 |                   |                   |   |                    |                                |                   |                                     |  |                            |            |
| Special Revenue Funds                        |                   |                   |   |                    |                                |                   |                                     |  |                            |            |
| Public Health Fund                           | \$ 664,660        | \$ 664,660        | \$ 606,062                              | \$ -               | \$ -                           | \$ 606,062        | \$ 58,598                           |  |                            |            |
| Conservation Trust Fund                      | 34,000            | 34,000            | 31,558                                  | -                  | -                              | 31,558            | 2,442                               |  |                            |            |
| SLV TV Fund                                  | 500               | 500               | 500                                     | -                  | -                              | 500               | -                                   |  |                            |            |
| Tourism Fund                                 | 10,000            | 10,000            | 7,210                                   | -                  | -                              | 7,210             | 2,790                               |  |                            |            |
| Sales Tax - Emergency Services Fund          | 60,000            | 85,270            | 85,270                                  | -                  | -                              | 85,270            | -                                   |  |                            |            |
| Sales Tax - Youth and Seniors Fund           | 60,000            | 105,968           | 105,168                                 | -                  | -                              | 105,168           | 800                                 |  |                            |            |
| Sales Tax - Renewable Energy Fund            | 60,000            | 84,000            | 83,999                                  | -                  | -                              | 83,999            | 1                                   |  |                            |            |
| Total Non-major Governmental Funds           | <u>\$ 889,160</u> | <u>\$ 984,398</u> | <u>\$ 919,767</u>                       | <u>\$ -</u>        | <u>\$ -</u>                    | <u>\$ 919,767</u> | <u>\$ 64,631</u>                    |  |                            |            |
| <b>Proprietary Funds</b>                     |                   |                   |   |                    |                                |                   |                                     |  |                            |            |
| Enterprise Funds                             |                   |                   |   |                    |                                |                   |                                     |  |                            |            |
| Blue Waters Housing Authority                | \$ 109,716        | \$ 109,716        | \$ 117,040                              | \$ (26,176)        | \$ 90,864                      | \$ 18,852         |                                     |  |                            |            |
| Puerto Del Norte Haciendas Housing Authority | 65,297            | 65,297            | 70,963                                  | (10,678)           | 60,285                         | 5,012             |                                     |  |                            |            |
| Total Proprietary Funds                      | <u>\$ 175,013</u> | <u>\$ 175,013</u> | <u>\$ 188,003</u>                       | <u>\$ (36,854)</u> | <u>\$ 151,149</u>              | <u>\$ 23,864</u>  |                                     |  |                            |            |

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

**SAGUACHE COUNTY, COLORADO**

**OTHER SCHEDULES AND REPORTS**

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2012

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/<br>PROGRAM OR CLUSTER TITLE                           | FEDERAL<br>CFDA<br>NUMBER | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>EXPENDITURES |
|---|---------------------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                           |   |                         |
| <i>Rural Rental Housing Cluster</i>   |                           |   |                         |
| Rural Rental Housing Loans  |                           |   |                         |
| Loan Funds  | 10.415                    |   | \$ 177,012              |
| Interest Subsidy  | 10.415                    |   | 3,634                   |
| Total <i>Rural Rental Housing Cluster</i>   |                           |   | <u>180,646</u>          |
| <b>COLORADO DEPT. OF HUMAN SERVICES</b>   |                           |   |                         |
| <i>SNAP Cluster</i>   |                           |   |                         |
| State Administrative Matching Grants for Supplemental Nutrition Assistance Program          | 10.561                    |   | 60,159                  |
| Commodity Supplemental Food Program   | 10.565                    |   | 24,573                  |
| <i>Emergency Food Assistance Cluster</i>  |                           |   |                         |
| Emergency Food Assistance Program (Food Commodities)  | 10.569                    |   | 13,146                  |
| <b>COLORADO DEPT. OF TREASURY</b>   |                           |   |                         |
| <i>Forest Service Schools and Roads Cluster</i>   |                           |   |                         |
| Secure Payments for States and Counties Containing Federal Land Title I and Title III Funds | 10.665                    |   |                         |
| Direct Expenditures: Title III Funds  |                           |   | 170,413                 |
| Passed to Sub recipients: Title I Funds   |                           |   | 370,051                 |
| Total <i>Forest Service Schools and Roads Cluster</i>                                       |                           |   | <u>540,464</u>          |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |                           |   |                         |
| <b>COLORADO DEPT. OF HUMAN SERVICES</b>   |                           |   |                         |
| <i>TANF Cluster</i>   |                           |   |                         |
| Temporary Assistance for Needy Families   | 93.558                    |   | 340,738                 |
| ARRA- Temporary Assistance for Needy Families   | 93.714                    |   | 5,101                   |
| Total <i>TANF Cluster</i>   |                           |   | <u>345,839</u>          |
| Child Support Enforcement   | 93.563                    |   | 83,026                  |
| Low-Income Home Energy Assistance   | 93.568                    |   | 332,153                 |
| <i>CCDF Cluster</i>   |                           |   |                         |
| Child Care and Development Block Grant  | 93.575                    |   | (23,457)                |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund              | 93.596                    |   | 17,683                  |
| Total for <i>CCDF Cluster</i>   |                           |   | <u>(5,774)</u>          |
| Stephanie Tubbs Jones Child Welfare Services Program  | 93.645                    |   | 5,397                   |
| Foster Care-Title IV-E  | 93.658                    |   | 105,152                 |
| Adoption Assistance   | 93.659                    |   | 27,538                  |
| Social Services Block Grant   | 93.667                    |   | 79,558                  |
| <i>Medicaid Cluster</i>   |                           |   |                         |
| Medical Assistance Program  | 93.778                    |   | 44,616                  |

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2012

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/<br>PROGRAM OR CLUSTER TITLE | FEDERAL<br>CFDA<br>NUMBER | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>EXPENDITURES |
|---|---------------------------|---|-------------------------|
| COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT                   |                           |   |                         |
| Public Health Emergency Preparedness                              | 93.069                    | EPR-HW2/3-HHS                                   | 13,459                  |
| <i>Immunization Cluster</i>                                       |                           |   |                         |
| Immunization Grants   | 93.268                    | IMM-KA2-HHS                                     | 3,904                   |
| Maternal and Child Health Services Block Grant to the States      | 93.994                    | MCH-MC2-HHS                                     | 3,716                   |
| Prevention and Public Health Fund                                 | 93.539                    | IMM-KL2-HHS                                     | 9,768                   |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                       |                           |   |                         |
| COLORADO DEPT. OF LOCAL AFFAIRS                                   |                           |   |                         |
| Emergency Management Performance Grants                           | 97.042                    |   | 30,560                  |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>           |                           |   |                         |
| COLORADO DEPT. OF LOCAL AFFAIRS                                   |                           |   |                         |
| <i>CDBG - State-Administered CDBG Cluster</i>                     |                           |   |                         |
| Community Development Block Grants/State's Program                | * 14.228                  | 10-501  | 382,135                 |
| COLORADO HOUSING AND FINANCE AUTHORITY                            |                           |   |                         |
| <i>Section 8 Project-Based Cluster</i>                            |                           |   |                         |
| Section 8 Housing Assistance Payments Program                     | 14.195                    |   | 80,692                  |
| CENTER HOUSING AUTHORITY  |                           |   |                         |
| <i>Housing Voucher Cluster</i>                                    |                           |   |                         |
| Section 8 Housing Choice Vouchers                                 | 14.871                    |   | 13,607                  |
| <b>U.S. DEPARTMENT OF JUSTICE</b>                                 |                           |   |                         |
| COLORADO DIVISION OF CRIMINAL JUSTICE                             |                           |   |                         |
| Violence Against Women Formula Grants                             | 16.588                    |   | 27,000                  |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                       |                           |   | <u>\$ 2,401,334</u>     |

**SAGUACHE COUNTY, COLORADO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2012**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Saguache County, Colorado under programs of the federal government for the year ended December 31, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Saguache County, Colorado, it is not intended to and does not present the financial position, changes in net position or cash flows of Saguache County, Colorado.

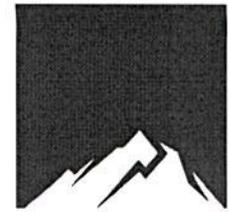
**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3: SUBRECIPIENTS**

The County provided federal awards to subrecipients during 2012. \* Denotes a pass-through grant.

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



Wall,  
Smith,  
Bateman Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 2, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Finding 2012-1.

**Certified Public Accountants**

700 Main Street, Suite 200    PO Box 809    Alamosa, CO 81101    |    719-589-3619    |    F 719-589-5492    |    www.wsbcpa.com

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-1.

### **County's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

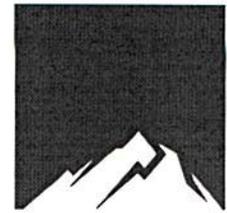
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 2, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**



Wall,  
Smith,  
Bateman Inc.

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

**Report on Compliance for Each Major Federal Program**

We have audited Saguache County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

### Report on Internal Control Over Compliance

Management of the County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2012-2, that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Wall, Smith, Bateman Inc.  
Alamosa, Colorado

August 2, 2013

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

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

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>              |
|-----------------------|--|
| 10.665                | Forest Service Schools and Roads Cluster               |
| 93.558 and 93.714     | Temporary Assistance for Needy Families (TANF) Cluster |
| 93.568                | Low-Income Home Energy Assistance                      |
| 14.228                | CDBG- State-Administered CDBG Cluster                  |

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

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

**Section II – Financial Statement Findings**

**Finding 12-1: Internal Control Over Financial Reporting and on Compliance  
(Repeat of Finding 09-1, 10-1, and 11-1)**

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

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

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

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

1. The General Fund expenditures (including transfers) exceeded the adopted budget for the year ended December 31, 2012, by \$388,209, as described in Note 2. This may be a violation of Colorado Revised Statute 29-1-110. (Material noncompliance)
2. The County Assessor's office has a backlog of properties to be assessed for the effects of new construction dating back to 2008. The total assessed valuation of the taxing entities within the County is understated by the value of this new construction.
3. The Housing Authority financial records were not maintained accurately or adequately during 2012. Supporting documentation was not maintained for funding received from government agencies. Audit adjustments were proposed to correct these balances and current year discrepancies that were identified.
4. The County Department of Social Services did not adequately reconcile cash to the Treasurer's Ledger and program accounts receivables to the County Financial Management System (CFMS) on a monthly basis during 2012. Audit adjustments were proposed to correct these balances and current year discrepancies that were identified.
5. Audit adjustments were also proposed to properly state the General Fund, Road and Bridge Fund, Public Health Fund, and Conservation Trust Fund in the County financial statements as of December 31, 2012, in accordance with generally accepted accounting principles.

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

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

**SAGUACHE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

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

**Finding 12-2: Low-Income Home Energy Assistance, CFDA No. 93.568**  
**U.S. Department of Health and Human Services**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility*

*Grant No.: Not applicable*

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

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

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

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

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

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

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

**SAGUACHE COUNTY, COLORADO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2012**

**Section II – Financial Statement Findings**

**Finding 11-1: Internal Control Over Financial Reporting and on Compliance**

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

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

*Status:* Partially Implemented. (See Finding 12-1.)

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

None



# SAGUACHE COUNTY GOVERNMENT

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

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

## CORRECTIVE ACTION PLAN

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

Saguache County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2012.

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

Audit period: Year ended December 31, 2012

The findings from the December 31, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

### **Section II – Financial Statement Findings**

#### **Finding 12-1: Internal Control Over Financial Reporting and on Compliance (Repeat of Finding 09-1 and 10-1, and 11-1)**

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

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

*Action taken:* Saguache County will contract with our Accountants listed above to come into the County in January of each year to help with monitoring of our application of accounting principles.

1. The administration office will work closer with department heads to monitor expenditures and will budget appropriations at distribution.

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

2. The County Assessor's office has completed a assessing and valuation of the County with the help of the State Assessor including all new construction in May of 2013.

*Responsible Parties:* Jackie Stephens, Assessor

3. The County will formalize monthly reporting requirements and procedures so that the Administrators will review bank statements, balance sheets and profit and loss statements on a monthly basis. The Saguache County Housing Authority cash accounts will be reconciled on a monthly basis. Audit adjustments will not be modified or deleted from QuickBooks without consent. All supporting documentation received will be saved for future reference.

*Responsible Parties:* Evan Samora, Housing Director

4. Balance sheet accounts have been reconciled, including Treasurer's ledger and cash account in question as of August 13, 2013. A reconciliation worksheet has been set up to reconcile monthly the "Due To and From" settlement accounts from the State. All Cyma accounts have been properly identified. 2012 audit adjustments have been recorded. The packet presented to the Board of Commissioners will now include a GL report, bank reconciliation, and various CFMS reports. The Commissioners will continue to receive a report that compares the budget with current and year to date expenditures as well as revenue and the County share of each program.

*Responsible Parties:* Jeannie Norris, Social Services Director

The County will formalize monthly reporting requirements and procedures so that the Administrators review bank statements, balance sheets and profit and loss statements on a monthly basis.

*Responsible Parties:* Earlyn Lambert, Co County Administrator

5. The County will work closer with the Accountants listed above to help with the year end entries of the County to correctly state the funds listed, General Fund, Road and Bridge, Public Health and Conservation Trust. Also, the Administrators will meet with the departments listed to record accounts payables and account receivables at year end.

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

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

**Finding 12-2: Low-Income Home Energy Assistance, CFDA No. 93.568,  
U.S. Department of Health and Human Services**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility*

*Grant No.: Not applicable*

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

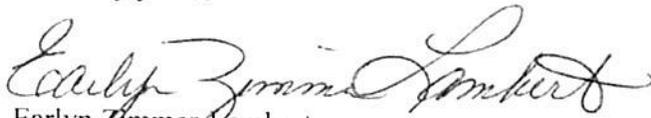
*Recommendation:* The County Department of Social Services should implement a system of internal control over compliance that includes monitoring of control activities. Supervisory review of case file documentation will assure that errors or fraud are detected and corrected on a timely basis.

*Action Taken:* The Department of Social Services had implemented a system of internal review over Low Income Energy Assistance cases. We will review at least ten percent of LEAP cases on a random basis per the recommendation of the auditors.

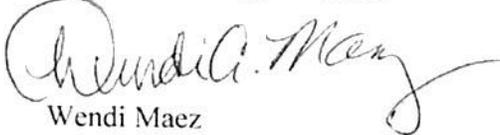
*Responsible Parties:* Jeannie Norris, Director

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

Sincerely yours,



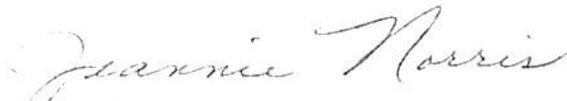
Earlyn Zimmer-Lambert  
Co-County Administrator  
Saguache County, Colorado



Wendi Maez  
Co-County Administrator  
Saguache County, Colorado



Evan Samora,  
Housing Director  
Saguache County, Colorado



Jeannie Norris,  
Social Services Director  
Saguache County, Colorado

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

|  |                           |  |   |   |                   |
|--|---------------------------|--|---|---|-------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b>  |                           | City or County: Saguache County                        |   |   |                   |
|  |                           | YEAR ENDING :<br>December 2012                         |   |   |                   |
| This Information From The Records Of (example - City of _ or County of County of Saguache) |                           | Prepared By:<br>Iris Garcia                            | Phone:<br>719-655-2554                    |   |                   |
| <b>I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE</b>  |                           |  |   |   |                   |
| 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   |                           |  |   |   |                   |
| <b>II. RECEIPTS FOR ROAD AND STREET PURPOSES</b>   |                           | <b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES</b> |   |   |                   |
| ITEM   | AMOUNT                    | ITEM   | AMOUNT                                    |   |                   |
| <b>A. Receipts from local sources:</b>   |                           | <b>A. Local highway disbursements:</b>                 |   |   |                   |
| 1. Local highway-user taxes  |                           | 1. Capital outlay (from page 2)                        | 553,299                                   |   |                   |
| a. Motor Fuel (from Item I.A.5.)   |                           | 2. Maintenance:  | 2,448,581                                 |   |                   |
| b. Motor Vehicle (from Item I.B.5.)  |                           | 3. Road and street services:                           |   |   |                   |
| c. Total (a.+b.)   |                           | a. Traffic control operations                          | 24,664                                    |   |                   |
| 2. General fund appropriations   |                           | b. Snow and ice removal                                | 1,533                                     |   |                   |
| 3. Other local imposts (from page 2)   | 9,986                     | c. Other   | 873,643                                   |   |                   |
| 4. Miscellaneous local receipts (from page 2)  | 102,547                   | d. Total (a. through c.)                               | 899,840                                   |   |                   |
| 5. Transfers from toll facilities  |                           | 4. General administration & miscellaneous              | 131,982                                   |   |                   |
| 6. Proceeds of sale of bonds and notes:  |                           | 5. Highway law enforcement and safety                  | 30,389                                    |   |                   |
| a. Bonds - Original Issues   |                           | 6. Total (1 through 5)                                 | 4,064,091                                 |   |                   |
| b. Bonds - Refunding Issues  |                           | <b>B. Debt service on local obligations:</b>           |   |   |                   |
| c. Notes   |                           | 1. Bonds:  |   |   |                   |
| d. Total (a. + b. + c.)  | 0                         | a. Interest  |   |   |                   |
| 7. Total (1 through 6)   | 112,532                   | b. Redemption  |   |   |                   |
| <b>B. Private Contributions</b>  |                           | c. Total (a. + b.)                                     | 0   |   |                   |
| <b>C. Receipts from State government</b><br>(from page 2)                                  | 2,575,635                 | 2. Notes:  |   |   |                   |
| <b>D. Receipts from Federal Government</b><br>(from page 2)                                | 0                         | a. Interest  |   |   |                   |
| <b>E. Total receipts (A.7 + B + C + D)</b>   | 2,688,167                 | b. Redemption  |   |   |                   |
|  |                           | c. Total (a. + b.)                                     | 0   |   |                   |
|  |                           | 3. Total (1.c + 2.c)                                   | 0   |   |                   |
|  |                           | <b>C. Payments to State for highways</b>               |   |   |                   |
|  |                           | <b>D. Payments to toll facilities</b>                  |   |   |                   |
|  |                           | <b>E. Total disbursements (A.6 + B.3 + C + D)</b>      | 4,064,091                                 |   |                   |
| <b>IV. LOCAL HIGHWAY DEBT STATUS</b><br>(Show all entries at par)                          |                           |  |   |   |                   |
|  | Opening Debt              | Amount Issued  | Redemptions                               | Closing Debt                                    |                   |
| <b>A. Bonds (Total)</b>  |                           |  |   | 0   |                   |
| 1. Bonds (Refunding Portion)   |                           |  |   |   |                   |
| <b>B. Notes (Total)</b>  |                           |  |   | 0   |                   |
| <b>V. LOCAL ROAD AND STREET FUND BALANCE</b>   |                           |  |   |   |                   |
|  | A. Beginning Balance      | B. Total Receipts                                      | C. Total Disbursements                    | D. Ending Balance                               | E. Reconciliation |
|  | 3,859,896                 | 2,688,167  | 4,064,091                                 | 2,483,973                                       | (0)               |
| <b>Notes and Comments:</b>   |                           |  |   |   |                   |

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2012

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

| ITEM                              | AMOUNT                    | ITEM                                      | AMOUNT                    |
|-----------------------------------|---------------------------|---|---------------------------|
| <b>A.3. Other local imposts:</b>  |                           | <b>A.4. Miscellaneous local receipts:</b> |                           |
| a. Property Taxes and Assessments |                           | a. Interest on investments                |                           |
| b. Other local imposts:           |                           | b. Traffic Fines & Penalties              |                           |
| 1. Sales Taxes                    |                           | c. Parking Garage Fees                    |                           |
| 2. Infrastructure & Impact Fees   | 9,972                     | d. Parking Meter Fees                     |                           |
| 3. Liens                          |                           | e. Sale of Surplus Property               | 6,440                     |
| 4. Licenses                       |                           | f. Charges for Services                   | 41,676                    |
| 5. Specific Ownership &/or Other  | 14                        | g. Other Misc. Receipts                   | 20,539                    |
| 6. Total (1. through 5.)          | 9,986                     | h. Other                                  | 33,892                    |
| c. Total (a. + b.)                | 9,986                     | i. Total (a. through h.)                  | 102,547                   |
|                                   | (Carry forward to page 1) |   | (Carry forward to page 1) |

| ITEM                                     | AMOUNT    | ITEM                                       | AMOUNT                    |
|--|-----------|--|---------------------------|
| <b>C. Receipts from State Government</b> |           | <b>D. Receipts from Federal Government</b> |                           |
| 1. Highway-user taxes                    | 2,550,511 | 1. FHWA (from Item I.D.5.)                 |                           |
| 2. State general funds                   |           | 2. Other Federal agencies:                 |                           |
| 3. Other State funds:                    |           | a. Forest Service                          |                           |
| a. State bond proceeds                   |           | b. FEMA                                    |                           |
| b. Project Match                         |           | c. HUD                                     |                           |
| c. Motor Vehicle Registrations           | 25,124    | d. Federal Transit Admin                   |                           |
| d. Other (Specify) - DOLA Grant          |           | e. U.S. Corps of Engineers                 |                           |
| e. Other (Specify) Airport grant         | 0         | f. Other Federal                           |                           |
| f. Total (a. through e.)                 | 25,124    | g. Total (a. through f.)                   | 0                         |
| 4. Total (1. + 2. + 3.f)                 | 2,575,635 | 3. Total (1. + 2.g)                        |                           |
|  |           |  | (Carry forward to page 1) |

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

|   | ON NATIONAL<br>HIGHWAY<br>SYSTEM<br>(a) | OFF NATIONAL<br>HIGHWAY<br>SYSTEM<br>(b) | TOTAL<br>(c)              |
|---|---|--|---------------------------|
| <b>A.1. Capital outlay:</b>                         |   |  |                           |
| a. Right-Of-Way Costs                               |   |  | 0                         |
| b. Engineering Costs                                |   |  | 0                         |
| c. Construction:                                    |   |  |                           |
| (1). New Facilities                                 |   |  | 0                         |
| (2). Capacity Improvements                          |   |  | 0                         |
| (3). System Preservation                            |   | 324,096                                  | 324,096                   |
| (4). System Enhancement & Operation                 |   | 229,203                                  | 229,203                   |
| (5). Total Construction (1) + (2) + (3) + (4)       | 0                                       | 553,299                                  | 553,299                   |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0                                       | 553,299                                  | 553,299                   |
|   |   |  | (Carry forward to page 1) |

Notes and Comments: