

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, 2012

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July 2, 2013

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Custer County, Colorado, as of December 31, 2012, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States 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 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Harvey, Ross & DeMarzo, Inc.

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2012 and 2011**

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, 2012. 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 \$6,104,752 at the end of 2012. Of this amount, \$1,441,233 may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$4,663,519 is invested in capital assets or restricted by law.

The County's General Fund balance was \$700,196 as of December 31, 2012. Of this amount, \$78,970 is reserved for emergencies.

The 2012 General Fund balance is \$187,023 more than the previous year. The total fund balance is 24% of 2012 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 2012 of \$99,329.

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 position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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, 2012 and 2011

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 2012, 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, 2012 and 2011

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 30 to 32 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 29 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 33 through 40, respectively.

County-Wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2012, assets exceeded liabilities by \$6,104,752.

The following table provides a summary of the County's governmental and business-type net position for 2012 and 2011.

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets		\$ 4,693,499	\$ 4,558,227
Non-current assets		4,858,000	4,863,601
	Total Assets	<u>9,551,499</u>	<u>9,421,828</u>
	<u>Liabilities</u>		
Current liabilities		720,209	559,741
Non-current liabilities		865,538	725,670
	Total Liabilities	<u>1,585,747</u>	<u>1,285,411</u>
Deferred Inflow – property taxes		<u>1,861,000</u>	<u>1,985,000</u>
	<u>Net Position</u>		
Invested in capital assets, net of related debt		4,489,733	4,544,104
Restricted for emergency / grants		173,786	169,533
Unrestricted		1,441,233	1,437,780
	Total Net Position	<u>\$ 6,104,752</u>	<u>\$ 6,151,417</u>

The portion of Custer County's net position (24%) represents unrestricted net position of \$1,441,233, 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, 2012 and 2011

County-Wide Financial Analysis (Continued)

A significant portion of Custer County's net position (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 \$173,786 of the County's net position (2%) represents resources that are subject to external restriction on how they may be used. The amount reserved for TABOR is \$153,230, the remaining \$20,556 is grant restricted.

At the end of 2012, Custer County had positive balances in all net position categories.

Changes in Net Position. Governmental activities decreased the County's net position by \$46,665 in 2012 and \$318,817 in 2011. The following table summarizes the changes in Custer County's net position for governmental activities for the years ended December 31, 2012 and 2011.

Revenue			
Program Revenue		<u>2012</u>	<u>2011</u>
Charges for services	\$	745,046	\$ 729,120
Operating grants and contributions		2,143,760	2,189,027
Capital grants and contributions		142,539	106,391
General Revenue			
Taxes		2,901,367	2,619,543
Gain (Loss) on sale of assets		27,975	(13,847)
Investment earnings		8,234	5,095
	Total Revenue	<u>5,968,921</u>	<u>5,635,329</u>
Program Expenses			
General government		1,960,179	2,040,049
Public safety		1,372,319	1,295,242
Streets and highways		1,841,138	1,718,498
Health and welfare		575,694	634,179
Auxiliary		207,382	208,410
Miscellaneous		43,486	44,905
Interest expense, unallocated		15,388	12,863
	Total Expenses	<u>6,015,586</u>	<u>5,954,146</u>
	Change in Net Position	(46,665)	(318,817)
Net position beginning of year		<u>6,151,417</u>	<u>6,470,234</u>
Net position end of year	\$	<u>6,104,752</u>	\$ <u>6,151,417</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
CUSTER COUNTY, COLORADO
December 31, 2012 and 2011

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 2012, the combined ending fund balances of County governmental funds were \$2,256,234. Approximately 23% of this consists of unassigned fund balance which is available as working capital, and 61% 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 (\$152,250); 2) grant requirements (\$20,556); 3) and inventory (\$184,209).

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 \$700,196 as of December 31, 2012. Of this amount, \$78,970 was reserved for emergencies. The 2012 fund balance is \$187,023 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 21% of total 2012 expenditures, while total fund balance is 24% of the same amount. 2012 expenditures for general fund activities were less than budgeted by \$190,248.
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 \$1,148,483 in fund balance at the end of 2012. This amount is \$105,956 less than the previous year. 2012 expenditures for road projects were more than budgeted by \$359,757.
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 (\$68,405) balance at the end of 2012, which was \$6,582 less than the previous year. State and federal grant funding was \$9,026 more 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, 2012 and 2011**

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 2012, the Board of County Commissioners appropriated \$3,141,688 for general fund expenditures and other financing uses. The budget was not amended.

2012 General Fund Budget

	Original Budget	Final Budget	Actual
Revenues	\$ 3,075,356	\$ 3,075,356	\$ 3,120,963
Expenditures	\$ 3,141,688	\$ 3,141,688	\$ 2,933,940

Actual expenditures were less than the anticipated budget and less than revenues, which caused the ending fund balance to increase \$204,211, 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, 2012 totals \$4,848,000 (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 \$601.

- Additional information on the County's capital assets can be found in Note 7 of this report.

Long-term Debt. At December 31, 2012, Custer County had no bonded debt. There are capital leases outstanding of \$358,267 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 2012 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, 2012 and 2011**

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, and Human 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.
- Custer County is currently looking into the feasibility of changing the Airport Authority Board to an Advisory Board.

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 POSITION

CUSTER COUNTY, COLORADO

December 31, 2012

<u>Assets</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit E-911 Authority</u>
<u>Current Assets</u>		
Cash and investments held by County Treasurer	\$ 2,446,666	\$ -
Cash held by County Clerk	55	-
Cash held by County Assessor	1,084	-
Cash held by Sheriff	50	-
Cash held by Extension Office	11,244	-
Cash in bank	-	281,955
Accounts receivable	45,766	-
Taxes receivable	1,975,413	11,377
Note receivable - current maturities	5,000	-
Accrued state revenue	13,625	-
Accrued federal revenue	10,387	-
Inventories	184,209	-
Total Current Assets	<u>4,693,499</u>	<u>293,332</u>
<u>Non-current Assets</u>		
Note receivable - long term portion	10,000	-
Capital assets, net of depreciation	4,848,000	13,873
Total Non-current Assets	<u>4,858,000</u>	<u>13,873</u>
Total Assets	<u>9,551,499</u>	<u>307,205</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	141,682	-
Warrants payable	306,822	-
Accrued expenses	10	-
Accrued interest	4,098	-
Due to State of Colorado	36,738	-
Unearned revenue	88,811	-
Current maturities - capital leases	142,048	-
Total Current Liabilities	<u>720,209</u>	<u>-</u>
<u>Non-current Liabilities</u>		
Landfill closure costs	437,192	-
Capital leases non-current	216,219	-
Compensated absences	212,127	-
Total Non-Current Liabilities	<u>865,538</u>	<u>-</u>
Total Liabilities	<u>1,585,747</u>	<u>-</u>
Deferred Inflow - property taxes	<u>1,861,000</u>	<u>-</u>
<u>Net Position</u>		
Investment in capital assets, net of related debt	4,489,733	30,873
Temporarily restricted	20,556	-
Restricted for emergency	153,230	2,180
Unrestricted	1,441,233	274,152
Total Net Position	<u>\$ 6,104,752</u>	<u>\$ 307,205</u>

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, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	E-911 Authority
Governmental Activities						
General government	\$ 1,960,179	\$ 633,771	\$ 443,325	\$ 5,743	\$ (877,340)	\$ -
Public safety	1,372,319	18,625	171,832	26,556	(1,155,306)	-
Streets and highways	1,841,138	65,760	1,163,738	39,980	(571,660)	-
Health and welfare	575,694	-	54,341	-	(521,353)	-
Auxiliary	207,382	26,890	310,524	70,260	200,292	-
Miscellaneous	43,486	-	-	-	(43,486)	-
Interest expense, unallocated	15,388	-	-	-	(15,388)	-
Total Governmental Activities	\$ 6,015,586	\$ 745,046	\$ 2,143,760	\$ 142,539	(2,984,241)	-
Component Unit						
E-911 Authority	\$ 39,655	\$ 70,327	\$ 1,295	\$ -		31,967
General Revenues						
Property taxes					1,991,952	-
Specific Ownership					214,703	-
Sales and use taxes					674,075	-
Lodging and tourism taxes					20,637	-
Gain on sale of assets					27,975	-
Earnings on investments					8,234	979
Total General Revenues and Transfers					2,937,576	979
Changes in Net Position					(46,665)	32,946
Net Position - January 1					6,151,417	274,259
Net Position - December 31					\$ 6,104,752	\$ 307,205

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, 2012

<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	\$ 773,419	\$ 1,146,579	\$ (4,421)	\$ 483,823	\$ 2,399,400
Cash held by County Clerk	55	-	-	-	55
Cash held by County Assessor	1,084	-	-	-	1,084
Cash held by Sheriff	50	-	-	-	50
Cash held by Extension Office	11,244	-	-	-	11,244
Accounts receivable	28,870	4,252	958	11,686	45,766
Taxes receivable	1,066,225	544,981	149,121	215,046	1,975,373
Due from other funds	4,910	3,437	3,393	18,502	30,242
Accrued state revenue	-	-	13,625	-	13,625
Accrued federal revenue	-	-	10,387	-	10,387
Inventories	-	176,251	-	7,958	184,209
Total Assets	<u>1,885,857</u>	<u>1,875,500</u>	<u>173,063</u>	<u>737,015</u>	<u>4,671,435</u>
 <u>Liabilities</u>					
Accounts payable	20,647	115,510	313	1,996	138,466
Warrants payable	123,109	115,507	10,063	54,712	303,391
Accrued expenses	10	-	-	-	10
Due to other funds	23,895	-	-	6,347	30,242
Due to State of Colorado	-	-	36,738	-	36,738
Unearned revenue	-	-	45,354	-	45,354
Total Liabilities	<u>167,661</u>	<u>231,017</u>	<u>92,468</u>	<u>63,055</u>	<u>554,201</u>
Deferred Inflow - property taxes	<u>1,018,000</u>	<u>496,000</u>	<u>149,000</u>	<u>198,000</u>	<u>1,861,000</u>
 <u>Fund Balances</u>					
Nonspendable	-	176,251	-	7,958	184,209
Restricted	94,297	50,750	9,129	18,630	172,806
Assigned	-	921,482	-	449,372	1,370,854
Unassigned	605,899	-	(77,534)	-	528,365
Total Fund Balances (Deficit)	<u>\$ 700,196</u>	<u>\$ 1,148,483</u>	<u>\$ (68,405)</u>	<u>\$ 475,960</u>	<u>\$ 2,256,234</u>

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,256,234
Revenue receivable that does not provide current financial resources is not recorded in the governmental funds.	15,000
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	4,848,000
Certain revenue is earned over a period years, the portion of unearned income is reported as unearned revenue in the statement of net position.	(43,457)
Long-term liabilities for capital leases (\$358,267), compensated absences (\$212,127), and landfill closure costs (\$437,192) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,007,586)
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.	(4,098)
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>40,659</u>
Total Net Position - Governmental Activities	\$ <u>6,104,752</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, 2012

	General Fund	Road & Bridge Fund	Public Welfare Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,836,100	\$ 548,518	\$ 82,277	\$ 426,048	\$ 2,892,943
Penalties	5,159	2,107	315	843	8,424
Federal Sources	423,833	67,792	186,723	58,839	737,187
State Sources	128,895	1,135,894	100,594	68,656	1,434,039
Local Sources	40,077	-	13,860	29,223	83,160
Licenses permits	125,464	-	-	-	125,464
Charges for services	526,932	65,760	-	22,308	615,000
Miscellaneous	34,503	72,245	5,847	-	112,595
Reimbursed expenses	-	32	-	215	247
Total Revenues	3,120,963	1,892,348	389,616	606,132	6,009,059
Expenditures					
General Government	1,655,938	121,000	-	18,402	1,795,340
Public Safety	939,774	2,771	-	240,280	1,182,825
Streets and Highways	-	1,582,377	-	-	1,582,377
Health and welfare	160,182	-	396,198	-	556,380
Auxiliary services	110,017	-	-	72,970	182,987
Capital outlay	7,355	381,067	-	156,362	544,784
Miscellaneous	43,486	-	-	-	43,486
Debt service - principal	-	117,783	-	9,219	127,002
Debt service - interest	-	15,106	-	767	15,873
Total Expenditures	2,916,752	2,220,104	396,198	498,000	6,031,054
Excess of Revenues Over (Under) Expenditures	204,211	(327,756)	(6,582)	108,132	(21,995)
Other Financing Sources (Uses)					
Transfers from (to) other funds	(17,188)	-	-	17,188	-
Proceeds from capital leases	-	221,800	-	44,363	266,163
Total Other Financing Sources (Uses)	(17,188)	221,800	-	61,551	266,163
Net Change in Fund Balance	187,023	(105,956)	(6,582)	169,683	244,168
Fund Balances - January 1	513,173	1,254,439	(61,823)	306,277	2,012,066
Fund Balances - December 31	\$ 700,196	\$ 1,148,483	\$ (68,405)	\$ 475,960	\$ 2,256,234

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 NET POSITION**

CUSTER COUNTY, COLORADO
For the year ended December 31, 2012

Total Change in Fund Balances - Governmental Funds	\$ 244,168
Basis of assets that have been sold reduces financial resources in the statement of activities. The basis is not recognized in the governmental funds.	(39,720)
Current year note receivable payment received provides current financial resources to the governmental funds, but in the Statement of Net Position it reduces the receivable balance.	(5,000)
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 capital outlay (\$544,784) exceeds depreciation expense (\$505,665).	39,119
Current lease proceeds provide current financial resources to the governmental funds, but in the Statement of Net Position the lease is reported as long term liabilities.	(266,163)
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.	127,002
Revenues that are allocated for future periods are not recognized in the statement of activities, but are recognized in the governmental funds.	4,582
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.	(93,774)
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.	485
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.	(9,286)
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>(48,078)</u>
Total change in Net Position - Governmental Activities	<u>\$ (46,665)</u>

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

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
 CUSTER COUNTY, COLORADO
 December 31, 2012

		<u>Internal Service Insurance Fund</u>
	<u>Assets</u>	
Current Assets		
Cash held by County Treasurer		\$ 47,266
Taxes receivable		<u>149,040</u>
	Total Current Assets	<u>196,306</u>
	<u>Liabilities</u>	
Current Liabilities		
Warrants payable		3,431
Accounts payable		<u>3,216</u>
	Total Current Liabilities	<u>6,647</u>
Deferred Inflow - property taxes		<u>149,000</u>
	<u>Net Position</u>	
Reserved for emergency		980
Unrestricted		<u>39,679</u>
	Total Net Position	<u>\$ 40,659</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
CUSTER COUNTY, COLORADO
December 31, 2012

	<u>Internal Service Insurance Fund</u>
Operating Revenues	
Charges for services	\$ -
Reimbursed expenses	4,909
	4,909
Total Operating Revenues	4,909
Operating Expenses	
General government	\$ 124,982
Auxiliary	1,238
	126,220
Total Expenditures	126,220
Operating Income (Loss)	(121,311)
Nonoperating Revenues (Expenses)	
Property taxes	24,802
Specific ownership taxes	2,627
Penalties and Interest	108
	27,537
Net Income (Loss) Before Other Financing Sources (Uses)	(93,774)
Operating transfers in (out)	-
	-
Change in Net Position	(93,774)
Net Position - January 1	134,433
Net Position - December 31	\$ 40,659

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, 2012

	<u>Internal Service Insurance Fund</u>
Cash Flows From Operating Activities	
Cash received for reimbursed expenses	\$ 4,909
Payments for services	<u>(119,573)</u>
Net Cash Used for Operating Activities	<u>(114,664)</u>
Cash Flows From Noncapital Financing Activities	
Cash received for property taxes	27,760
Transfers from other funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,760</u>
Net Increase (Decrease) in Cash	(86,904)
Cash - January 1	<u>134,170</u>
Cash - December 31	<u>\$ 47,266</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (121,311)
Adjustments to reconcile operating income (loss) to net cash provided (used)	
by operating activities:	
Increase (decrease) in warrants / accounts payable	<u>6,647</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (114,664)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION
CUSTER COUNTY, COLORADO
December 31, 2012

	<u>Agency Funds</u>
<u>Assets</u>	
Cash in bank and on hand	\$ 115,783
Total Assets	\$ 115,783
<u>Liabilities</u>	
Due to other taxing units	\$ 47,878
Due to other agencies and departments	67,905
Total Liabilities	\$ 115,783

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, 2012

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, 2012

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 position 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 position and the statement of activities display information about the County as a whole. In the government-wide statement of net position, 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, 2012

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, 2012

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, 2012

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The County does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

7. Compensated Absences (Continued)

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.

8. 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 position.

9. 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.

10. 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.

11. New Accounting Pronouncements

The County implemented three new standards for the year ending December 31, 2012. GASB Statement No. 62 "Codification of Accounting and Financial Accounting and Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position," and GASB Statement No. 65, "Reclassifies Certain Items Previously Reported as Assets and Liabilities."

Statement No. 62 objective is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. The implementation of this standard has no material effect on the County's financial reporting as of and for the year ended December 31, 2012.

Statement No. 63 requires the reporting of certain assets as deferred outflows in a separate section following assets and certain liabilities as deferred inflows in a separate section following liabilities. The statement also requires that net assets be presented as net position. The net position should be displayed in three components - net investment in capital assets, restricted and unrestricted.

Statement No. 65 is a companion statement to GASB 63 and is to specifically identify certain items that were previously reported as assets and liabilities and now reports those items as deferred outflows of resources or deferred inflows of resources. The effective date of this statement was for the year ended December 31, 2013, but the County elected to early implement this standard to correspond to the implementation date of GASB 63. The implementation of this standard has no material effect on the County's financial reporting for the year ended December 31, 2012.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

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 2012 three 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>
Road and Bridge Fund	\$ 2,220,104	\$	1,860,347	\$	(359,757)
Capital Improvement Fund	\$ 95,489	\$	66,185	\$	(29,304)
Contingent Fund	\$ 1,238	\$	1,200	\$	(38)

C. Deficit Fund Balance

As of December 31, 2012 the County's Public Welfare Fund had a deficit fund balance of \$68,405.

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.

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, 2012, all of the County deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

Note 3 - Cash Deposits and Investments (Continued)

Deposits (Continued)

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	\$ 13,476	\$ 13,476	\$ -
Checking	108,091	108,091	-
Savings	122,793	122,793	-
Certificates of Deposit	156,481	156,481	-
Investments:			
State investment pool (Colo Trust)	2,455,996	2,455,996	-
Total	<u>\$ 2,856,837</u>	<u>\$ 2,856,837</u>	<u>\$ -</u>
Governmental Activities	\$ 2,459,099		
Component Unit	281,955		
Fiduciary Fund	115,783		
	<u>\$ 2,856,837</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 \$2,455,996 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.

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, 2012 the County's investment in Colo Trust rates AAAM by Standard and Poor's and Aaa by Moody's.

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

Note 4 - Property Tax Accrual

Property taxes which have been levied for 2012 which will not be collected until 2013 have been accrued as a receivable at December 31, 2012. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

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, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other funds	Due to Other funds
General Fund	\$ 4,910	\$ 23,895
Road and Bridge	3,437	-
Public Welfare	3,393	-
Capital Improvements	18,502	-
Emergency Services	-	6,347
TOTAL	\$ 30,242	\$ 30,242

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	Transfers to		
	Major Funds	Other Funds	Total
Major funds	\$ -	\$ 17,188	\$ 17,188

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.

Note 7 - Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (Continued)
CUSTER COUNTY, COLORADO
December 31, 2012

Note 7 - Capital Assets (Continued)

Governmental Activities	Balances January 1	Additions	Deletions	Balances December 31
Non Depreciable Assets				
Land	\$ 317,874	\$ -	\$ -	\$ 317,874
Assets in progress	11,610	-	-	11,610
Total Non Depreciable Assets	<u>329,484</u>	<u>-</u>	<u>-</u>	<u>329,484</u>
Depreciable Assets				
Buildings and improvements	3,357,524	79,781	-	3,437,305
Vehicles and heavy equipment	5,707,769	465,003	134,650	6,038,122
Office equipment	1,050,556	-	-	1,050,556
Infrastructure	252,303	-	-	252,303
Total Depreciable Assets	<u>10,368,152</u>	<u>544,784</u>	<u>-</u>	<u>10,778,286</u>
Less Accumulated Depreciation				
Buildings and improvements	1,414,501	82,499	-	1,497,000
Vehicles and heavy equipment	3,624,519	338,356	94,930	3,867,945
Office equipment	726,785	72,956	-	799,741
Infrastructure	83,230	11,854	-	95,084
Total Accumulated Depreciation	<u>5,849,035</u>	<u>505,665</u>	<u>94,930</u>	<u>6,259,770</u>
Total Capital Assets, Net	<u>\$ 4,848,601</u>	<u>\$ 39,119</u>	<u>\$ (94,930)</u>	<u>\$ 4,848,000</u>
 Component Unit E 911				
Non Depreciable Assets				
Assets in progress	\$ -	\$ -	\$ -	\$ -
Depreciable Assets				
Equipment	151,129	28,110	-	179,239
Less Accumulated Depreciation				
Equipment	146,615	18,751	-	165,366
Total Capital Assets, Net	<u>\$ 4,514</u>	<u>\$ 9,359</u>	<u>\$ -</u>	<u>\$ 13,873</u>

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

General government	\$ 79,233
Public safety	173,041
Streets and highways	223,272
Health and welfare	5,918
Auxiliary	24,201
Total - Governmental Activities	<u>505,665</u>
Component Unit - E 911	18,751
Total Depreciation Expense	<u>\$ 524,416</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
CUSTER COUNTY, COLORADO
December 31, 2012

Note 8 - Risk Management (Continued)

County Worker's Compensation Pool (Continued) - The County pays an annual contribution to CWCP for its worker's 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, 2012 was \$2,470,665. The County's contributions were calculated using the base earnings of eligible, participating employees of \$2,276,475. The County's required 4% contribution for 2012 was \$91,059, officials and employees required 4% contribution was \$91,059, for a total of \$182,118.

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, 2012

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 2012 there were sixteen participants in the plans. Deferred compensation for the year ended December 31, 2012 was \$56,064.

Note 11 - Long-Term Debt

The following is a summary of the County's long-term debt transactions for the year ended December 31, 2012:

	Debt Outstanding January 1	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Capital lease obligations	\$ 219,106	\$ 266,163	\$ 127,002	\$ 358,267	\$ 142,048
Compensated absences	202,841	9,286	-	212,127	-
Other obligations	389,114	48,078	-	437,192	-
Totals	\$ 811,061	\$ 323,527	\$ 127,002	\$ 1,007,586	\$ 142,048

Debt outstanding as of December 31, 2012, consisted of the following:

Capital lease with First State Bank of Colorado

Caterpillar motor grader, \$62,181.30 per year for five years, dated March 12, 2008, with an effective interest rate of 4.0%. \$ 59,789

Capital Lease with First State Bank of Colorado

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%. 64,275

Capital Lease with First State Bank of Colorado

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%. 9,651

Capital Lease with Caterpillar Financial Services

D6TXL Caterpillar Dozer, \$48,707.95 per year for five years, dated November 15, 2011 with an effective interest rate of 3.2%. 180,190

Kansas State Bank

Two 2012 Dodge Ram 1500 Trucks with equipment, \$12,617.50 per year for four years, dated January 30, 2012 with an effective interest rate of 5.367% 44,362

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

Note 11 - Long-Term Debt (Continued)

Compensated Absences

Accumulated vacation and sick leave benefits for eligible employees. \$ 212,127

Other Obligations:

Estimated closure and postclosure costs of solid waste landfill 437,192

Total General Long Term Debt \$ 1,007,586

The assets acquired through capital leases total \$852,875 less accumulated depreciation of \$271,265. These assets are used in governmental activities.

Future minimum lease payments for all leases are as follows:

Year Ending December 31

2013	\$ 155,549
2014	83,325
2015	86,950
2016	<u>61,326</u>
Minimum lease payments for all capital leases	387,150
Less: imputed interest	<u>28,883</u>
Present Value of Minimum Lease Payments	\$ <u>358,267</u>

The annual requirements to retire all general long-term debt as of December 31, 2012 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 142,048	\$ 13,501	\$ 155,549
2014	75,308	8,017	83,325
2015	81,738	5,212	86,950
2016	<u>59,173</u>	<u>2,153</u>	<u>61,326</u>
	358,267	28,883	387,150
Compensated absences	212,127	-	212,127
Closure and postclosure costs	<u>437,192</u>	-	<u>437,192</u>
Total	\$ <u>1,007,586</u>	\$ <u>28,883</u>	\$ <u>1,036,469</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, 2012:

NOTES TO FINANCIAL STATEMENTS (Continued)

CUSTER COUNTY, COLORADO

December 31, 2012

Note 12 - Operating Leases (Continued)

<u>Year Ending December 31</u>	<u>Amounts</u>
2013	\$ 84,679
2014	83,982
2015	6,077
2016	-
Total Minimum Payments Required	<u><u>\$ 174,738</u></u>

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>2012</u>	<u>Future Years</u>
Minimum rentals	\$ 87,471	\$ 174,737
Contingent rentals	-	-
Less: Sublease rentals	-	-
Total Rental Expenditures	<u><u>\$ 87,471</u></u>	<u><u>\$ 174,737</u></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 2013. Estimates of closure costs were \$200,361 and thirty year postclosure maintenance costs of \$493,594 for a total of \$693,955. The \$437,192 reported as landfill closure and postclosure liability at December 31, 2012 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 \$256,763 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 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

At December 31, 2012, there are no assets restricted for payment of closure and postclosure care costs. The County paid \$0 of costs in 2012. 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, 2012.

Note 14 - Fund Balances

Government-wide Net Position:

Government-wide net position is divided into three components:

NOTES TO FINANCIAL STATEMENTS (Continued)
CUSTER COUNTY, COLORADO
December 31, 2012

Note 14 - Fund Balances (Continued)

- 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.
- 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, 2012

Note 14 - Fund Balances (Continued)

Fund Balances	General Fund	Road & Bridge Fund	Public Welfare Fund	Other Governmental Funds	Total
Nonspendable					
Inventory	\$ -	\$ 176,251	\$ -	\$ 7,958	\$ 184,209
Restricted					
Tabor reserve	78,970	50,750	6,090	16,440	152,250
Grants	15,327	-	3,039	2,190	20,556
Total Restricted	<u>94,297</u>	<u>50,750</u>	<u>9,129</u>	<u>18,630</u>	<u>172,806</u>
Assigned					
Special Revenue Funds	-	921,482	-	449,372	1,370,854
Unassigned					
General Government	605,899	-	-	-	605,899
Special Revenue Fund	-	-	(77,534)	-	(77,534)
Total Unassigned	<u>605,899</u>	<u>-</u>	<u>(77,534)</u>	<u>-</u>	<u>528,365</u>
Total Fund Balances	<u>\$ 700,196</u>	<u>\$ 1,148,483</u>	<u>\$ (68,405)</u>	<u>\$ 475,960</u>	<u>\$ 2,256,234</u>

Note 15 - EBT Authorizations, Warrant Expenditures and Total Expenditures

Program	A County EBT Authorizations	B County Share of Authorizations	C Expenditures By County Warrant	D County EBT Authorizations Plus Expenditures by County Warrant	E Total Expenditures
Old Age Pension	\$ 36,936	\$ -	\$ -	\$ 36,936	\$ -
Low-Income Energy Assistance Program	108,918	-	-	108,918	-
Colorado Works	37,175	8,287	-	37,175	8,287
Regular Administration	-	962	317,248	317,248	318,210
Child Welfare	97,101	25,878	1,809	98,910	27,687
IV-E and parental fees	-	-	1,801	1,801	1,801
Aid to the Needy					
Disabled	6,714	1,679	22	6,736	1,701
Child Care	28,839	4,306	-	28,839	4,306
Core Services	1,540	160	1,702	3,242	1,862
Home Care Allowance	7,888	415	-	7,888	415
Medicaid Transportation	-	-	5,762	5,762	5,762
General Assistance	-	-	26,167	26,167	26,167
Subtotal	<u>325,111</u>	<u>41,687</u>	<u>354,511</u>	<u>679,622</u>	<u>396,198</u>
Food Assistance	541,285	-	-	541,285	-
Grand Total	<u>\$ 866,396</u>	<u>\$ 41,687</u>	<u>\$ 354,511</u>	<u>\$ 1,220,907</u>	<u>\$ 396,198</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, 2012

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.

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, 2012

	<u>Budgeted Amount</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,768,797	\$ 1,768,797	\$ 1,836,100	\$ 67,303
Penalties	3,500	3,500	5,159	1,659
Federal Sources	494,680	494,680	423,833	(70,847)
State Sources	137,681	137,681	128,895	(8,786)
Local Sources	33,615	33,615	40,077	6,462
Licenses and permits	125,600	125,600	125,464	(136)
Charges for services	479,386	479,386	526,932	47,546
Miscellaneous	32,100	32,100	34,503	2,403
Total Revenues	<u>3,075,359</u>	<u>3,075,359</u>	<u>3,120,963</u>	<u>45,604</u>
Expenditures				
General Government	1,738,594	1,738,594	1,655,938	82,656
Public Safety	934,340	934,340	939,774	(5,434)
Health and welfare	177,958	177,958	160,182	17,776
Auxiliary services	126,377	126,377	110,017	16,360
Capital outlay	88,400	88,400	7,355	81,045
Miscellaneous	41,331	41,331	43,486	(2,155)
Total Expenditures	<u>3,107,000</u>	<u>3,107,000</u>	<u>2,916,752</u>	<u>190,248</u>
Excess of Revenues Over (Under) Expenditures	(31,641)	(31,641)	204,211	235,852
Other Financing Sources (Uses)				
Transfers to other funds	<u>(34,688)</u>	<u>(34,688)</u>	<u>(17,188)</u>	<u>17,500</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(66,329)	(66,329)	187,023	253,352
Fund Balances - January 1	<u>430,257</u>	<u>430,257</u>	<u>513,173</u>	<u>82,916</u>
Fund Balances - December 31	<u>\$ 363,928</u>	<u>\$ 363,928</u>	<u>\$ 700,196</u>	<u>\$ 336,268</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, 2012

	<u>Budgeted Amount</u>			<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 548,289	\$ 548,289	\$ 548,518	\$ 229
Penalties	1,500	1,500	2,107	607
Federal Sources	27,800	67,780	67,792	12
State Sources	1,153,750	1,209,750	1,135,894	(73,856)
Charges for services	62,300	62,300	65,760	3,460
Miscellaneous	5,000	5,000	72,245	67,245
Reimbursed expenses	5,000	5,000	32	(4,968)
Total Revenues	<u>1,803,639</u>	<u>1,899,619</u>	<u>1,892,348</u>	<u>(7,271)</u>
Expenditures				
General Government	125,255	125,255	121,000	4,255
Public Safety	3,000	3,000	2,771	229
Streets and Highways	1,501,931	1,557,931	1,582,377	(24,446)
Capital outlay	-	39,980	381,067	(341,087)
Debt service - principal	119,075	119,075	117,783	1,292
Debt service - interest	15,106	15,106	15,106	-
Total Expenditures	<u>1,764,367</u>	<u>1,860,347</u>	<u>2,220,104</u>	<u>(359,757)</u>
Excess of Revenues Over (Under) Expenditures	39,272	39,272	(327,756)	(367,028)
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	221,800	221,800
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	39,272	39,272	(105,956)	(145,228)
Fund Balances - January 1	<u>1,079,388</u>	<u>1,079,388</u>	<u>1,254,439</u>	<u>175,051</u>
Fund Balances - December 31	<u>\$ 1,118,660</u>	<u>\$ 1,118,660</u>	<u>\$ 1,148,483</u>	<u>\$ 29,823</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, 2012

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 79,593	\$ 79,593	\$ 82,277	\$ 2,684
Penalties	150	150	315	165
Federal Sources	211,308	211,308	186,723	(24,585)
State Sources	107,892	107,892	100,594	(7,298)
Local Sources	9,000	9,000	13,860	4,860
Miscellaneous	7,500	7,500	5,847	(1,653)
Total Revenues	<u>415,443</u>	<u>415,443</u>	<u>389,616</u>	<u>(25,827)</u>
Expenditures				
Health and welfare	402,673	402,673	396,198	6,475
Capital outlay	500	500	-	500
Total Expenditures	<u>403,173</u>	<u>403,173</u>	<u>396,198</u>	<u>6,975</u>
Excess of Revenues Over (Under) Expenditures	12,270	12,270	(6,582)	(18,852)
Fund Balance - January 1	<u>24,036</u>	<u>24,036</u>	<u>(61,823)</u>	<u>(85,859)</u>
Fund Balance - December 31	<u>\$ 36,306</u>	<u>\$ 36,306</u>	<u>\$ (68,405)</u>	<u>\$ (104,711)</u>

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, 2012

Assets	Contingent Fund	Capital Improvements Fund	Emergency Services Fund	Custer County Airport Authority	Custer County Lodging and Tourism	Totals
Cash held by County Treasurer	\$ 63,324	\$ 134,282	\$ 204,795	\$ 56,926	\$ 24,496	\$ 483,823
Accounts receivable	-	-	11,686	-	-	11,686
Taxes receivable	40	14,561	198,321	-	2,124	215,046
Due from other funds	-	18,502	-	-	-	18,502
Accrued state revenue	-	-	-	-	-	-
Accrued federal revenue	-	-	-	-	-	-
Inventories	-	-	-	7,958	-	7,958
Total Assets	63,364	167,345	414,802	64,884	26,620	737,015
Liabilities						
Accounts payable	-	1,428	328	240	-	1,996
Warrants payable	-	1,387	10,751	42,484	90	54,712
Due to other funds	-	-	6,347	-	-	6,347
Due to State of Colorado	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	-	2,815	17,426	42,724	90	63,055
Deferred Inflow - property taxes	-	-	198,000	-	-	198,000
Fund Balances						
Nonspendable	-	-	-	7,958	-	7,958
Restricted	830	4,760	9,680	2,590	770	18,630
Assigned	62,534	159,770	189,696	11,612	25,760	449,372
Unassigned	-	-	-	-	-	-
Total Fund Balances	\$ 63,364	\$ 164,530	\$ 199,376	\$ 22,160	\$ 26,530	\$ 475,960

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, 2012

	Contingent Fund	Capital Improvements Fund	Emergency Services Fund	Custer County Airport Authority	Custer County Lodging and Tourism	Totals
Revenues						
Taxes	\$ 27,531	\$ 158,473	\$ 219,407	\$ -	\$ 20,637	\$ 426,048
Penalties and interest	-	-	843	-	-	843
Federal sources	-	-	58,839	-	-	58,839
State sources	-	-	-	63,656	5,000	68,656
Local sources	-	-	29,223	-	-	29,223
Charges for services	-	-	-	22,308	-	22,308
Reimbursed expenses	-	-	-	215	-	215
Total Revenues	27,531	158,473	308,312	86,179	25,637	606,132
Expenditures						
General government	1,238	17,164	-	-	-	18,402
Public safety	-	1,717	238,563	-	-	240,280
Auxiliary	-	-	12,004	41,095	19,871	72,970
Capital outlay	-	66,622	24,994	64,746	-	156,362
Debt service - principal	-	9,219	-	-	-	9,219
Debt service - interest	-	767	-	-	-	767
Total Expenditures	1,238	95,489	275,561	105,841	19,871	498,000
Excess of Revenues Over (Under) Expenditures	26,293	62,984	32,751	(19,662)	5,766	108,132
Other Financing Sources (Uses)						
Operating transfers in (out)	-	-	-	17,188	-	17,188
Proceeds from capital lease	-	44,363	-	-	-	44,363
Total Other Financing Sources	-	44,363	-	17,188	-	61,551
Net Change in Fund Balance	26,293	107,347	32,751	(2,474)	5,766	169,683
Fund Balance - January 1	37,071	57,183	166,625	24,634	20,764	306,277
Fund Balance - December 31	\$ 63,364	\$ 164,530	\$ 199,376	\$ 22,160	\$ 26,530	\$ 475,960

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, 2012

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 27,014	\$ 27,014	\$ 27,531	\$ 517
Expenditures				
General government	<u>1,200</u>	<u>1,200</u>	<u>1,238</u>	<u>(38)</u>
Excess of Revenues Over (Under) Expenditures	25,814	25,814	26,293	555
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	25,814	25,814	26,293	555
Fund Balance - January 1	<u>36,628</u>	<u>36,628</u>	<u>37,071</u>	<u>443</u>
Fund Balance - December 31	<u>\$ 62,442</u>	<u>\$ 62,442</u>	<u>\$ 63,364</u>	<u>\$ 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
CAPITAL IMPROVEMENT FUND
CUSTER COUNTY, COLORADO
For the year ended December 31, 2012

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 145,000	\$ 145,000	\$ 158,473	\$ 13,473
Federal Sources	-	-	-	-
Reimbursed expenses	-	-	-	-
Total Revenues	<u>145,000</u>	<u>145,000</u>	<u>158,473</u>	<u>13,473</u>
Expenditures				
General government	-	-	17,164	(17,164)
Public Safety	-	-	1,717	(1,717)
Capital outlay	66,185	66,185	66,622	(437)
Debt service - principal	-	-	9,219	(9,219)
Debt service - interest	-	-	767	(767)
Total Expenditures	<u>66,185</u>	<u>66,185</u>	<u>95,489</u>	<u>(29,304)</u>
Excess of Revenues Over (Under) Expenditures	<u>78,815</u>	<u>78,815</u>	<u>62,984</u>	<u>(15,831)</u>
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	44,363	44,363
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>78,815</u>	<u>78,815</u>	<u>107,347</u>	<u>28,532</u>
Fund Balance - January 1	<u>53,997</u>	<u>53,997</u>	<u>57,183</u>	<u>3,186</u>
Fund Balance - December 31	<u>\$ 132,812</u>	<u>\$ 132,812</u>	<u>\$ 164,530</u>	<u>\$ 60,250</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, 2012

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 216,916	\$ 216,916	\$ 219,407	\$ 2,491
Penalties and interest	600	600	843	243
Federal sources	75,357	75,357	58,839	(16,518)
Local sources	13,000	13,000	29,223	16,223
Reimbursed expenses	1,000	1,000	-	(1,000)
Total Revenues	<u>306,873</u>	<u>306,873</u>	<u>308,312</u>	<u>1,439</u>
Expenditures				
Public Safety	303,773	303,773	238,563	65,210
Auxiliary services	-	-	12,004	(12,004)
Capital outlay	-	-	24,994	(24,994)
Total Expenditures	<u>303,773</u>	<u>303,773</u>	<u>275,561</u>	<u>28,212</u>
Excess of Revenues Over (Under) Expenditures	3,100	3,100	32,751	29,651
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,100	3,100	32,751	29,651
Fund Balance - January 1	<u>157,538</u>	<u>157,538</u>	<u>166,625</u>	<u>9,087</u>
Fund Balance - December 31	<u>\$ 160,638</u>	<u>\$ 160,638</u>	<u>\$ 199,376</u>	<u>\$ 38,738</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, 2012

	Budgeted Amount		Actual	Variance With Final budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State sources	\$ 162,500	\$ 162,500	\$ 63,656	\$ (98,844)
Charges for services	19,520	19,520	22,308	2,788
Other income	5,000	5,000	39	(4,961)
Reimbursed expenses	-	-	176	176
Total Revenues	<u>187,020</u>	<u>187,020</u>	<u>86,179</u>	<u>(100,841)</u>
Expenditures				
Auxiliary services	41,708	41,708	41,095	613
Capital outlay	175,000	175,000	64,746	110,254
Total Expenditures	<u>216,708</u>	<u>216,708</u>	<u>105,841</u>	<u>110,867</u>
Excess of Revenues Over (Under) Expenditures	(29,688)	(29,688)	(19,662)	10,026
Other Financing Sources (Uses)				
Operating transfers in (out)	34,688	34,688	17,188	(17,500)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	5,000	5,000	(2,474)	(7,474)
Fund Balance - January 1	<u>12,036</u>	<u>12,036</u>	<u>24,634</u>	<u>12,598</u>
Fund Balance - December 31	<u>\$ 17,036</u>	<u>\$ 17,036</u>	<u>\$ 22,160</u>	<u>\$ 5,124</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, 2012

	<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	\$ 20,637	\$ 637
Penalties and interest	-	-	-	-
State sources	4,500	4,500	5,000	500
Charges for services	-	-	-	-
Total Revenues	<u>24,500</u>	<u>24,500</u>	<u>25,637</u>	<u>1,137</u>
Expenditures				
Auxiliary services	33,650	33,650	19,871	13,779
Capital outlay	-	-	-	-
Total Expenditures	<u>33,650</u>	<u>33,650</u>	<u>19,871</u>	<u>13,779</u>
Excess of Revenues Over (Under) Expenditures	(9,150)	(9,150)	5,766	14,916
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(9,150)	(9,150)	5,766	14,916
Fund Balance - January 1	<u>19,800</u>	<u>19,800</u>	<u>20,764</u>	<u>964</u>
Fund Balance - December 31	<u>\$ 10,650</u>	<u>\$ 10,650</u>	<u>\$ 26,530</u>	<u>\$ 15,880</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, 2012

	Budgeted Amount		Actual	Variance With Final budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Reimbursed Expenses	1,600	1,600	4,909	3,309
Total Operating Revenues	<u>1,600</u>	<u>1,600</u>	<u>4,909</u>	<u>3,309</u>
Operating Expenditures				
General government	130,000	130,000	124,982	5,018
Auxiliary	1,243	1,243	1,238	5
Total Expenditures	<u>131,243</u>	<u>131,243</u>	<u>126,220</u>	<u>5,023</u>
Operating Income (Loss)	<u>(129,643)</u>	<u>(129,643)</u>	<u>(121,311)</u>	<u>8,332</u>
Nonoperating Revenues (Expenses)				
Property taxes	24,864	24,864	24,802	(62)
Specific ownership taxes	15,000	15,000	2,627	(12,373)
Penalties and interest	500	500	108	(392)
Total Nonoperating Revenues (Expenses)	<u>40,364</u>	<u>40,364</u>	<u>27,537</u>	<u>(12,827)</u>
Net Income (Loss) Before Other Financing Sources (Uses)	<u>(89,279)</u>	<u>(89,279)</u>	<u>(93,774)</u>	<u>(4,495)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Change in Net Assets	<u>(89,279)</u>	<u>(89,279)</u>	<u>(93,774)</u>	<u>(4,495)</u>
Fund Balance - January 1	<u>133,358</u>	<u>133,358</u>	<u>134,433</u>	<u>1,075</u>
Fund Balance - December 31	<u>\$ 44,079</u>	<u>\$ 44,079</u>	<u>\$ 40,659</u>	<u>\$ (3,420)</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, 2012

	Federal CFDA Number	Federal Expenditures
<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	\$ 18,966
Emergency Food Assistance Program (Administrative Costs)	10.568	582
Emergency Food Assistance Program (Food Commodities)	10.569	4,224
Total Department of Agriculture		\$ 23,772
<u>U.S. Department of Commerce</u>		
Low-Power Television and Translator Upgrade Program	11.559	\$ 39,980
<u>U.S. Department of Health and Human Services</u>		
Passed through State Department of Human Services		
Medical Reserve Corps Small Grant Program	93.008	\$ 5,000
Promoting Safe and Stable Families	93.556	29,209
Temporary Assistance for Needy Families	93.558	77,121
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	1,194
Child Support Enforcement	93.563	31,939
Low-Income Home Energy Assistance	93.568	115,608
Child Care and Development Block Grant	93.575	2,510
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	21,976
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,284
Foster Care - Title IV - E	93.658	27,920
Adoption Assistance - Title IV-E	93.659	14,594
Social Services Block Grant	93.667	30,864
Medical Assistance Program	93.778	28,760
Passed through Upper Arkansas Area Council of Governments		
Community Service Block Grant	93.569	11,128
Total Department of Health and Human Services		\$ 400,107
Passed through State Department of Public Health and Environment		
Public Health Emergency Preparedness	93.069	\$ 10,688
Immunization Grants	93.268	3,936
Maternal and Child Health Services Block Grant	93.994	3,947
Total Department of Public Health and Environment		\$ 18,571
<u>U.S. Department of Homeland Security</u>		
Passed through State Department of Public Safety, Division of of Homeland Security and Emergency Management		
Emergency Management Program Grant	97.042	\$ 29,137
Passed through Pueblo County		
Homeland Security Grant Program	97.067	29,703
Total Department of Homeland Security		\$ 58,840
TOTAL FEDERAL ASSISTANCE		\$ 541,270

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, 2012

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note B - Pass-Through Entities

Pass-through entity identifying numbers are presented where available.

Note C - Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Assistance reported at December 31, 2012 included:

10.569 Food commodities - \$4,224

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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July 2, 2013

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

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2012-1 through 2012-7)

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*.

Custer County's Response to Findings

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

Purpose of this Report

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

Harren, Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 2, 2013

Board of Commissioners
Custer County, Colorado
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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

Report on Compliance for Each Major Federal Program

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, 2012. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance 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 2012-1 (repeat of 2011-1).


Report on Internal Control Over Compliance

Management of Custer County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Custer County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Harren Ross  DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CUSTER COUNTY, COLORADO

For the year ended December 31, 2012

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? ___yes x no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance For Needy Families
93.714	ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.568	Low Income Home Energy Assistance

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

Auditee qualified as low-risk auditee? x yes ___no

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-1 Posting Public Welfare Fund
(Repeat finding 2011-1)

Condition and Context:

The posting of the general ledger transactions are not always posted consistently or correctly for CFMS transaction and warrants paid out for assistance. When the County encounters discrepancies or unknown transactions within the CFMS reports and their records, research of those items should be handled in a timely manner and accounted for properly.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO

For the year ended December 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2012-1 Posting Public Welfare Fund (Continued)

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.

Cause:

The County continues to make improvements in accounting for the transactions 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 by program. Failure to identify and address discrepancies between the County and the CFMS system could affect the accuracy the reimbursements .

Recommendation:

The Department Head and accounting personnel should continue to improve the accuracy of coding the revenue and expenditures to the general ledger from the CFMS reports and the warrants. The established controls should be followed to ensure that CFMS activity is properly reconciled and all discrepancies have been addressed in a timely manner. The warrants paid out for assistance should also be coded consistently to correct expenditure.

Response:

The staff is continuing to improve their procedures to eliminate this finding. The department head and the accounting personnel are making an effort to improve the accuracy of their reconciliation process and general ledger postings for both the CFMS activity and the warrants paid out. They agree with the recommendations and feel that they have made improvements from prior years. The department continues to address this issue.

2012-2 Consistency of recording expenditures.

(Repeat finding - 2011-2)

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO

For the year ended December 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2012-2 Consistency of recording expenditures. (Continued)

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.

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.

2012-3 Maintaining records of federal and other grants
(Repeat finding 2011-3)

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 compliance issues if controls are not followed to ensure that all the necessary documentation is maintained to validate activity.

Recommendation:

Internal control procedures implemented should be 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 did make improvements regarding this condition. A few departments have implemented the recommendation and their grant file and supporting documents are adequate. We will continue to work with the remaining County departments and the employees to improve this deficiency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2012-4 Records summarizing all airport hanger leases
(Repeat finding 2011-4)

Condition and Context:

The County and Airport Authority do not have complete records summarizing all airport hanger leases which are currently in effect. Documentation has been located for all but a few old leases.

Criteria:

Procedures should be implemented for future leases to develop a schedule which will include all relevant information and continue to be maintained.

Cause:

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

Effect:

Possible misstatement of lease obligations or payment terms.

Recommendation:

The County and the Authority have been able to find documentation for all but a few old leases. They should continue to follow the internal control procedures that have been implemented 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.

2012-5 Accounting Functions for E-911 Authority

Condition and Context:

Accounting functions for the E-911 Authority should be completed on a timely basis throughout the year.

Criteria:

Implementation of oversight procedures should be implemented to ensure that the Authority's general ledger is updated on a timely basis during the year.

Cause:

The accounting function for the E-911 Authority is maintained separately from the County's general ledger system.

Effect:

A current financial statement or general ledger detail will not be available for review in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2012-5 Accounting Functions for E-911 Authority (Continued)

Recommendation:

The County should consider implementing oversight procedures to ensure this is done or consider integrating these functions into the County's general ledger system.

Response:

The County will work with the Authority and the personnel assigned to this function to ensure that the accounting functions are performed in a timely manner.

2012-6 Timely deposits of grant reimbursement checks

Condition and Context:

We identified an instance of a reimbursement check that was not deposited in a timely manner. The Courtroom Security grant is a reimbursement type grant. The fourth quarter request was received in March 2013, however, it was not deposited until June 18, 2013.

Criteria:

The established procedures should be communicated with employees to ensure they understand the importance of timely deposits.

Cause:

The reimbursement check was received outside of the Treasurer's Office. The established procedures by the County were not followed and the check was not given to the Treasurer in a timely manner for deposit.

Effect:

The established controls were not followed which could have caused this reimbursement check to never be deposited.

Recommendation:

Procedures already established by the County should be followed to ensure that all funds are deposited in a timely manner.

Response:

Communication with the necessary staff will be made to ensure that future reimbursements checks are given to the Treasurer in a timely manner for deposit.

2012-7 Maintaining of Grant Progress Reports

Condition and Context:

Progress reports for grants administered by the Department of Public Health & Environment were not maintained in the grant documentation files in some instances. Reports, even when submitted online, should be printed and filed with the grant documentation to validate compliance with all grant requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CUSTER COUNTY, COLORADO
For the year ended December 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2012-7 Maintaining of Grant Progress Reports (Continued)

Criteria:

The established procedures to maintain all necessary grant documentation should be followed.

Cause:

Some reports were required to be filed and submitted online, however, a copy of the report was not printed for the grant files to documentation that the report was filed.

Effect:

Validating the compliance with the grant requirements could be difficult without the proper documentation that the progress reports were actually submitted.

Recommendation:

Staff should ensure that online progress reports are printed at the time they are prepared and filed in the grant files at that time.

Response:

Communication with the necessary staff will be made to ensure that the necessary reports are printed and filed in the appropriate grant files.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2011-1 Posting Public Welfare Fund

Condition:

The posting of the general ledger transactions are not always posted consistently or correctly for CFMS transaction and warrants paid out for assistance. When the County encounters discrepancies or unknown transactions within the CFMS reports and their records, research of those items should be handled in a timely manner and accounted for properly. 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 2012-01

The Department has made improvements in their efforts of the reconciliation process over prior years. The area of focus for improvement remains with the consistency of posting to the general ledger for CFMS transactions as well as warrants paid out for assistance. They also need to be able to identify during the reconciling process between the general ledger and the CFMS reports when discrepancies exist and to address them timely.

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 2012

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

Prepared By: John V. Piquette
Phone: (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)	381,067
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,276,943
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	2,771
2. General fund appropriations		b. Snow and ice removal	305,435
3. Other local imposts (from page 2)	550,625	c. Other	
4. Miscellaneous local receipts (from page 2)	138,037	d. Total (a. through c.)	308,206
5. Transfers from toll facilities		4. General administration & miscellaneous	121,000
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,087,216
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes	221,800	1. Bonds:	
d. Total (a. + b. + c.)	221,800	a. Interest	
7. Total (1 through 6)	910,462	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,135,895	2. Notes:	
D. Receipts from Federal Government (from page 2)	67,792	a. Interest	15,106
E. Total receipts (A.7 + B + C + D)	2,114,149	b. Redemption	117,783
		c. Total (a. + b.)	132,889
		3. Total (1.c + 2.c)	132,889
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,220,105

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)		221,800	117,783	104,017

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,254,439	2,114,149	2,220,105	1,148,483	0

Notes and Comments: The County entered into a capital lease, amount financed is included in Notes above.

LOCAL HIGHWAY FINANCE REPORT

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

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	498,090	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	71,845
4. Licenses		f. Charges for Services	65,760
5. Specific Ownership &/or Other	52,535	g. Other Misc. Receipts - County Gov't	432
6. Total (1. through 5.)	52,535	h. Other	
c. Total (a. + b.)	550,625	i. Total (a. through h.)	138,037
	(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	1,111,151	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	27,812
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	22,938	d. Federal Transit Admin	
d. Other Mineral Lease	1,806	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	39,980
f. Total (a. through e.)	24,744	g. Total (a. through f.)	67,792
4. Total (1. + 2. + 3.f)	1,135,895	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		381,067	381,067
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	381,067	381,067
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	381,067	381,067
			(Carry forward to page 1)

Notes and Comments: