

CUSTER COUNTY, COLORADO

WESTCLIFFE, COLORADO

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

AND CERTAIN SUPPLEMENTAL INFORMATION

PRESENTED FOR PURPOSES OF A SINGLE AUDIT

December 31, 2011

Table of Contents

	Page
Independent Auditor's Report on Basic Financial Statements	1 - 2
Management's Discussion and Analysis - required supplementary information	i - vii
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Governmental Fund Financial Statements	
Balance Sheet	5
Reconciliation of Balance Sheet to Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Internal Service Fund Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Assets	12
Notes to Financial Statements	13 - 28
Budgetary Comparison Reporting - General Fund and Major Special Revenue Funds - Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	29
Budgetary Comparison Schedule - Road and Bridge Fund	30
Budgetary Comparison Schedule - Public Welfare Fund	31
Other Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	33
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Contingent Fund	34
Capital Improvements Fund	35
Emergency Services Fund	36
Custer County Airport Authority	37
Custer County Lodging and Tourism Fund	38
Insurance Fund	39

Additional Reports and Schedules

Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	41
Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 - 43
Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	44 - 45
Schedule of Findings and Questioned Costs	46 - 50
County Annual Statement of Revenues and Expenditures for Roads, Bridges and Streets	51 - 52

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

June 12, 2012

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

Independent Auditor's Report on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado as of December 31, 2011, and the respective changes in financial position, and where applicable cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2012, on our consideration of Custer County, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information for the General Fund and major special revenue funds on pages i - vii and 29 - 31 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 management's discussion and analysis 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. The budgetary comparison information for the General Fund and the major special revenue funds have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Custer County, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules for nonmajor funds 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 Nonprofit Organizations*, and is also not a required part of the basic financial statements. The accompanying Annual Statement of Revenues and Expenditures for Roads, Bridges and Streets, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the nonmajor budgetary comparison schedules, the schedule of expenditures of federal awards and the Annual Statement of Revenues and Expenditures for Road, Bridges and Streets, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marrin, Ross & DeNardo, Inc.

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010**

This section of the report provides readers with a narrative overview and analysis of the financial activities of Custer County for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Custer County's assets exceeded liabilities by \$6,151,417 at the end of 2011. Of this amount, \$1,437,780 may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$4,713,637 is invested in capital assets or restricted by law.

The County's General Fund balance was \$513,173 as of December 31, 2011. Of this amount, \$75,400 is reserved for emergencies.

The 2011 General Fund balance is \$17,050 more than the previous year. The total fund balance is 17% of 2011 General Fund operating expenditures plus net operating transfers. The County Commissioners' goal is to keep fund balance at no less than 5%. The Board budgeted expenditures from fund balance in 2011 of \$135,805.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information including combining statements for non-major funds, and information regarding federal grant programs.

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). Custer County's governmental activities include general government, public safety, roads and bridges, auxiliary, culture and recreation, and health and human services.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010

Overview of the Financial Statements (Continued)

The government-wide financial statements include not only Custer County itself (known as the primary government), but also legally separate entities which have a significant operational or financial relationship with the County. These entities, if any, are known as component units. The discreetly presented component unit is the E-911 Emergency Telephone Authority. In 2007, for the first time, the County began accounting for all transactions of the Custer County Airport Authority on its behalf, and, as such, it is now treated as a blended component unit for financial reporting purposes. More information on the functions of these activities can be found in Note 1 to the financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Custer County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Custer County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Custer County maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road & Bridge Fund, Public Welfare Fund, Capital Improvements Fund, Emergency Services Fund and the Lodging and Tourism Fund. The Custer County Airport Authority is also included as a blended component unit. The General Fund, Road & Bridge Fund and the Public Welfare Fund are the only funds that are considered major. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 5 through 8 of this report.

Proprietary Funds. There are two common types of Proprietary Funds commonly used in governmental activities. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements and Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. During the fiscal year 2011, Custer County utilized one internal service fund, the Insurance Fund, for governmental activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support Custer County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement of net assets can be found on page 12.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010**

Overview of the Financial Statements (Continued)

Budgetary Comparisons. Custer County adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all major funds on pages 29 to 31 of this report. Budget to actual comparisons for each of the non-major funds are provided in other schedules elsewhere in this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 28 of this report.

Other Information. The combining statements referred to earlier in the connection internal service fund and non-major governmental funds are presented in the financial statements and can be found on pages 9 through 11 and 31 through 38, respectively.

County-Wide Financial Analysis

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of December 31, 2011, assets exceeded liabilities by \$6,151,417.

The following table provides a summary of the County's governmental and business-type net assets for 2011 and 2010.

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets		\$ 2,573,227	\$ 2,725,459
Non-current assets		4,863,601	5,124,945
	Total Assets	<u>\$ 7,436,828</u>	<u>\$ 7,850,404</u>
	<u>Liabilities</u>		
Current liabilities		\$ 559,741	\$ 774,052
Non-current liabilities		725,670	606,118
	Total Liabilities	<u>\$ 1,285,411</u>	<u>\$ 1,380,170</u>
	<u>Net Assets</u>		
Invested in capital assets, net of related debt		\$ 4,544,104	\$ 4,733,502
Restricted for emergency		169,533	148,830
Unrestricted		1,437,780	1,587,902
	Total Net Assets	<u>\$ 6,151,417</u>	<u>\$ 6,470,234</u>

The portion of Custer County's net assets (23%) represents unrestricted net assets of \$1,437,780, which may be used to meet the County's ongoing obligations to citizens and creditors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010**

County-Wide Financial Analysis (Continued)

A significant portion of Custer County's net assets (74%) reflects its investment in capital assets. These assets include land, buildings, machinery, equipment and infrastructure. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$169,533 of the County's net assets (3%) represents resources that are subject to external restriction on how they may be used. The amount reserved for TABOR is \$148,590, the remaining \$20,943 is grant restricted.

At the end of 2011, Custer County had positive balances in all net assets categories.

Changes in Net Assets. Governmental activities decreased the County's net assets by \$318,817 in 2011 and increased net assets by \$203,123 in 2010. The following table summarizes the changes in Custer County's net assets for governmental activities for the years ended December 31, 2011 and 2010.

Revenue			
		<u>2011</u>	<u>2010</u>
Program Revenue			
Charges for services	\$	729,120	\$ 674,079
Operating grants and contributions		2,189,027	2,341,041
Capital grants and contributions		106,391	86,467
General Revenue			
Taxes		2,619,543	2,610,302
Loss on sale of assets		(13,847)	-
Investment earnings		5,095	8,320
	Total Revenue	<u>5,635,329</u>	<u>5,720,209</u>
Program Expenses			
General government		2,040,049	1,833,956
Public safety		1,295,242	1,292,848
Streets and highways		1,718,498	1,424,710
Health and welfare		634,179	630,715
Auxiliary		208,410	218,636
Miscellaneous		44,905	94,282
Interest expense, unallocated		12,863	21,939
	Total Expenses	<u>5,954,146</u>	<u>5,517,086</u>
	Change in Net Assets	(318,817)	203,123
Net assets beginning of year		<u>6,470,234</u>	<u>6,267,111</u>
Net assets end of year	\$	<u>6,151,417</u>	\$ <u>6,470,234</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010

Financial Analysis of the County's Funds

As noted earlier, Custer County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments' net resources available for spending at the end of the fiscal year.

As of the end of 2011, the combined ending fund balances of County governmental funds were \$2,012,066. Approximately 17% of this consists of unassigned fund balance which is available as working capital, and 66% is assigned fund balance, which is available for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: 1) a state constitution mandated emergency reserve (\$143,700); 2) grant requirements (\$20,943); 3) and inventory (\$178,329).

The County has six governmental funds. They are 1) General Fund; 2) Road & Bridge Fund; 3) Public Welfare Fund; 4) Capital Improvements Fund; 5) Emergency Service Fund; and 6) Lodging and Tourism Fund.

1. **General Fund.** This is the primary operating fund of the Custer County Government. It accounts for many of the County's core services, such as law enforcement, County General Fund activities, personnel costs, planning, and elections. The General Fund balance was \$513,173 as of December 31, 2011. Of this amount, \$75,400 was reserved for emergencies. The 2011 fund balance is \$17,050 more than the previous year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents about 14% of total 2011 expenditures, while total fund balance is 16% of the same amount. 2011 expenditures for general fund activities were less than budgeted by \$57,345.
2. **Road & Bridge Fund.** The Road & Bridge fund is also state mandated. The fund records costs related to County road and bridge construction and maintenance. The Road & Bridge fund had \$1,254,439 in fund balance at the end of 2011. This amount is \$29,392 less than the previous year. 2011 expenditures for road projects were less than budgeted by \$96,153.
3. **Public Welfare Fund.** The Public Welfare Fund is mandated by state statute. This fund accounts for the local share of many federal and state public welfare programs, plus various federal and state human services grants. The fund carried a (\$61,823) balance at the end of 2011, which was \$93,741 less than the previous year. State and federal grant funding was \$53,987 less than the previous year.
4. **Capital Improvements Fund.** The Capital Improvements Fund accounts for the acquisition of major capital facilities and equipment. These are the purchases of the Sheriff's vehicles, office and jail facility and several heavy equipment purchases for the Road and Bridge Department and the Landfill Operation.
5. **Emergency Service Fund.** The primary function of the Emergency Service Fund is to account for expenditures relating to auxiliary rural and County-wide health and medical services. This fund receives property tax revenues which help finance these services. This fund also accounts for monies received as grant funds through the Colorado Regional Trauma Advisory Council for the support of rural emergency medical services.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010**

Financial Analysis of the County's Funds (Continued)

6. **Lodging and Tourism Fund.** The function of this fund is to account for lodging tourism tax revenue collected. The residents of Custer County approved a ballot issue in 2008 to implement a 2% tourism lodging tax assessed on persons renting a motel/hotel room or a campground space. The revenues from this tax will be used exclusively for advertising and marketing of local tourism.
7. **Custer County Airport Authority.** The primary function of the Airport Authority is to account for expenditures of the airport and related operating and grant revenues. It is a separate government included in the County's financial statements as a blended component unit due to its financial dependence.
8. **Insurance Fund.** (An internal service fund) This fund was established to account for County funds dedicated to general property loss and liability insurance, County official's errors and omissions insurance, and workers compensation insurance coverage.

General Fund Budgetary Highlights

The County's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

For 2011, the Board of County Commissioners appropriated \$3,113,392 for general fund expenditures and other financing uses. The budget was amended.

2011 General Fund Budget

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues	\$ 2,934,072	\$ 2,998,072	\$ 3,093,582
Expenditures	\$ 3,049,392	\$ 3,113,392	\$ 3,056,047

Actual expenditures were less than the anticipated budget and less than revenues, which caused the ending fund balance to increase \$37,535, over the prior year before transfers.

Capital Asset and Debt Administration

Capital Assets. Custer County's investment in capital assets for its governmental activities as of December 31, 2011 totals \$4,848,601 (net of accumulated depreciation). This investment includes all land, buildings, machinery, equipment, and infrastructure. The total decrease in net capital assets for the current fiscal year was \$276,344.

Major capital asset events during the current fiscal year included the following:

- The County implemented the "depreciation method" under GASB 34 for its road and bridge infrastructure assets.
- Additional information on the County's capital assets can be found in Note 7 of this report.

Long-term Debt. At December 31, 2011, Custer County bonded debt. There are capital leases outstanding of \$219,106 and other noncurrent liabilities for post disclosure landfill costs and compensated absences. Additional information can be found in note 11.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 budgets.

- Continued growth in Custer County caused increased demand in all service areas of the County, especially in public safety and road and bridge infrastructure.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2011 and 2010**

Other Matters (Continued)

- The State of Colorado's budget crisis has led to reduction in the number of grant programs available to provide direct services and/or cost shifting responsibility back to the County budget. The program areas impacted included Community Health related programs, Human Services and Social Services.
- Custer County is currently establishing a GIS (Geographical Information System) to improve the County's ability to respond quickly to emergency services and increase the capability to provide a variety of accurate maps. Better maps also help in making growth projections for developing the next Master Plan.
- The Road and Bridge Department has identified two primary challenges facing the County in the near future; replacing outdated and worn out bridges and developing a systematic long term equipment schedule. A number of bridges within the County are in dire need of repair and /or replacement. It is anticipated that new funding in the form of grants or tax increases will be required to address the bridge issues. The County is also actively developing an equipment upgrade and replacement program protocol that will allow the County to access State and Federal grants to replace aging and worn out road and bridge equipment.
- Population growth has impacted the County's ability to provide public safety within our judicial system. The County courthouse combined courts system needs more physical space and a more secure facility for our citizens, victims, courthouse personnel and those accused of wrong doing. New State funds are being accessed to provide better courthouse security. The County needs a better designed, more functional jail that would complement the court facilities. The County is presently looking into a planning grant from the Colorado Department of Local Affairs (DOLA) to improve the jail and justice facilities.
- Through funds from a DOLA Community Development Block Grant program Custer County has acquired property to the north of the current courthouse to expand the County's ability to provide local and regional social services programs as well as increase our ability to securely store files.

Requests for Information

This financial report is designed to provide a general overview of Custer County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or for additional financial information should be addressed to the County HR/Finance Director, 205 South Sixth Street, Westcliffe, CO 81252.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
CUSTER COUNTY, COLORADO
December 31, 2011

	Primary Government	Component Unit
<u>Assets</u>	<u>Governmental Activities</u>	<u>E-911 Authority</u>
<u>Current Assets</u>		
Cash and investments held by County Treasurer	\$ 2,146,751	\$ -
Cash held by County Clerk	55	-
Cash held by County Assessor	650	-
Cash held by Sheriff	50	-
Cash held by Extension Office	6,796	-
Cash in bank	-	260,639
Accounts receivable	103,632	-
Taxes receivable	117,095	9,106
Note receivable - current maturities	5,000	-
Accrued state revenue	4,879	-
Accrued federal revenue	9,990	-
Inventories	178,329	-
Total Current Assets	2,573,227	269,745
<u>Non-current Assets</u>		
Note receivable - long term portion	15,000	-
Capital assets, net of depreciation	4,848,601	4,514
Total Non-current Assets	4,863,601	4,514
Total Assets	\$ 7,436,828	\$ 274,259
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 56,514	\$ -
Warrants payable	287,013	-
Accrued expenses	10	-
Accrued interest	4,583	-
Due to State of Colorado	36,738	-
Deferred revenue	89,492	-
Current maturities - capital leases	85,391	-
Total Current Liabilities	559,741	-
<u>Non-current Liabilities</u>		
Landfill closure costs	389,114	-
Capital leases non-current	133,715	-
Compensated absences	202,841	-
Total Non-Current Liabilities	725,670	-
Total Liabilities	1,285,411	-
<u>Net Assets</u>		
Investment in capital assets, net of related debt	4,544,104	4,514
Temporarily restricted	20,943	-
Restricted for emergency	148,590	2,180
Unrestricted	1,437,780	267,565
Total Net Assets	6,151,417	274,259
Total Liabilities and Net Assets	\$ 7,436,828	\$ 274,259

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

STATEMENT OF ACTIVITIES
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenue			Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	E-911 Authority
Governmental Activities						
General government	\$ 2,040,049	\$ 609,880	\$ 435,263	\$ 12,000	\$ (982,906)	\$ -
Public safety	1,295,242	21,755	221,875	58,174	(993,438)	-
Streets and highways	1,718,498	75,845	1,164,459	-	(478,194)	-
Health and welfare	634,179	-	62,762	-	(571,417)	-
Auxiliary	208,410	21,640	304,668	36,217	154,115	-
Miscellaneous	44,905	-	-	-	(44,905)	-
Interest expense, unallocated	12,863	-	-	-	(12,863)	-
Total Governmental Activities	\$ 5,954,146	\$ 729,120	\$ 2,189,027	\$ 106,391	(2,929,608)	-
Component Unit						
E-911 Authority	\$ 36,207	\$ 71,227	\$ -	\$ -	\$ -	\$ 35,020
General Revenues						
Property taxes					1,809,285	-
Specific Ownership					194,163	-
Sales and use taxes					596,775	-
Lodging and tourism taxes					19,320	-
Loss on sale of assets					(13,847)	-
Earnings on investments					5,095	1,402
Total General Revenues and Transfers					2,610,791	1,402
Changes in Net Assets					(318,817)	36,422
Net Assets - January 1					6,470,234	237,837
Net Assets - December 31					\$ 6,151,417	\$ 274,259

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

<u>Assets</u>	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Public Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments held by County					
Treasurer	\$ 619,556	\$ 1,094,750	\$ 14,431	\$ 283,844	\$ 2,012,581
Cash held by County Clerk	55	-	-	-	55
Cash held by County Assessor	650	-	-	-	650
Cash held by Sheriff	50	-	-	-	50
Cash held by Extension Office	6,796	-	-	-	6,796
Accounts receivable	93,200	9,310	499	623	103,632
Taxes receivable	47,933	52,347	88	16,464	116,832
Due from other funds	-	3,437	3,393	18,502	25,332
Accrued state revenue	-	-	4,879	-	4,879
Accrued federal revenue	-	-	9,990	-	9,990
Accrued property taxes - Contra	1,192,000	497,000	74,000	222,000	1,985,000
Inventories	-	170,430	-	7,899	178,329
Total Assets	\$ 1,960,240	\$ 1,827,274	\$ 107,280	\$ 549,332	\$ 4,444,126
 <u>Liabilities and Fund Equity</u>					
Accounts payable	\$ 8,537	\$ 36,937	\$ 158	\$ 10,882	\$ 56,514
Warrants payable	222,625	38,898	16,754	8,736	287,013
Accrued expenses	10	-	-	-	10
Due to other funds	23,895	-	-	1,437	25,332
Due to State of Colorado	-	-	36,738	-	36,738
Deferred revenue	-	-	41,453	-	41,453
Deferred property taxes - Contra	1,192,000	497,000	74,000	222,000	1,985,000
Total Liabilities	1,447,067	572,835	169,103	243,055	2,432,060
 Fund Balance					
Nonspendable	-	170,430	-	7,899	178,329
Restricted	95,680	50,110	5,983	12,870	164,643
Assigned	-	1,033,899	-	285,508	1,319,407
Unassigned	417,493	-	(67,806)	-	349,687
Total Fund Equity	513,173	1,254,439	(61,823)	306,277	2,012,066
Total Liabilities and Fund Equity	\$ 1,960,240	\$ 1,827,274	\$ 107,280	\$ 549,332	\$ 4,444,126

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
CUSTER COUNTY, COLORADO
December 31, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,012,066
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.	20,000
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	4,848,601
Certain revenue is earned over a period years, the portion of unearned income is reported as deferred revenue in the statement of net assets.	(48,039)
Long-term liabilities for capital leases (\$219,106), compensated absences (\$202,841), and landfill closure costs (\$389,114) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(811,061)
Interest payable on capital leases is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	(4,583)
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.	<u>134,433</u>
Total Net Assets - Governmental Activities	<u>\$ 6,151,417</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2011

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Public Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 1,628,435	\$ 531,207	\$ 53,121	\$ 399,568	\$ 2,612,331
Penalties	4,287	1,950	195	780	7,212
Federal Sources	521,345	27,536	168,200	-	717,081
State Sources	227,203	1,128,359	110,091	19,623	1,485,276
Local Sources	32,634	-	8,610	-	41,244
Licenses permits	136,866	-	-	-	136,866
Charges for services	494,769	75,845	-	26,534	597,148
Miscellaneous	48,043	5,988	5,175	-	59,206
Reimbursed expenses	-	7,576	-	1,434	9,010
Total Revenues	<u>3,093,582</u>	<u>1,778,461</u>	<u>345,392</u>	<u>447,939</u>	<u>5,665,374</u>
Expenditures					
General Government	1,626,666	120,279	-	27,177	1,774,122
Public Safety	936,428	1,832	-	193,404	1,131,664
Streets and Highways	-	1,511,379	-	-	1,511,379
Health and welfare	189,511	-	439,133	-	628,644
Auxiliary services	116,919	-	-	68,732	185,651
Capital outlay	141,618	90,182	-	15,916	247,716
Miscellaneous	44,905	-	-	-	44,905
Debt service - principal	-	73,242	-	99,095	172,337
Debt service - interest	-	10,939	-	6,003	16,942
Total Expenditures	<u>3,056,047</u>	<u>1,807,853</u>	<u>439,133</u>	<u>410,327</u>	<u>5,713,360</u>
Excess of Revenues Over (Under) Expenditures	<u>37,535</u>	<u>(29,392)</u>	<u>(93,741)</u>	<u>37,612</u>	<u>(47,986)</u>
Other Financing Sources (Uses)					
Transfers from (to) other funds	(20,485)	-	-	20,485	-
Proceeds from capital leases	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(20,485)</u>	<u>-</u>	<u>-</u>	<u>20,485</u>	<u>-</u>
Net Change in Fund Balance	17,050	(29,392)	(93,741)	58,097	(47,986)
Fund Balances - January 1	<u>496,123</u>	<u>1,283,831</u>	<u>31,918</u>	<u>248,180</u>	<u>2,060,052</u>
Fund Balances - December 31	<u>\$ 513,173</u>	<u>\$ 1,254,439</u>	<u>\$ (61,823)</u>	<u>\$ 306,277</u>	<u>\$ 2,012,066</u>

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

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

Total Change in Fund Balances - Governmental Funds	\$ (47,986)
Basis of assets that have been sold reduces financial resources in the statement of activities. The basis is not recognized in the governmental funds.	(18,847)
Current year revenue recorded in the fund financial statements was recorded as revenue in government wide for the year ended December 31, 2010.	(6,304)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses (\$485,213) exceeds capital outlay (\$247,716).	(237,497)
Principle retirements - Retirements of principle outstanding on the County's debt result in a reduction of accumulated resources on the fund financial statement. The government wide statements show these reductions against the long-term liabilities.	172,337
Revenues that are allocated for future periods are not recognized in the statement of activities, but are recognized in the governmental funds.	(4,894)
Internal service fund is used by management to account for health insurance and workers' compensation activities. The net activity of the internal service fund is reported with governmental activities.	25,238
Interest payable on capital leases is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.	4,079
In the government-wide statements, accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). Therefore, the change in the accrued compensated absences is recognized.	(13,162)
In the government-wide statements, estimated landfill closure debt is recognized as long-term debt. In the governmental funds, the estimated cost nor the change in the estimate are included. Therefore, the change in the estimate is recognized.	<u>(191,781)</u>
Total change in Net Assets - Governmental Activities	<u>\$ (318,817)</u>

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

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2011

		<u>Internal Service Insurance Fund</u>
<u>Assets</u>		
Current Assets		
Cash held by County Treasurer	\$	134,170
Taxes receivable		263
Accrued property taxes - contra		<u>24,000</u>
Total Current Assets		<u>158,433</u>
Total Assets		
	\$	<u>158,433</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Warrants payable	\$	-
Deferred property taxes - contra		<u>24,000</u>
Total Current Liabilities		<u>24,000</u>
Net Assets		
Reserved for emergency		4,890
Unrestricted		<u>129,543</u>
Total Fund Equity		<u>134,433</u>
Total Liabilities and Fund Equity	\$	<u>158,433</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2011

	<u>Internal Service Insurance Fund</u>
Operating Revenues	
Charges for services	\$ -
Reimbursed expenses	<u>3,005</u>
Total Operating Revenues	<u>3,005</u>
Operating Expenses	
General government	\$ 130,502
Auxiliary	<u>7,212</u>
Total Expenditures	<u>137,714</u>
Operating Income (Loss)	(134,709)
Nonoperating Revenues (Expenses)	
Property taxes	144,196
Specific ownership taxes	15,166
Penalties and Interest	<u>585</u>
Net Income (Loss) Before Other Financing Sources (Uses)	25,238
Operating transfers in (out)	<u>-</u>
Change in Net Assets	25,238
Net Assets - January 1	<u>109,195</u>
Net Assets - December 31	<u><u>\$ 134,433</u></u>

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

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Internal Service Insurance Fund</u>
Cash Flows From Operating Activities	
Cash received for reimbursed expenses	\$ 3,005
Payments for services	<u>(146,002)</u>
Net Cash Used for Operating Activities	<u>(142,997)</u>
 Cash Flows From Noncapital Financing Activities	
Cash received for property taxes	159,976
Transfers from other funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>159,976</u>
Net Increase (Decrease) in Cash	16,979
 Cash - January 1	 <u>117,191</u>
 Cash - December 31	 <u>\$ 134,170</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (134,709)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in warrants payable	<u>(8,288)</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ (142,997)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET ASSETS
CUSTER COUNTY, COLORADO
December 31, 2011

	<u>Agency Funds</u>
<u>Assets</u>	
Cash in bank and on hand	\$ 111,961
	<u>111,961</u>
Total Assets	\$ 111,961
	<u>111,961</u>
<u>Liabilities</u>	
Due to other taxing units	\$ 46,563
Due to other agencies and departments	<u>65,398</u>
	<u>111,961</u>
Total Liabilities	\$ 111,961
	<u>111,961</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies

Custer County, Colorado ("County") was established in 1877 and operates under an elected commissioner form of government. The County provides a full range of services which include general government functions, public protection and safety, health, social services, public improvements, road and bridge operations, planning and zoning, and general administrative services.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governments. The following summary of significant accounting policies is presented to assist the reader in evaluating the County's financial statements.

A. Financial Reporting Entity

Custer County is a political subdivision of the State of Colorado, governed by an elected three-member Board of County Commissioners. There are also four other elected officials of Custer County (Assessor, Clerk and Recorder, Sheriff, and Treasurer).

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component units:

The E911 Emergency Telephone Service Authority Board was created by intergovernmental agreements under Colorado statutes that authorizes the County, municipalities within the County, and special districts within the County to enter into an agreement for the purpose of providing 911 emergency telephone services. According to Colorado statute the agreement creates a separate legal entity which is responsible for administering the operations of the 911 emergency telephone service program in Custer County.

Blended component units:

Custer County Airport Authority - The County Commissioners appoint two of the five Airport Authority Board members. The Authority has full autonomy under Colorado State law, can incur debt, and funds its operations from user fees and other revenue it can generate. However, due to its financial dependence it is reported as a blended component unit and included in nonmajor special revenue funds.

Other related organizations

The following organizations are excluded from the accompanying financial statements because the County's accountability for these organizations does not extend beyond various appointments:

Custer County Library District - The County Commissioners appoint the seven-member Library District Board. The Library District Board has total autonomy under the State Library Act to incur debt, establish budgets, and levy property taxes to support the District's library system.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies

Other related organizations (Continued)

Colorado Counties Casualty and Property Pool (hereinafter referred to as "CAPP") - CAPP was formed by intergovernmental agreement by member counties as a separate and independent governmental and legal entity pursuant to provisions of the Colorado Constitution and Colorado Revised Statutes. Each member county in this governmental agreement has the power under Colorado law to make provision for the property and casualty coverage which constitute the functions and services jointly provided by means of the CAPP. The Insurance Commissioner of the State of Colorado has such authority with respect to the CAPP as is provided by applicable Colorado statutes.

The purposes of the CAPP are to provide a risk management fund for defined property and casualty coverage and to assist members in controlling costs by providing specialized governmental risk management services and systems. It is the intent of the members to use member contributions to defend and indemnify, in accordance with its bylaws, any member against states liability or loss to the limit of the financial resources of the risk management fund. It is also the intent of the members to have CAPP provide needed coverage at reasonable costs. All income and assets of CAPP shall be at all times dedicated to the exclusive benefit of its members. Custer County, through its Insurance Internal Service Fund, recognizes an expense for any amounts paid to CAPP annually for these coverages.

Custer County is a member of CAPP.

B. Government-wide Financial Statements

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The statement of net assets and the statement of activities display information about the County as a whole. In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis. These statements include the activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide statement of activities reflect both the direct expenses and net cost of each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods and services offered by the program. Grants and contributions that are restricted to meeting the operational and capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program are included in operating grants and contributions, or capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the County.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category - governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and presented as non-major funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, included property taxes, grants, and donations. Revenues from property taxes are recognized in the fiscal year for the which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants if any, and then general revenues.

All governmental activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County reports the following major government funds:

The General Fund is the general operating fund of the County which accounts for all financial resources that are not accounted for in other funds. Operations of the County such as public safety, planning and zoning, property valuation, tax collection and distribution, vehicle licensing, County administration and other activities financed from taxes and general revenues are reflected in this fund.

The Road and Bridge Fund records costs related to County road and bridge construction and maintenance. By State law, Colorado counties are required to maintain a Road and Bridge Fund and a portion of road and bridge taxes is allocated to cities and towns for use in their road and street activities.

The Public Welfare Fund is used to administer human services programs under state and federal regulations. Colorado counties are required by state law to maintain a human services fund.

The County also reports the following fund types:

The Internal Service Funds account for the financing of goods or services provided by one department or agency to departments or agencies of the County on a cost reimbursement basis. The County's internal service fund report on self-insurance programs for employee health, risk management, unemployment, and other insurance used by County departments.

The Agency Funds account for assets held by the County as an agent for individuals, private organizations and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and liabilities

1. Deposits and Investments

The Custer County Treasurer maintains a cash and investment pool that is available for use by all County funds except for some agency funds. Each fund's portion of this pool is displayed as "cash and cash equivalents". Accrued interest receivable is displayed separately. The amount of interest gained through secured investments is credited to the County's general fund per Colorado State Statutes, with the exception of the Conservation Trust and the E-911 Authority. Cash and cash equivalents are stated at fair value.

The County considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the treasury pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Cash equivalents are short term, liquid investments that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on December 15 and are payable either in two installments due on February 28 and June 15, or in full on April 30. Delinquent taxes may be assessed penalties and interest by the County. The County, through the Custer County Treasurer, bills and collects its own property taxes, as well as property taxes for all other taxing authorities within the County.

3. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "due to/from other funds". Interfund balances are generally expected to be repaid within one year of the financial statement date. Any residual balances outstanding between the governmental funds are eliminated in the government-wide statement of net assets.

4. Inventories and Prepaid Items

Inventories of governmental funds, which consist of expendable materials held for consumption, are stated at cost using weighted average cost method. Quantities on hand are determined by physical count.

Expendable supplies are charged directly to expenditures or expenses when purchased.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in the government-wide financial statements if significant, and are charged directly to expenditures or expenses when paid in the fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges and similar items), are reported in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

5. Capital Assets (Continued)

Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and a useful life of more than one year. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. All reported capital assets are depreciated, except for land and land improvements. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Improvements	20 years
Infrastructure - bridges	50 years
Infrastructure - roads	20 years
Equipment	3 - 5 years
Heavy equipment	10 - 20 years

GASB Statement 34 allows small governments to begin reporting infrastructure assets in the year of implementation. The County has not elected to retroactively report infrastructure assets as permitted by GASB Statement 34.

6. Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Full time employees earn five days vacation during their first year of employment, twelve days vacation beginning with their second year of employment, and seventeen days vacation beginning with their sixth year of employment. Accumulated vacation can be carried forward for two years.

Sick leave is earned at the rate of one day per month (or 8 hours) for each month of employment. A maximum of sixty working days (or 480 hours) may be accumulated for actual illness.

A maximum of twenty days sick leave (or 160 hours) and days of vacation, depending on the length of employment, are paid to terminating employees.

Ultimate payment of these benefits, or liability of the County to the employee, if any, is payable only in conjunction with the employee's termination. Any such payments of vested benefits are made in a lump sum at termination.

The unpaid sick leave, vacation pay and related benefits at the end of the period will generally not be paid with expendable and available resources and, as such, the liability is generally not reflected in the governmental fund financial statements. The entire liability for compensated absences is reported on the government-wide financial statements.

7. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

8. Estimates

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

9. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes electronic benefits transfers (EBT) from the Department of Health and Human Services. EBT activity is not recorded as revenue nor expenditures on the general purpose financial statements but is considered federal financial assistance for purposes of Single Audit determination and testing.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual budget and appropriation ordinance is adopted by the Board of County Commissioners in accordance with Colorado State Budget Act. The budget is prepared on a basis consistent with generally accepted accounting principles. Budgets are established for all governmental funds and internal service funds. Formal budgetary accounting is employed as a management control device during the year to monitor the individual departments. The fund level is the level of classification at which expenditures may not legally exceed appropriations. During the year, several supplemental appropriations were necessary. All annual appropriations lapse at year end. The County does not recognize encumbrances.

B. Expenditures in Excess of Budget Amounts

During 2011 two funds had expenditures which exceeded budgeted amount, which may be a violation of Colorado Local Government Budget Law.

	<u>Actual</u>		<u>Budget</u>		<u>Excess</u>
Public Welfare Fund	\$ 439,133	\$	429,359	\$	(9,774)
Contingent Fund	\$ 1,202	\$	-	\$	(1,202)

C. Deficit Fund Equipment

As of December 31, 2011 the County's Public Welfare Fund had a deficit fund balance of \$61,823.

D. Tax, Spending, and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the amendment. However, the County has made certain interpretations of the Amendment's language in order to determine its compliance.

E. Grant Funding

The County receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the County. There are no such proceedings presently in progress.

Note 3 - Cash Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 3 - Cash Deposits and Investments (Continued)

Deposits (Continued)

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. As of December 31, 2011, all of the County deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year-end follows:

<u>Cash and Deposits</u>	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Cash on hand	\$ 2,971	\$ 2,971	\$ -
Checking	236,655	236,655	-
Savings	81,074	81,074	-
Certificates of Deposit	175,876	132,508	43,368
Investments:			
State investment pool (Colo Trust)	<u>2,030,326</u>	<u>2,030,326</u>	-
Total	<u>\$ 2,526,902</u>	<u>\$ 2,483,534</u>	<u>\$ 43,368</u>
Governmental Activities	\$ 2,154,302		
Component Unit	260,639		
Fiduciary Fund	111,961		
	<u>\$ 2,526,902</u>		

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The County has invested \$2,030,326 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust 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 ColoTrust.

Interest Rate Risk - The County's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically all securities are limited to a maximum maturity of five years from date of purchase unless the governing body authorizes a longer period.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 3 - Cash Deposits and Investments (Continued)

Investments (Continued)

Credit Risk - The County does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2011 the County's investment in Colo Trust rates AAAM by Standard and Poor's and Aaa by Moody's.

Note 4 - Property Tax Accrual

Property taxes which have been levied for 2011 which will not be collected until 2012 have been accrued as a receivable at December 31, 2011. An offsetting liability for deferred property tax revenue has been recorded in each of the affected funds.

Note 5 - Interfund Transactions

Due to/from other funds:

The County reports interfund balances between some of its funds. The sum of all the balances in the table agrees with the sum of the interfund balances presented in the balance sheet for the governmental funds. The balances result from the time lag between the dates when interfund goods or services are provided, transactions are recorded in the accounting system and the payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

As of December 31, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other funds</u>	<u>Due to Other funds</u>
General Fund	\$ -	\$ 23,895
Road and Bridge	3,437	-
Public Welfare	3,393	-
Capital Improvements	18,502	-
Emergency Services	-	1,437
TOTAL	<u>\$ 25,332</u>	<u>\$ 25,332</u>

Transfers between Funds:

Transfers between funds are generally indicative of funding for capital projects or subsidies of various County operations and re-allocation of special revenues. The following schedule briefly summarized the County's transfer activity:

Transfers from	<u>Transfers to</u>		
	<u>Major Funds</u>	<u>Other Funds</u>	<u>Total</u>
Major funds	\$ -	\$ 20,485	\$ 20,485
Non-major funds	-	-	-
Totals	<u>\$ -</u>	<u>\$ 20,485</u>	<u>\$ 20,485</u>

Note 6 - Note Receivable

The County sold a water truck to the Town of Silver Cliff. The selling price was \$25,000 payable in annual installments of \$5,000, beginning in 2011 and the final payment will be due in 2015. The note is non interest bearing. Due to immateriality to the financial statements, imputed interest has not been recognized.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 7 - Capital Assets

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

Governmental Activities	Balances January 1	Additions	Deletions	Balances December 31
Non Depreciable Assets				
Land	\$ 317,874	\$ -	\$ -	\$ 317,874
Assets in progress	99,121	11,610	99,121	11,610
Total Non Depreciable Assets	<u>416,995</u>	<u>11,610</u>	<u>99,121</u>	<u>329,484</u>
Depreciable Assets				
Buildings and improvements	3,294,259	63,265	-	3,357,524
Vehicles and heavy equipment	5,553,323	230,560	76,114	5,707,769
Office equipment	1,009,154	41,402	-	1,050,556
Infrastructure	252,303	-	-	252,303
Total Depreciable Assets	<u>10,109,039</u>	<u>335,227</u>	<u>-</u>	<u>10,368,152</u>
Less Accumulated Depreciation				
Buildings and improvements	1,334,550	79,951	-	1,414,501
Vehicles and heavy equipment	3,343,398	318,388	37,267	3,624,519
Office equipment	651,765	75,020	-	726,785
Infrastructure	71,376	11,854	-	83,230
Total Accumulated Depreciation	<u>5,401,089</u>	<u>485,213</u>	<u>37,267</u>	<u>5,849,035</u>
Total Capital Assets, Net	<u>\$ 5,124,945</u>	<u>\$ (138,376)</u>	<u>\$ 61,854</u>	<u>\$ 4,848,601</u>
 Component Unit E 911				
Non Depreciable Assets				
Assets in progress	\$ -	\$ -	\$ -	\$ -
Depreciable Assets				
Equipment	151,129	-	-	151,129
Less Accumulated Depreciation				
Equipment	127,917	18,698	-	146,615
Total Capital Assets, Net	<u>\$ 23,212</u>	<u>\$ (18,698)</u>	<u>\$ -</u>	<u>\$ 4,514</u>

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

General government	\$ 78,339
Public safety	168,576
Streets and highways	208,981
Health and welfare	6,082
Auxiliary	23,235
Total - Governmental Activities	<u>485,213</u>
Component Unit - E 911	18,698
Total Depreciation Expense	<u>\$ 503,911</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 8 - Risk Management

County Worker's Compensation Pool - The County is exposed to various risks of loss related to injuries of employees while on the job. The County participates, with other counties in the State of Colorado, in a County 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 specified self-insurance retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool - The County is exposed to various risks of loss to property and casualty losses. The County participates, with other counties in the State of Colorado, in a 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 Colorado Counties, Inc. for its property and casualty insurance coverage. The intergovernmental 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, which is determined each policy year.

Note 9 - Defined Contribution Plan

The County provides pension benefits for all of its officials and employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures, if any. Officials are eligible to participate immediately upon taking office. Employees are eligible to participate upon the completion of six months of service and attaining age twenty-one (21). As required by the terms of the plan, the County must contribute 4% of compensation to the plan and officials and employees must match employer contributions. In addition, officials and employees may make additional voluntary contributions not to exceed 10% of compensation. Officials are immediately vested 100% in employer contributions and earnings. Employees are vested at 10% per year, becoming fully vested after ten years, in employer contributions and earnings. Employer contributions forfeited by an employee before becoming fully vested are returned to the County.

The County's total payroll for the year ended December 31, 2011 was \$2,493,777. The County's contributions were calculated using the base earnings of eligible, participating employees of \$2,282,609. The County's required 4% contribution for 2011 was \$91,304, officials and employees required 4% contribution was \$91,304, for a total of \$182,608.

The plan held no securities of the County or other related parties during the year or as of the end of the year.

Note 10 - Deferred Compensation Plan

The County offers its officials and employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all County officials and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to officials and employees until termination or retirement.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 10 - Deferred Compensation Plan (Continued)

All amounts of compensation deferred under the Colorado County Officials and Employees Retirement Association plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights remain (until paid or made available to the official, employee, or other beneficiary) vested with the County. Effective January 1, 1997, the County no longer has a fiduciary responsibility to the plan administered by Public Employees Benefit Services Corporation. The County implemented the Governmental Accounting Standard Board (GASB) Statement #32.

All amounts of compensation deferred under the plans are deposited with the Colorado County Officials and Employees Retirement Association and the Public Employees Benefit Services Corporation. During 2011 there were sixteen participants in the plans. Deferred compensation for the year ended December 31, 2011 was \$54,419.

Note 11 - Long-Term Debt

The following is a summary of the County's long-term debt transactions for the year ended December 31, 2011:

	Debt Outstanding January 1	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Capital lease obligations	\$ 391,443	\$ -	\$ 172,337	\$ 219,106	\$ 85,391
Compensated absences	189,679	13,162	-	202,841	-
Other obligations	197,333	191,781	-	389,114	-
Totals	\$ 778,455	\$ 204,943	\$ 172,337	\$ 811,061	\$ 85,391

Debt outstanding as of December 31, 2011, consisted of the following:

<u>Capital lease with First State Bank of Colorado</u> Caterpillar motor grader, \$62,181.30 per year for five years, dated March 12, 2008, with an effective interest rate of 4.0%.	117,280
<u>Capital Lease with First State Bank of Colorado</u> Wausau snow blower, \$22,000.00 per year for six years and one final payment of \$25,625.13, with an effective interest rate of 4.0%.	82,956
<u>Capital Lease with First State Bank of Colorado</u> 2009 Dodge Charger and 2009 Dodge Sport Utility, \$9,986 per year for five years, dated March 18, 2009 with an effective interest rate of 4.00%.	18,870
<u>Compensated Absences:</u> Accumulated vacation and sick leave benefits for eligible employees.	202,841
<u>Other Obligations:</u> Estimated closure and postclosure costs of solid waste landfill	389,114
Total General Long Term Debt	\$ 811,061

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 11 - Long-Term Debt (Continued)

The assets acquired through capital leases total \$508,745 less accumulated depreciation of \$184,649. These assets are used in governmental activities.

Future minimum lease payments for all leases are as follows:

<u>Year Ending December 31</u>	
2012	\$ 94,167
2013	94,224
2014	22,000
2015	<u>25,625</u>
Minimum lease payments for all capital leases	236,016
Less: imputed interest	<u>16,910</u>
Present Value of Minimum Lease Payments	<u>\$ 219,106</u>

The annual requirements to retire all general long-term debt as of December 31, 2011 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 85,391	\$ 8,776	\$ 94,167
2013	88,869	5,355	94,224
2014	20,206	1,794	22,000
2015	<u>24,640</u>	<u>985</u>	<u>25,625</u>
	219,106	16,910	236,016
Compensated absences	202,841	-	202,841
Closure and postclosure costs	<u>389,114</u>	<u>-</u>	<u>389,114</u>
Total	<u>\$ 811,061</u>	<u>\$ 16,910</u>	<u>\$ 827,971</u>

Note 12 - Operating Leases

The County is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the County's account groups.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2011:

<u>Year Ending December 31</u>	<u>Amounts</u>
2012	\$ 87,471
2013	84,679
2014	83,982
2015	<u>6,077</u>
Total Minimum Payments Required	<u>\$ 262,209</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 12 - Operating Leases (Continued)

The following schedule shows the composition of current and future rental expenditures for all operating leases except those with terms of one month or less that were not renewed:

	<u>2011</u>	<u>Future Years</u>
Minimum rentals	\$ 115,514	\$ 262,209
Contingent rentals	-	-
Less: Sublease rentals	<u>-</u>	<u>-</u>
Total Rental Expenditures	<u>\$ 115,514</u>	<u>\$ 262,209</u>

Note 13 - Closure and Postclosure Care Cost

The County began operating a solid waste landfill in April of 1994. State and federal laws and regulations 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. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in its financial statements in each year based on landfill capacity used as of each balance sheet date. These costs are measured on the accrual basis and reported in the general long-term debt account group until they become current liabilities expected to be liquidated with expendable available resources of the County.

The most recent engineering report available was completed in June 2012. Estimates of closure costs were \$153,905 and thirty year postclosure maintenance costs of \$494,617 for a total of \$648,522. The \$389,114 reported as landfill closure and postclosure liability at December 31, 2011 in the government-wide financial statements represents the cumulative amount reported to date based on the use of approximately 60% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$259,408 as the remaining estimated capacity is filled. The estimated remaining landfill life is approximately twelve years based on current use estimates. The estimated dollar amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

At December 31, 2011, there are no assets restricted for payment of closure and postclosure care costs. The County paid \$0 of costs in 2011. Current regulations permit local governments to meet financial assurance requirements by satisfying certain financial tests as defined in the Regulations. The County believes it is in compliance with and satisfies these tests as of December 31, 2011.

Note 14 - Fund Balances

Government-wide and Proprietary Fund Net Assets:

Government-wide and proprietary fund net assets are divided into three components:

- Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 14 - Fund Balances (Continued)

- **Restricted net assets** - consist of net assets that are restricted by the County's creditors (for example, through debt covenants), by state enabling legislation (through restricts on shared revenues), by grantors (both federal and state), and by other contributors.
- **Unrestricted** - all other net assets are reported in this category.

Governmental Fund Balances

Beginning with year December 31, 2011 the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- ***Non-spendable fund balance*** - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- ***Restricted fund balance*** - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- ***Committed fund balance*** - The portion of fund balance constrained for specific purpose according to limitations imposed by the County's highest level of decision making authority, Board of Commissioners, prior to the end of the current year. The constraint may be removed or changed only through formal action of the Board of Commissioners.
- ***Assigned fund balance*** - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Commissioners or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of the particular fund.
- ***UnAssigned fund balance*** - The residual portion of fund balance that does not meet any of the above criteria. The County will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is County policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 14 - Fund Balances (Continued)

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Public Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable					
Inventory	\$ -	\$ 170,430	\$ -	\$ 7,899	\$ 178,329
Restricted					
Tabor reserve	75,400	50,110	5,320	12,870	143,700
Grants	20,280	-	663	-	20,943
Total Restricted	<u>95,680</u>	<u>50,110</u>	<u>5,983</u>	<u>12,870</u>	<u>164,643</u>
Assigned					
Special Revenue Funds	-	1,033,899	-	285,508	1,319,407
Unassigned					
General Government	417,493	-	-	-	417,493
Special Revenue Fund	-	-	(67,806)	-	(67,806)
Total Unassigned	<u>417,493</u>	<u>-</u>	<u>(67,806)</u>	<u>-</u>	<u>349,687</u>
Total Fund Balances	<u>\$ 513,173</u>	<u>\$ 1,254,439</u>	<u>\$ (61,823)</u>	<u>\$ 306,277</u>	<u>\$ 2,012,066</u>

Note 15 - EBT Authorizations, Warrant Expenditures and Total Expenditures

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
	<u>County EBT Authorizations</u>	<u>County Share of Authorizations</u>	<u>Expenditures By County Warrant</u>	<u>County EBT Authorizations Plus Expenditures by County Warrant</u>	<u>Total Expenditures</u>
Old Age Pension	\$ 52,069	\$ -	\$ -	\$ 52,069	\$ -
Low-Income Energy Assistance Program	186,758	-	-	186,758	-
Colorado Works	62,989	9,712	-	62,989	9,712
Regular Administration	-	895	319,208	319,208	320,103
Child Welfare	179,966	47,509	18,571	198,537	66,080
IV-E and parental fees	-	-	14,493	14,493	14,493
Aid to the Needy					
Disabled	4,637	1,159	-	4,637	1,159
Child Care	33,060	3,994	-	33,060	3,994
Core Services	1,470	-	-	1,470	-
Medicaid Transportation	-	-	4,774	4,774	4,774
General Assistance	-	-	18,818	18,818	18,818
Subtotal	<u>520,949</u>	<u>63,269</u>	<u>375,864</u>	<u>896,813</u>	<u>439,133</u>
Food Assistance	618,582	-	-	618,582	-
Grand Total	<u>\$ 1,139,531</u>	<u>\$ 63,269</u>	<u>\$ 375,864</u>	<u>\$ 1,515,395</u>	<u>\$ 439,133</u>

A. Welfare payments authorized by the Custer County Department of Public Welfare. These County authorizations are paid by the Colorado Department of Human Services by QUEST debit cards or by electronic funds transfer (EFT).

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2011

Note 15 - EBT Authorizations, Warrant Expenditures and Total Expenditures (Continued)

- B. County share of EBT authorizations. These amounts are settled monthly by a reduction of State cash advances to the County.
- C. Expenditures made by County warrants or other County payment methods.
- D. This represents the total cost of the welfare programs that are administered by Custer County.
- E. This total matches the expenditures on the Public Welfare Fund - Statement of Revenues, Expenditures and Changes in Fund Balance.

Note 16 - Accounting Change

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" enhances the usefulness, including the understandability, of governmental fund balance information. This statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing fund type definitions. The County implemented this standard for the year ended December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

CUSTER COUNTY, COLORADO

For the year ended December 31, 2011

	<u>Budgeted Amount</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Favorable <u>(Unfavorable)</u>
Revenues				
Taxes	\$ 1,638,270	\$ 1,638,270	\$ 1,628,435	\$ (9,835)
Penalties	3,500	3,500	4,287	787
Federal Sources	449,795	449,795	521,345	71,550
State Sources	141,761	195,761	227,203	31,442
Local Sources	32,636	32,636	32,634	(2)
Licenses and permits	153,500	153,500	136,866	(16,634)
Charges for services	474,310	474,310	494,769	20,459
Miscellaneous	40,300	50,300	48,043	(2,257)
Total Revenues	<u>2,934,072</u>	<u>2,998,072</u>	<u>3,093,582</u>	<u>95,510</u>
Expenditures				
General Government	1,693,260	1,693,260	1,626,666	66,594
Public Safety	965,425	965,425	936,428	28,997
Health and welfare	172,625	182,625	189,511	(6,886)
Auxiliary services	105,776	105,776	116,919	(11,143)
Capital outlay	67,600	121,600	141,618	(20,018)
Miscellaneous	44,706	44,706	44,905	(199)
Total Expenditures	<u>3,049,392</u>	<u>3,113,392</u>	<u>3,056,047</u>	<u>57,345</u>
Excess of Revenues Over (Under) Expenditures	(115,320)	(115,320)	37,535	152,855
Other Financing Sources (Uses)				
Transfers to other funds	(20,485)	(20,485)	(20,485)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(135,805)	(135,805)	17,050	152,855
Fund Balances - January 1	<u>504,980</u>	<u>504,980</u>	<u>496,123</u>	<u>(8,857)</u>
Fund Balances - December 31	<u>\$ 369,175</u>	<u>\$ 369,175</u>	<u>\$ 513,173</u>	<u>\$ 143,998</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	Budgeted Amount			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
Revenues				<u>(Unfavorable)</u>
Taxes	\$ 539,296	\$ 539,296	\$ 531,207	\$ (8,089)
Penalties	1,500	1,500	1,950	450
Federal Sources	28,200	28,200	27,536	(664)
State Sources	1,078,241	1,273,241	1,128,359	(144,882)
Charges for services	41,000	41,000	75,845	34,845
Miscellaneous	4,500	4,500	5,988	1,488
Reimbursed expenses	<u>1,500</u>	<u>1,500</u>	<u>7,576</u>	<u>6,076</u>
Total Revenues	<u>1,694,237</u>	<u>1,889,237</u>	<u>1,778,461</u>	<u>(110,776)</u>
Expenditures				
General Government	120,007	120,007	120,279	(272)
Public Safety	2,025	2,025	1,832	193
Streets and Highways	1,502,793	1,618,333	1,511,379	106,954
Capital outlay	-	79,460	90,182	(10,722)
Debt service - principal	73,242	73,242	73,242	-
Debt service - interest	<u>10,939</u>	<u>10,939</u>	<u>10,939</u>	<u>-</u>
Total Expenditures	<u>1,709,006</u>	<u>1,904,006</u>	<u>1,807,853</u>	<u>96,153</u>
Excess of Revenues Over (Under) Expenditures	(14,769)	(14,769)	(29,392)	(14,623)
Other Financing Sources (Uses)				
Proceeds from Capital Lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(14,769)	(14,769)	(29,392)	(14,623)
Fund Balances - January 1	<u>1,370,276</u>	<u>1,370,276</u>	<u>1,283,831</u>	<u>(86,445)</u>
Fund Balances - December 31	<u>\$ 1,355,507</u>	<u>\$ 1,355,507</u>	<u>\$ 1,254,439</u>	<u>\$ (101,068)</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUBLIC WELFARE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	Budgeted Amount			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 56,630	\$ 56,630	\$ 53,121	\$ (3,509)
Penalties	150	150	195	45
Federal Sources	213,780	226,993	168,200	(58,793)
State Sources	105,420	124,907	110,091	(14,816)
Local Sources	8,000	8,000	8,610	610
Miscellaneous	7,500	12,000	5,175	(6,825)
Total Revenues	391,480	428,680	345,392	(83,288)
Expenditures				
Health and welfare	392,159	429,359	439,133	(9,774)
Capital outlay	-	-	-	-
Total Expenditures	392,159	429,359	439,133	(9,774)
Excess of Revenues Over (Under) Expenditures	(679)	(679)	(93,741)	(93,062)
Fund Balance - January 1	48,403	48,403	31,918	(16,485)
Fund Balance - December 31	\$ 47,724	\$ 47,724	\$ (61,823)	\$ (109,547)

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CUSTER COUNTY, COLORADO
December 31, 2011

	Contingent Fund	Capital Improvements Fund	Emergency Services Fund	Custer County Airport Authority	Custer County Lodging and Tourism	Totals
Assets						
Cash held by County Treasurer	\$ 37,027	\$ 27,570	\$ 179,769	\$ 20,317	\$ 19,161	\$ 283,844
Accounts receivable	-	-	-	623	-	623
Taxes receivable	44	14,467	350	-	1,603	16,464
Due from other funds	-	18,502	-	-	-	18,502
Accrued state revenue	-	-	-	-	-	-
Accrued federal revenue	-	-	-	-	-	-
Accrued property taxes - contra	24,000	-	198,000	-	-	222,000
Inventories	-	-	-	7,899	-	7,899
Total Assets	\$ 61,071	\$ 60,539	\$ 378,119	\$ 28,839	\$ 20,764	\$ 549,332
Liabilities and Fund Equity						
Liabilities						
Accounts payable	\$ -	\$ 3,038	\$ 4,255	\$ 3,589	\$ -	\$ 10,882
Warrants payable	-	318	7,802	616	-	8,736
Due to other funds	-	-	1,437	-	-	1,437
Due to State of Colorado	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Deferred property taxes - contra	24,000	-	198,000	-	-	222,000
Total Liabilities	24,000	3,356	211,494	4,205	-	243,055
Fund Balance						
Nonspendable	-	-	-	7,899	-	7,899
Restricted	800	4,240	6,820	210	800	12,870
Assigned	36,271	52,943	159,805	16,525	19,964	285,508
Unassigned	-	-	-	-	-	-
Total Fund Equity	37,071	57,183	166,625	24,634	20,764	306,277
Total Liabilities and Fund Equity	\$ 61,071	\$ 60,539	\$ 378,119	\$ 28,839	\$ 20,764	\$ 549,332

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
CUSTER COUNTY, COLORADO
December 31, 2011

	Contingent Fund	Capital Improvements Fund	Emergency Services Fund	Custer County Airport Authority	Custer County Lodging and Tourism	Totals
Revenues						
Taxes	\$ 26,660	\$ 141,106	\$ 212,482	\$ -	\$ 19,320	\$ 399,568
Penalties and interest	-	-	780	-	-	780
Federal sources	-	-	-	-	-	-
State sources	-	-	13,000	-	6,623	19,623
Local sources	-	-	-	-	-	-
Charges for services	-	-	-	26,534	-	26,534
Reimbursed expenses	-	48	799	587	-	1,434
Total Revenues	<u>26,660</u>	<u>141,154</u>	<u>227,061</u>	<u>27,121</u>	<u>25,943</u>	<u>447,939</u>
Expenditures						
General government	1,202	25,975	-	-	-	27,177
Public safety	-	1,718	191,686	-	-	193,404
Auxiliary	-	-	-	38,459	30,273	68,732
Capital outlay	-	15,916	-	-	-	15,916
Debt service - principal	-	99,095	-	-	-	99,095
Debt service - interest	-	6,003	-	-	-	6,003
Total Expenditures	<u>1,202</u>	<u>148,707</u>	<u>191,686</u>	<u>38,459</u>	<u>30,273</u>	<u>410,327</u>
Excess of Revenues Over (Under) Expenditures	<u>25,458</u>	<u>(7,553)</u>	<u>35,375</u>	<u>(11,338)</u>	<u>(4,330)</u>	<u>37,612</u>
Other Financing Sources (Uses)						
Operating transfers in (out)	-	-	-	20,485	-	20,485
Proceeds from capital lease	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,485</u>	<u>-</u>	<u>20,485</u>
Net Change in Fund Balance	<u>25,458</u>	<u>(7,553)</u>	<u>35,375</u>	<u>9,147</u>	<u>(4,330)</u>	<u>58,097</u>
Fund Balance - January 1	<u>11,613</u>	<u>64,736</u>	<u>131,250</u>	<u>15,487</u>	<u>25,094</u>	<u>248,180</u>
Fund Balance - December 31	<u>\$ 37,071</u>	<u>\$ 57,183</u>	<u>\$ 166,625</u>	<u>\$ 24,634</u>	<u>\$ 20,764</u>	<u>\$ 306,277</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CONTINGENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>			Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 24,065	\$ 24,065	\$ 26,660	\$ 2,595
Expenditures				
General government	-	-	1,202	(1,202)
Excess of Revenues Over (Under) Expenditures	24,065	24,065	25,458	3,797
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	24,065	24,065	25,458	3,797
Fund Balance - January 1	11,613	11,613	11,613	-
Fund Balance - December 31	<u>\$ 35,678</u>	<u>\$ 35,678</u>	<u>\$ 37,071</u>	<u>\$ 3,797</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>			Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 139,000	\$ 154,916	\$ 141,106	\$ (13,810)
Federal Sources	-	-	-	-
Reimbursed expenses	-	-	48	48
Total Revenues	<u>139,000</u>	<u>154,916</u>	<u>141,154</u>	<u>(13,762)</u>
Expenditures				
General government	-	-	25,975	(25,975)
Public Safety	-	-	1,718	(1,718)
Capital outlay	143,228	159,144	15,916	143,228
Debt service - principal	-	-	99,095	(99,095)
Debt service - interest	-	-	6,003	(6,003)
Total Expenditures	<u>143,228</u>	<u>159,144</u>	<u>148,707</u>	<u>10,437</u>
Excess of Revenues Over (Under) Expenditures	(4,228)	(4,228)	(7,553)	(3,325)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,228)	(4,228)	(7,553)	(3,325)
Fund Balance - January 1	<u>52,967</u>	<u>52,967</u>	<u>64,736</u>	<u>11,769</u>
Fund Balance - December 31	<u>\$ 48,739</u>	<u>\$ 48,739</u>	<u>\$ 57,183</u>	<u>\$ 5,119</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
EMERGENCY SERVICES FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 213,518	\$ 213,518	\$ 212,482	\$ (1,036)
Penalties and interest	600	600	780	180
State sources	13,000	13,000	13,000	-
Reimbursed expenses	-	-	799	799
Total Revenues	<u>227,118</u>	<u>227,118</u>	<u>227,061</u>	<u>(57)</u>
Expenditures				
Public Safety	200,649	200,649	191,686	8,963
Capital outlay	-	-	-	-
Total Expenditures	<u>200,649</u>	<u>200,649</u>	<u>191,686</u>	<u>8,963</u>
Excess of Revenues Over (Under) Expenditures	26,469	26,469	35,375	8,906
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,469	26,469	35,375	8,906
Fund Balance - January 1	<u>142,116</u>	<u>142,116</u>	<u>131,250</u>	<u>(10,866)</u>
Fund Balance - December 31	<u>\$ 168,585</u>	<u>\$ 168,585</u>	<u>\$ 166,625</u>	<u>\$ (1,960)</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY AIRPORT AUTHORITY
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Penalties and interest	-	-	-	-
Charges for services	24,735	24,735	26,534	1,799
Reimbursed expenses	-	-	587	587
Total Revenues	<u>24,735</u>	<u>24,735</u>	<u>27,121</u>	<u>2,386</u>
Expenditures				
Auxiliary services	45,220	45,220	38,459	6,761
Capital outlay	-	-	-	-
Total Expenditures	<u>45,220</u>	<u>45,220</u>	<u>38,459</u>	<u>6,761</u>
Excess of Revenues Over (Under) Expenditures	(20,485)	(20,485)	(11,338)	9,147
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>20,485</u>	<u>20,485</u>	<u>20,485</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	9,147	9,147
Fund Balance - January 1	<u>9,593</u>	<u>9,593</u>	<u>15,487</u>	<u>5,894</u>
Fund Balance - December 31	<u>\$ 9,593</u>	<u>\$ 9,593</u>	<u>\$ 24,634</u>	<u>\$ 15,041</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CUSTER COUNTY LODGING AND TOURISM FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 20,000	\$ 20,000	\$ 19,320	\$ (680)
Penalties and interest	-	-	-	-
State sources	6,000	6,000	6,623	623
Charges for services	-	-	-	-
Total Revenues	<u>26,000</u>	<u>26,000</u>	<u>25,943</u>	<u>(57)</u>
Expenditures				
Auxiliary services	33,300	33,300	30,273	3,027
Capital outlay	-	-	-	-
Total Expenditures	<u>33,300</u>	<u>33,300</u>	<u>30,273</u>	<u>3,027</u>
Excess of Revenues Over (Under) Expenditures	(7,300)	(7,300)	(4,330)	2,970
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,300)	(7,300)	(4,330)	2,970
Fund Balance - January 1	<u>9,318</u>	<u>9,318</u>	<u>25,094</u>	<u>15,776</u>
Fund Balance - December 31	<u>\$ 2,018</u>	<u>\$ 2,018</u>	<u>\$ 20,764</u>	<u>\$ 18,746</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
INSURANCE FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

	<u>Budgeted Amount</u>			Variance With Final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Reimbursed Expenses	-	-	3,005	3,005
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>3,005</u>	<u>3,005</u>
Operating Expenditures				
General government	133,000	133,000	130,502	2,498
Auxiliary	<u>7,219</u>	<u>7,219</u>	<u>7,212</u>	<u>7</u>
Total Expenditures	<u>140,219</u>	<u>140,219</u>	<u>137,714</u>	<u>2,505</u>
Operating Income (Loss)	<u>(140,219)</u>	<u>(140,219)</u>	<u>(134,709)</u>	<u>5,510</u>
Nonoperating Revenues (Expenses)				
Property taxes	144,389	144,389	144,196	(193)
Specific ownership taxes	16,500	16,500	15,166	(1,334)
Penalties and interest	<u>500</u>	<u>500</u>	<u>585</u>	<u>85</u>
Total Nonoperating Revenues (Expenses)	<u>161,389</u>	<u>161,389</u>	<u>159,947</u>	<u>(1,442)</u>
Net Income (Loss) Before Other Financing Sources (Uses)	21,170	21,170	25,238	4,068
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	21,170	21,170	25,238	4,068
Fund Balance - January 1	<u>95,145</u>	<u>95,145</u>	<u>109,195</u>	<u>14,050</u>
Fund Balance - December 31	<u>\$ 116,315</u>	<u>\$ 116,315</u>	<u>\$ 134,433</u>	<u>\$ 18,118</u>

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

ADDITIONAL REPORTS AND SCHEDULES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2011

	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through State Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 17,520
Emergency Food Assistance Program (Administrative Costs)	10.568	127
Emergency Food Assistance Program (Food Commodities)	10.569	5,822
Total Department of Agriculture		\$ 23,469
<u>U.S. Department of Interior</u>		
Passed through Bureau of Land Management Colorado State Office		
National Fire Plan-Wildland Urban Interface Community Fire Assistance	15.228	\$ 16,694
<u>U.S. Department of Health and Human Services</u>		
Passed through State Department of Human Services		
Temporary Assistance for Needy Families	93.558	\$ 103,830
Child Support Enforcement	93.563	32,801
Low-Income Home Energy Assistance	93.568	193,231
Child Care and Development Block Grant	93.575	12,664
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	15,981
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,056
Foster Care - Title IV - E	93.658	26,938
Adoption Assistance	93.659	15,601
Social Services Block Grant	93.667	15,607
Medical Assistance Program	93.778	59,255
Passed through Upper Arkansas Area Council of Governments		
Community Service Block Grant	93.569	5,171
Total Department of Health and Human Services		\$ 484,135
Passed through State Department of Public Health and Environment		
Public Health Emergency Preparedness	93.069	\$ 17,256
Immunization Grants	93.268	4,059
Maternal and Child Health Services Block Grant	93.994	1,804
Total Department of Public Health and Environment		\$ 23,119
<u>U.S. Department of Homeland Security</u>		
Passed through State Department of Local Affairs		
Emergency Management Program Grant	97.042	\$ 28,319
Passed through Pueblo County		
Homeland Security Grant Program	97.067	57,189
Total Department of Homeland Security		\$ 85,508
TOTAL FEDERAL ASSISTANCE		\$ 632,925

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2011

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Custer County, Colorado, and is presented on the modified accrual basis of accounting for governmental fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note B - NonMonetary Assistance

Nonmonetary assistance is reported in the Schedule at the fair value received and disbursed. Assistance reported at December 31, 2011 included:

10.569 Food commodities - \$5,822

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

June 12, 2012

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

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*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado as of and for the year ended December 31, 2011, which collectively comprise Custer County's basic financial statements and have issued our report thereon dated June 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over reporting. (2011-1 through 2011-5). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated June 12, 2012.

Custer County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Custer County's response and, accordingly, we express no opinion on it.

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

Harren, Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

June 12, 2012

Board of Commissioners
Custer County, Colorado
Westcliffe, Colorado

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

Compliance

We have audited Custer County's, 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 Custer County's major federal programs for the year ended December 31, 2011. Custer County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Custer County's management. Our responsibility is to express an opinion on Custer County's compliance based on our audit.

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

In our opinion, Custer County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 (repeat of 2010-1).

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 (repeat of 2010-1). *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.

Custer County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Custer County's responses and, accordingly, we express no opinion on the responses..

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

Harren Ross & DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes ___no

Noncompliance material to financial statements noted? ___yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes ___no

Type of auditor's reported issued on compliance for major programs: Unqualified

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance For Needy Families
93.568	Low Income Home Energy Assistance
97.067	Homeland Security Grant Program

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

Auditee qualified as low-risk auditee? ___yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-1 Posting Public Welfare Fund
(Repeat finding 2010-1)

Condition and Context:

General ledger posting of transactions are not always posted consistently or correctly. When the County encounters discrepancies or unknown transactions within the CFMS system and their records, research of those items should be handled in a timely manner and accounted for properly.

Criteria:

Questions arising from activity within the CFMS system should be addressed at the time of discovery. A discrepancy is easier to identify when handled in a timely manner. The County's internal controls should be in place to ensure that transactions are coded properly and procedures in place to seek assistance when needed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2011-1 Posting Public Welfare Fund (Continued)

Cause:

Although the County continues to make some improvements from prior years, the established controls and procedures are not consistently followed to ensure proper coding and accounting.

Effect:

Possible misstatement of revenues and expenditures. Failure to correct discrepancies between the County and the CFMS system could affect reimbursements.

Recommendation:

The Department Head and accounting personnel should work together and implement procedures that will improve the accuracy of the revenue and expenditures that are coded to the general ledger. Controls should be implemented to ensure that CFMS activity is properly reconciled and all discrepancies have been addressed in a timely manner.

Response:

The Department Head and the accounting personnel are continuing to improve the accuracy of their reconciliation process and general ledger postings. They continue to refine their procedures to eliminate this finding. They agree with the recommendations and feel that they have made improvements from prior years. The department continues to work on improving the reconciliation procedures of the CFMS activity on a continual basis.

2011-2 Consistency of recording expenditures.

(Repeat finding - 2010-3)

Condition and Context:

During the audit, various expenditures were tested to determine if the coding was proper. Although improved from prior years, we noted expenditures of the same type were recorded in several different accounts or not recorded in the correct account at all.

Criteria:

Controls established by the County should be followed to ensure that expenditures are being coded to the correct expenditure account.

Cause:

The existing procedures and controls are not consistently followed.

Effect:

Possible misstatement of expenditures by line item.

Recommendation:

It may be helpful for individuals who prepare vouchers to review the standardized chart of accounts published by the Division of Local Governments. Implement additional procedures and controls to ensure that expenditures are being coded correctly.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2011-2 Consistency of recording expenditures. (Continued)

Response:

The accounting personnel continues to review the chart of accounts with the supporting staff that codes vouchers in an effort to correct this problem.

2011-3 Maintaining records of federal and other grants
(Repeat finding 2010-4)

Condition and Context:

Different County departments receive grant funding and maintain the documentation within their department. We reviewed and tested various grant records and supporting documentation. A supporting file for each grant should be maintained with necessary documentation and standardized procedures and practices should be implemented throughout the various County departments.

Criteria:

Standardized practices and controls should be implemented throughout the County departments to ensure that responsible employees are maintaining the proper documentation and complying with the requirements of the grant.

Cause:

The grants are administered within different departments and employees. Procedures to ensure that all departments are consistently following the existing controls of the County are not always followed.

Effect:

Possible misstatement of revenue, expenditures or compliance issues.

Recommendation:

Internal control procedures implemented should followed to ensure proper documentation for grants are maintained. Responsibility should be assigned to maintain files containing the grant document or contract, all correspondence including reimbursement claim forms, and supporting documentation for all receipts and expenditures. Further, financial reports required by the granting agencies should be reconciled to the amounts recorded in the general ledger.

Response:

The County is making improvements regarding condition. A few departments have implemented the recommendation and their grant file and supporting documents are adequate. We will continue to work with other County departments and the employees responsible for administering the grants to make procedural changes and address this deficiency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2011-4 Records summarizing all airport hanger leases
(Repeat finding 2010-5)

Condition and Context:

It was noted that the County and Airport Authority do not have complete records summarizing all airport hanger leases which are currently in effect.

Criteria:

Procedures should be implemented to develop a schedule which includes all relevant information and be maintained.

Cause:

The County and Airport Authority did not follow through with procedures to summarize the lease information.

Effect:

Possible misstatement of lease obligations or payment terms.

Recommendation:

Internal control procedures should be implemented and followed to develop a schedule which includes all relevant information and be maintained.

Response:

The County and the Airport Authority continue to implement procedures to accumulate the airport hanger leases currently in effect.

2011-5 Recording bank transactions
(Repeat finding 2010-6)

Condition and Context:

The bank transactions for the County Assessor's Office and the Extension Office should be recorded on a current basis throughout the year.

Criteria:

Procedures should be implemented to record the bank transactions for the two offices.

Cause:

The County's Assessor's Office and the Extension Office have separate bank accounts and are reconciled within their departments. The bank transactions are not administered through the Treasurer's office.

Effect:

The revenue and expenditures are not recorded in the general ledger until the end of the year.

Recommendation:

Although the Extension Office activity was recorded at the end of the year, the postings should be performed on a current basis. All transactions should be recorded to the general ledger on a current basis throughout the year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2011-5 Recording bank transactions (Continued)

Response:

The accounting personnel recorded activity for the Extension Office during 2012 and they will continue to work with the two departments to incorporate the bank accounts into the general ledger in a timely manner.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2010-1 Posting Public Welfare Fund

Condition:

Discrepancies within the CFMS reports are not always questioned and verified in a timely manner. In some instances the CFMS entries can be verified by reviewing the general ledger detail. However, this procedure is not performed consistently. Although improved from prior years, the revenues and expenditures are sometimes not posted to the correct general ledger accounts consistently.

Current Status:

Partially implemented. See finding 2011-01

The Department continues to make improvements of their reconciliation process over prior years. The reconciling of activity between the general ledger and the CFMS report is an area where they need to be more consistent in identifying discrepancies and addressing them timely. When reviewing the CFMS report and questions or uncertainty of transactions are identified, timely communication to address potential issues with administrators will help with future discrepancies.

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

LOCAL HIGHWAY FINANCE REPORT

City or County:
Custer County
YEAR ENDING :
December 2011

This Information From The Records Of (example - City of _ or County of _)
County of Custer

Prepared By:
Phone: John V. Piquette
(719) 783-9067

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	90,182
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,210,950
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,832
2. General fund appropriations		b. Snow and ice removal	300,428
3. Other local imposts (from page 2)	533,156	c. Other	
4. Miscellaneous local receipts (from page 2)	89,409	d. Total (a. through c.)	302,260
5. Transfers from toll facilities		4. General administration & miscellaneous	120,279
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,723,671
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	622,565	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,128,359	2. Notes:	
D. Receipts from Federal Government (from page 2)	27,536	a. Interest	10,939
E. Total receipts (A.7 + B + C + D)	1,778,460	b. Redemption	73,242
		c. Total (a. + b.)	84,181
		3. Total (1.c + 2.c)	84,181
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,807,852

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,283,831	1,778,460	1,807,852	1,254,439	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	482,604	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	5,002
4. Licenses		f. Charges for Services	83,421
5. Specific Ownership &/or Other	50,552	g. Other Misc. Receipts - County Gov't	986
6. Total (1. through 5.)	50,552	h. Other	
c. Total (a. + b.)	533,156	i. Total (a. through h.)	89,409
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	1,105,407	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	27,536
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	22,952	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	22,952	g. Total (a. through f.)	27,536
4. Total (1. + 2. + 3.f)	1,128,359	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation Equip. Purchases		90,182	90,182
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	90,182	90,182
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	90,182	90,182
			(Carry forward to page 1)

Notes and Comments: