

**RIO GRANDE COUNTY, COLORADO**

**FINANCIAL STATEMENTS**

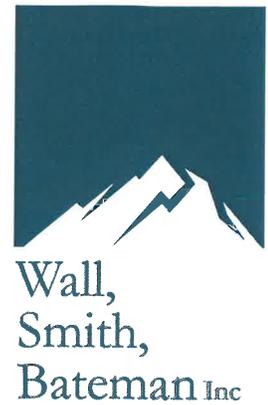
**December 31, 2011**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

**RIO GRANDE COUNTY, COLORADO**  
**TABLE OF CONTENTS**  
**December 31, 2011**

	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
Government -wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	15
Statements of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Fund Financial Statements :	
Statement of Net Assets	18
Notes to the Basic Financial Statements	19
<b>Required Supplementary Information :</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund and Major Special Revenue Funds:	
General Fund	35
Road and Bridge Fund	36
Social Services Fund	37
<b>Other Supplementary Information :</b>	
Combining Schedules of Nonmajor Governmental Funds:	38
Combining Balance Sheet	39
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances	40
Schedules of Expenditures and Transfers Out	
All Non-Major Governmental Funds Budget and Actual	41
Schedule of EBT Authorizations, Warrant Expenditures, and Total Expenditures	42
<b>Other Schedules and Reports:</b>	
Schedule of Expenditures of Federal Awards	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings and Questioned Costs	49
Local Highway Finance Report	



## INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners  
Rio Grande County, Colorado  
Del Norte, Colorado

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Certified Public Accountants**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

July 24, 2012

**Rio Grande County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

As management of Rio Grande County, we offer readers of County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this section.

**Financial Highlights**

- λ The County's financial status remained basically the same over the course of the year ending December 31, 2011. Total net assets increased 2.7 percent disregarding the adjustments made for GASB 34 infrastructure reporting.
- λ General revenues, primarily taxes, account for approximately \$5,020,668 or 42.8 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$6,696,642 or 57.2 percent of total revenues of \$11,717,310.
- λ The County had \$10,464,253 in expenses related to governmental activities; only \$6,696,642 of these expenses was offset by program specific charges for services and grants.
- λ Outlays for capital assets were primarily comprised of one sheriff's department vehicle, a water softener for the jail, a loader for the Road & Bridge Department, and an ATV for the Weed Control District.
- λ The County has long-term debt to fund the addition and remodeling of the Jail. Rio Grande County entered into an annually renewable Lease Purchase Agreement with San Luis Valley Federal Bank. This Lease Purchase Agreement is for \$2,500,000 with a 20-year payout schedule at 4.5%. The first payment was paid in 2006.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include:

- λ The first two statements are government-wide financial statements that provide both short-term and long-term information about the County's overall financial status.
- λ The remaining statements are fund financial statements that focus on individual parts of the County, reporting the county's operations in more detail than the government-wide statements.
- λ The governmental funds statements tell how basic services were financed in the short-term as well as what remains for future spending.
- λ Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others.

**Rio Grande County**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2011**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements, and includes a comparison to the County's budget for the year.

**Government -wide Financial Statements**

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

The statement of net assets presents information on all of the Rio Grande County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To assess the County's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

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

Both of the government -wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the County's basic services such as regular government operations such as law enforcement, tax assessment and collection, social service programs, highway maintenance and construction.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the County's funds, focusing on its most significant or "major" funds, not the County as a whole. Funds are accounting devices the County uses to track specific sources of funding and spending on particular programs. The County, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's funds are divided into two categories: governmental funds and fiduciary funds. Governmental Funds are further divided into Governmental Activities which includes: General Government, Public Safety, Health and Welfare, Highways and Streets, Judicial, Auxiliary Services and Culture and Recreation.

*Governmental Funds:* All of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the County's programs. Because this information does not encompass the long-term focus of the government -wide statements, the reconciliations on Pages 15 and 17, explain the relationship (or differences) between them.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

Rio Grande County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) the Road and Bridge Fund, (3) the Social Services Fund, (4) the Capital Expenditures Fund, (5) Weed Control District Fund, (6) the Airport Fund, (7) the Conservation Trust Fund, (8) the Tourism Fund, and (9) the Public Health Agency Fund. Data from the Funds (4) through (9) are combined into a single, aggregated presentation.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

**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.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes combining statements mentioned earlier in connection with non-major governmental funds as well as budget-to-actual information for all funds as dictated by state law.

**Government-wide Financial Analysis**

Table 1 provides a summary of the County's net assets at December 31, 2010, and 2011.

**Table 1  
Condensed Statement of Net Assets**

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>
Current and Other Assets	\$ 12,493,141	\$ 11,049,033
Noncurrent Assets	<u>40,680,723</u>	<u>41,011,989</u>
<b>Total assets</b>	<b><u>\$ 53,173,864</u></b>	<b><u>\$ 52,061,022</u></b>
Current liabilities	3,410,693	3,451,219
Noncurrent liabilities	<u>2,080,880</u>	<u>2,180,569</u>
<b>Total liabilities</b>	<b><u>\$ 5,491,573</u></b>	<b><u>\$ 5,631,788</u></b>
Net assets		
Invested in capital assets, net of related debt	\$ 38,698,299	\$ 38,929,590
Restricted	465,662	520,794
Unrestricted (Deficit)	<u>8,518,330</u>	<u>6,978,850</u>
<b>Total net assets at December 31, 2011 &amp; 2010</b>	<b><u>\$47,682,291</u></b>	<b><u>\$ 46,429,234</u></b>

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

Table 2 provides a summary of the changes in net assets. Following Table 2 is a specific discussion related to overall revenues and expenses.

**Table 2  
Changes in Net Assets from Operating Results**

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 798,227	\$ 917,511
Operating grants and contributions	5,500,442	7,972,590
Capital grants/restricted investment earnings	397,973	386,198
General revenues		
Taxes	4,149,845	4,101,661
Payment in Lieu of Taxes	682,924	757,058
Other	<u>187,899</u>	<u>126,438</u>
<b>Total Revenues</b>	<u>11,717,310</u>	<u>14,261,456</u>
<b>Expenses</b>		
General Government	2,715,125	2,583,488
Public Safety	2,153,125	2,097,996
Health and Welfare	2,964,388	3,179,727
Highways and Streets	2,186,659	2,266,935
Judicial	160,677	160,677
Auxiliary Services	58,969	55,850
Culture and recreation	132,845	154,373
Interest on Debt	<u>92,465</u>	<u>96,722</u>
<b>Total Expenses</b>	<u>10,464,253</u>	<u>10,595,768</u>
Increase (decrease) in net assets	<u>1,253,057</u>	<u>3,665,688</u>
<b>Ending Net Assets</b>	<b><u>\$ 47,682,291</u></b>	<b><u>\$ 46,429,234</u></b>

Property taxes, Sales Tax, and other taxes account for 41.2 percent \$4,832,769 of the County's revenue. State Funding and Grants contributes \$5,898,415 or 50.4 percent of the funding. The remainder from fees charged for services and miscellaneous sources equals to \$986,126 or 8.4 percent of the funding revenue.

**Governmental Activities**

The County's expenses are distributed as follows:

General Government	25.9%
Public Safety	20.6%
Health and Welfare	28.3%
Highways and Streets	20.9%
Judicial	1.5%
Auxiliary Services	.6%
Culture and Recreation	1.3%
Interest on Debt	0.9%

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

Rio Grande County has a mill levy of 15.568. The County is not allowed to increase this mill levy without voter approval. All the government functions rely heavily on property tax dollars. Without being able to increase the mill levy revenue which has remained flat for the last several years, unappropriated funds has been used to balance parts of the budget. Very little change occurred within governmental activities as shown above. A slight increase was shown in General Government and Public Safety with a slight decrease in Health and Welfare and Highways and Streets. The largest decrease was in Health and Welfare from 30.0% to 28.3% due to the reductions state funding and increased program management. All the other expenditures remained about the same.

During 2011, Rio Grande County paid \$5,584,694.17 salaries and fringe benefits. The employees received no cost of living raise or salary adjustments. This is down by \$365,641.79 from 2010 due to elimination of several positions through grant completion, and various open positions.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 3 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the County's taxpayers by each of these programs.

**Table 3  
Net Cost of Governmental Activities (in dollars)**

	Total Cost of Services	Net Cost of Services
General Government	\$ 2,715,125	\$ (1,625,837)
Public Safety	2,153,125	(1,614,288)
Health and Welfare	2,964,388	(529,702)
Highways and Streets	2,186,659	390,810
Judicial	160,677	(160,677)
Auxiliary Services	58,969	(57,769)
Culture and Recreation	132,845	(77,683)
Interest on Debt	<u>92,465</u>	<u>(92,465)</u>
 Total	 <u>\$10,464,253</u>	 <u>\$ (3,767,611)</u>

- λ Rio Grande County is the financial agent for the Homeland Security Grant for the San Luis Valley. These grants provide DTR communication equipment, training and exercises for all law enforcement, emergency medical and fire protection districts. During 2011, \$546,570 was expended up from \$311,460 in 2010.
  
- λ \$1,923,436 was received from the State of Colorado and Federal Government for the operation of the Social Services programs such as TANF, Child Welfare, OAP, Single Entry Point, Child Care, IV-D and Fraud programs. This was a decrease of \$201,234 from 2010.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

**Financial Analysis of the County's Funds**

Information about the County's funds follows the government-wide statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$11,729,739 and expenditures of \$10,251,401. The net change in fund balance for the year was most significant in the General Fund and the Road & Bridge Fund with an increase of \$694,981 and \$698,168 respectively. The Social Services Fund decreased their fund balance by \$6,704. The Airport Fund increased by \$15,710. The Tourism Fund increased by \$23,250 along with the Weed District Fund of \$28,407. The Public Health Fund increased by \$180 and Conservation Trust Fund also increased by \$31,851.

**General Fund Budgetary Highlights**

The County approved a budget in December 2010, based on the needs of the various departments and the projected revenue. In December 2011, the County revised the annual operating budget approved by the Board of County Commissioners in the prior year. The primary reasons for the Supplementary Budget were the receipt of various grants and purchase of a sheriff's vehicle, the Korean Leaflet activities and repairs on the museum fence.

The actual expenditures were \$458,827 below the supplementary budget. The total revenues were \$423,950 over estimated. However, the expenditures were still \$883,827 less than the revenues.

The fund balance as of December 31, 2011 was \$3,881,581, compared to \$3,186,600 as of December 31, 2010.

**Road & Bridge Fund Highlights**

In December 2011, a Supplementary Budget of \$82,000 was past to cover the Veterans' Center Cemetery project and additional state fees for gravel. Road & Bridge Fund ended 2011 with an increase of \$698,168 due to less snow removal and personnel savings. Highway User's Fund Tax (HUFT) provided \$1,961,110 of the total actual revenue of \$2,765,681. The HUFT was down \$164,900 from 2010.

The fund balance as of December 31, 2011 was \$3,727,561 compared to \$3,029,393 as of December 31, 2010.

**Social Service Fund Highlights**

The Social Services Fund ended 2011 with a decrease of (\$6,704). Expenditures decreased by \$52,362. State funding sources decreased by \$201,234 while local sources increased by \$5,432.

The fund balance as of December 31, 2011, was \$652,465 compared to \$659,169 as of December 31, 2010.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

**Non-Major Funds Highlights**

Non-Major Funds include the Airport Fund, Conservation Trust Fund, Tourism Fund, Capital Expenditure Fund, Public Health Agency Fund, and the Rio Grande County Weed Control District. These funds realized a \$99,398 increase in fund balance during 2011. The Weed Control District Fund had an increase of \$28,407; the Tourism Fund of \$23,250; the Conservation Trust Fund, \$31,851; \$180 in the Public Health Agency Fund; and the Airport Fund, \$15,710.

As of December 31, 2011, the fund balances were as follows: Conservation Trust Fund - \$261,960; Tourism Fund - \$248,638; Capital Expenditure Fund - \$8,180; Public Health Agency Fund - \$190,921; Rio Grande County Weed Control Fund - \$189,155; and Airport Fund, \$56,519.

**Capital Assets and Debt Administration**

By the end of the fiscal year 2011, the County had \$1,449,122 of additional capital assets, which included building improvements, new road construction, one sheriff's vehicle, a loader for Road & Bridge Fund, and an ATV for the Weed Control District. There were deletions of \$272,960 of vehicles and equipment which gave net assets before depreciation of \$66,049,377. The depreciation for 2011 was \$1,776,788, bringing the County's Net Capital Depreciation to \$25,801,955. This brings the Net Capital Assets to \$40,680,723.

**Table 4  
Capital Assets**

	Governmental Activities	
	2011	2010
Land	\$ 433,301	\$ 433,301
Construction In Progress	0	0
Building & Site Improvements	5,323,843	5,456,356
Equipment & Vehicles	1,950,569	2,032,370
Infrastructure	<u>32,973,010</u>	<u>33,089,962</u>
Total	<u>\$40,680,723</u>	<u>\$41,011,989</u>

In order to finance the needed expansion of the County Jail, Rio Grande County entered into an annually renewable Lease Purchase Agreement with San Luis Valley Federal Bank. The bank issued \$2,500,000 for the purchase of the McCallister Building, the Annex, and two county shop buildings. The county is leasing the buildings back via the Lease Purchase Agreement at 4.5% interest. This agreement is for 20 years with an annual payment of \$191,328.27. The outstanding balance at December 31, 2011 was \$1,960,420.

**Rio Grande County  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2011**

**Factors Bearing on the County's Future**

At the time these financial statements were prepared and audited, the County was aware of the following existing circumstances that could significantly affect its financial health in the future.

- λ Rio Grande County has seen a decrease in assessed value.
- λ Sales tax increased \$45,290 from 2010 to 2011 or 9.9%.
- λ Interest on investments increased \$9,430 from 2010 to 2011 (14.8%).
- λ With the economic climate in the State of Colorado and the United States, the County is continuing to see reductions in funds from the state and federal governments. During 2011, the County received \$2,521,276 less in state and federal funding or 27.6%. The 2011 County Budget was funded by 56% Intergovernmental Revenues; with 36% from Property Tax, Sales Tax, Lodging Tax, and Specific Ownership Tax; and 8% from Other Local Revenue. With reduced revenue, services and programs have been cut and future cuts might be necessary, especially those funded with Intergovernmental Revenues. The County continues to fight the trend of shifting costs from the State to the County.
- λ There continues to be pressure from citizens for more of the county roads to be paved. The Commissioners will continue to work on these requests as funds allow.

**Contacting the County's Financial Management**

This financial report is designed to provide the County's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator, 925 6<sup>th</sup> Street, Room 207, Del Norte, CO 81132.

**RIO GRANDE COUNTY, COLORADO**  
**BASIC FINANCIAL STATEMENTS**

**RIO GRANDE COUNTY, COLORADO**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

	<b>Primary Government</b>
	<b>Governmental</b>
	<b>Activities</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 8,024,324
Accounts Receivable	18,211
Due from Trust and Agency	14,019
Due from Other Governments	1,178,419
Property Taxes Receivable	2,763,656
Inventories	494,512
<b>Total Current Assets</b>	<b>12,493,141</b>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	433,301
Buildings	7,715,250
Machinery and Equipment	6,501,631
Infrastructure	51,832,496
Less: Accumulated Depreciation/Depletion	(25,801,955)
<b>Total Noncurrent Assets</b>	<b>40,680,723</b>
<b>TOTAL ASSETS</b>	<b>53,173,864</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	69,013
Due to Other Governments	270,308
Deferred Tax Revenue	2,763,656
Deferred Grant Revenue	173,184
Accrued Interest Payable	22,004
Lease Purchase Agreement	103,312
Compensated Absences	9,216
<b>Total Current Liabilities</b>	<b>3,410,693</b>
<b>Noncurrent Liabilities:</b>	
Lease Purchase Agreement	1,857,108
Compensated Absences	223,772
<b>Total Noncurrent Liabilities</b>	<b>2,080,880</b>
<b>TOTAL LIABILITIES</b>	<b>5,491,573</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	38,698,299
Restricted for:	
TABOR	274,800
DSS Programs - SEP and CHRP	190,862
Unrestricted	8,518,330
<b>TOTAL NET ASSETS</b>	<b>\$ 47,682,291</b>

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

**RIO GRANDE COUNTY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Revenues and Changes in Net Assets Primary Government</u>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 2,715,125	\$ 587,734	\$ 501,554	\$ -	\$ (1,625,837)
Public safety	2,153,125	62,530	78,334	397,973	(1,614,288)
Health and welfare	2,964,388	63,249	2,371,437	-	(529,702)
Highways and streets	2,186,659	81,300	2,496,169	-	390,810
Judicial	160,677	-	-	-	(160,677)
Auxiliary services	58,969	-	1,200	-	(57,769)
Culture and recreation	132,845	3,414	51,748	-	(77,683)
Interest on debt	92,465	-	-	-	(92,465)
<b>Total Governmental Activities</b>	<b>\$ 10,464,253</b>	<b>\$ 798,227</b>	<b>\$ 5,500,442</b>	<b>\$ 397,973</b>	<b>\$ (3,767,611)</b>
<b>General Revenues:</b>					
Taxes:					
General Property Taxes - Net					\$ 2,864,620
Sales Taxes					871,763
Other Taxes					413,462
Payment in Lieu of Taxes					682,924
Interest on Investments					75,021
Miscellaneous					112,878
<b>Total General Revenues</b>					<b>5,020,668</b>
Change in Net Assets					1,253,057
<b>Net Assets - Beginning</b>					<b>46,429,234</b>
<b>Net Assets - Ending</b>					<b>\$ 47,682,291</b>

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

**RIO GRANDE COUNTY, COLORADO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2011**

	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUND</b>	<b>SOCIAL SERVICES FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
Cash and Investments	\$ 3,435,208	\$ 2,936,971	\$ 718,998	\$ 933,147	\$ 8,024,324
Accounts Receivable - Net	-	-	18,211	-	18,211
Property Taxes Receivable	1,826,000	340,000	433,308	164,348	2,763,656
Due From Other Governments	662,998	308,469	149,528	57,424	1,178,419
Due From Other Funds	25,308	-	-	-	25,308
Inventory	-	494,512	-	-	494,512
<b>TOTAL ASSETS</b>	<b>\$ 5,949,514</b>	<b>\$ 4,079,952</b>	<b>\$ 1,320,045</b>	<b>\$ 1,154,919</b>	<b>\$ 12,504,430</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 21,883	\$ 12,391	\$ 10,830	\$ 23,909	\$ 69,013
Due to Other Governments	220,050	-	50,258	-	270,308
Due to Other Funds	-	-	-	11,289	11,289
Deferred Revenue - Property Taxes	1,826,000	340,000	433,308	164,348	2,763,656
Deferred Revenue - Grants	-	-	173,184	-	173,184
<b>TOTAL LIABILITIES</b>	<b>2,067,933</b>	<b>352,391</b>	<b>667,580</b>	<b>199,546</b>	<b>3,287,450</b>
<b>FUND BALANCE</b>					
Nonspendable:					
Inventory	-	494,512	-	-	494,512
Restricted for:					
TABOR	140,000	85,000	33,000	16,800	274,800
DSS Programs - SEP and CHRP	-	-	190,862	-	190,862
Committed to:					
Capital Projects	-	-	-	8,180	8,180
Assigned to:					
Highways and Streets	-	3,148,049	-	-	3,148,049
Health and Welfare	-	-	428,603	182,921	611,524
Culture and Recreation	-	-	-	507,798	507,798
Weed Control	-	-	-	184,155	184,155
Astronaut Rominger Airport	-	-	-	55,519	55,519
Designated for subsequent years	549,102	-	-	-	549,102
Unassigned	3,192,479	-	-	-	3,192,479
<b>TOTAL FUND BALANCE</b>	<b>3,881,581</b>	<b>3,727,561</b>	<b>652,465</b>	<b>955,373</b>	<b>9,216,980</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,949,514</b>	<b>\$ 4,079,952</b>	<b>\$ 1,320,045</b>	<b>\$ 1,154,919</b>	<b>\$ 12,504,430</b>

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

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

**Total governmental fund balances** \$ 9,216,980

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 40,680,723

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Lease Purchase Agreement	\$	(1,960,420)	
Compensated Absences		(232,988)	
Accrued Interest Payable		(22,004)	
		(2,215,412)	(2,215,412)

**Net assets of governmental activities** \$ 47,682,291

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

	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUND</b>	<b>SOCIAL SERVICES FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>					
Taxes	\$ 3,022,391	\$ 344,782	\$ 508,776	\$ 273,896	\$ 4,149,845
Intergovernmental Revenue	2,018,942	2,314,302	1,923,436	352,767	6,609,447
Licenses and Permits	117,823	350	-	-	118,173
Investment Income	73,177	-	-	1,844	75,021
Charges for Services	455,238	80,950	-	62,897	599,085
Miscellaneous	128,288	25,297	-	24,583	178,168
<b>TOTAL REVENUES</b>	<b>5,815,859</b>	<b>2,765,681</b>	<b>2,432,212</b>	<b>715,987</b>	<b>11,729,739</b>
<b>EXPENDITURES</b>					
Current Expenditures:					
General Government	2,594,302	-	-	19,626	2,613,928
Public Safety	2,031,588	-	-	-	2,031,588
Judicial	160,677	-	-	-	160,677
Highways and Streets	-	1,831,038	-	-	1,831,038
Health and Welfare	2,679	-	2,438,916	498,936	2,940,531
Auxiliary Services	58,969	-	-	-	58,969
Culture and Recreation	41,510	-	-	77,182	118,692
Capital Outlay	40,875	236,475	-	27,300	304,650
Debt Service	191,328	-	-	-	191,328
<b>TOTAL EXPENDITURES</b>	<b>5,121,928</b>	<b>2,067,513</b>	<b>2,438,916</b>	<b>623,044</b>	<b>10,251,401</b>
Excess (deficiency) of revenues over expenditures	693,931	698,168	(6,704)	92,943	1,478,338
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Assets	1,050	-	-	6,455	7,505
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,050</b>	<b>-</b>	<b>-</b>	<b>6,455</b>	<b>7,505</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	694,981	698,168	(6,704)	99,398	1,485,843
<b>Fund Balance at beginning of year</b>	<b>3,186,600</b>	<b>3,029,393</b>	<b>659,169</b>	<b>855,975</b>	<b>7,731,137</b>
<b>Fund Balance at end of year</b>	<b>\$ 3,881,581</b>	<b>\$ 3,727,561</b>	<b>\$ 652,465</b>	<b>\$ 955,373</b>	<b>\$ 9,216,980</b>

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

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

**Net change in fund balances - total governmental funds** \$ 1,485,843

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

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

Fixed asset additions	\$ 1,449,122	
Fixed asset deletions net of accumulated depreciation	(3,600)	
Depreciation expense	<u>(1,776,788)</u>	(331,266)

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

Lease payments	98,863	
Accrued interest payable changes	<u>1,112</u>	99,975

Some expenses reported in the Statement of Activities do not require the use of current  
financial resources and therefore are not reported as expenditures in governmental  
funds.

Compensated Absences		<u>(1,495)</u>
----------------------	--	----------------

**Change in net assets of governmental funds** \$ 1,253,057

**RIO GRANDE COUNTY, COLORADO**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

	<u>AGENCY FUND</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$      844,613</u>
<b>TOTAL ASSETS</b>	<u><u>\$      844,613</u></u>
<b>LIABILITIES</b>	
Due to General Fund	\$      14,019
Funds Held For Others	<u>830,594</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$      844,613</u></u>

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

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

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

***Component Units***

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

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

The Rio Grande County Weed Control District is administered by the Rio Grande County Commissioners. The District is blended into the County's financial statements as a Special Revenue Fund.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

The County reports the following major governmental funds:

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

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The County does not have any proprietary funds.

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

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

**ASSETS, LIABILITIES , AND NET ASSETS OR EQUITY**

***Cash***

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

All investments, if any, are recorded at fair market value.

***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable. The 2011 property tax levy due January 1, 2012, has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

***Inventories***

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

***Capital Assets***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	20 - 100
Vehicles and Equipment	5 - 50
Infrastructure	40

***Compensated Absences***

Annual leave may be accrued to the maximum of:

1st-10th year	21 days
11th-15th year	27 days
16th year and over	31 days

Upon separation from the County, an employee shall be paid for the amount of annual leave that he/she has accrued, subject to the limitation above. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

***Interest Capitalization***

Interest costs are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no interest capitalized in 2011.

***Deferred Revenue***

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

***Encumbrances***

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

***Fund Equity***

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

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

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

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

***Use of Estimates***

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

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

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

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of County Commissioners adopted supplemental appropriations during 2011.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

The Social Services Fund budget adopted by the County Commissioners includes all state and federal assistance transacted through electronic benefit transactions. These transactions are not reported in the accounting system of the fund but are reconciled on the Schedule of EBT Authorizations, Warrant Expenditures, and Total Expenditures in the Other Supplementary Information section of these financial statements.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

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

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

Cash on Hand	\$ 729
Cash Deposited with Banks	3,112,170
Less: amounts related to Trust & Agency Fund	<u>5,756,038</u>
 Total cash, deposits, and investments: (Book Balance)	 8,868,937
Less: amounts related to Trust & Agency Fund	<u>(844,613)</u>
 Total cash, deposits, and investments on Statement of Net Assets	 <u><u>\$ 8,024,324</u></u>

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

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 does not have a deposit policy for custodial credit risk. At December 31, 2011, \$2,294,878 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

***Investments***

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

***Custodial Credit Risk - Investments***

The County's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The policy allows for the investment in local government investment pools. As of December 31, 2011, the local government investment pools (C-SAFE and ColoTrust) in which the County had invested were rated AAA by Standard & Poor's.

<u>Investment Type</u>		<u>Rating</u>	<u>Fair Value</u>	<u>Up to 120 Days</u>	<u>121 Days to 5 Years</u>
Federal National Mortgage Association	12%	AAA	\$ 715,406	\$ -	\$ 715,406
Federal Home Loan Bank	5%	AAA	304,740	-	304,740
Federal Farm Credit Bank	5%	AAA	262,854	-	262,854
Federal Home Loan Mortgage Group	2%	AAA	101,756	-	101,756
			<u>1,384,756</u>	<u>\$ -</u>	<u>\$ 1,384,756</u>
Money Market Funds (unrated)	0%	\$ 14,965			
C-SAFE	0%	9,030			
ColoTrust	76%	<u>4,347,287</u>			
			<u>4,371,282</u>		
			<u>\$ 5,756,038</u>		

***Interest Rate Risk***

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

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

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 4 PROPERTY TAXES RECEIVABLE**

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

General Fund	\$ 1,826,000
Road and Bridge Fund	340,000
Social Services Fund	433,308
Public Health Fund	85,348
Pest Control Fund	<u>79,000</u>
	<u>\$ 2,763,656</u>

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

***Interfund Balances***

The County reports interfund balances between its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made and (4) grant reimbursements are received. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 11,289
General Fund	Trust and Agency Fund	<u>14,019</u>
		<u>\$ 25,308</u>

***Interfund Transfers***

There were no interfund transfers during the year ended December 31, 2011.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6 CAPITAL ASSETS**

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

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 433,301	\$ -	\$ -	\$ 433,301
Total capital assets not being depreciated	<u>433,301</u>	<u>-</u>	<u>-</u>	<u>433,301</u>
Capital assets being depreciated:				
Buildings and Improvements	7,715,250	-	-	7,715,250
Vehicles and Equipment	6,491,666	282,925	272,960	6,501,631
Infrastructure	50,666,299	1,166,197	-	51,832,496
Total capital assets being depreciated	<u>64,873,215</u>	<u>1,449,122</u>	<u>272,960</u>	<u>66,049,377</u>
Less accumulated depreciation for:				
Buildings and Improvements	2,258,894	132,513	-	2,391,407
Vehicles and Equipment	4,459,296	361,126	269,360	4,551,062
Infrastructure	17,576,337	1,283,149	-	18,859,486
Total accumulated depreciation	<u>24,294,527</u>	<u>1,776,788</u>	<u>269,360</u>	<u>25,801,955</u>
Total capital assets being depreciated, net	<u>40,578,688</u>	<u>(327,666)</u>	<u>3,600</u>	<u>40,247,422</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 41,011,989</u>	<u>\$ (327,666)</u>	<u>\$ 3,600</u>	<u>\$ 40,680,723</u>

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

Governmental Activities:	
General Government	\$ 80,814
Public Safety	121,537
Health and Welfare	40,191
Highways and Streets	1,520,093
Culture and Recreation	<u>14,153</u>
	<u>\$ 1,776,788</u>

**NOTE 7 OPERATING LEASES**

The County has entered into an operating lease arrangement for computer software and copy machines. Lease term is for 60 months. Minimum monthly rental payment is \$410.33 per month. Rental Expense for all operating leases for the year ended December 31, 2011, was approximately \$123,392.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 8 LONG-TERM LIABILITIES**

*Changes in Long-term Liabilities*

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

	12/31/2010			12/31/2011	Due Within
	Balance	Additions	Deletions	Balance	One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Lease Purchase Agreement	\$ 2,059,283	\$ -	\$ 98,863	\$ 1,960,420	\$ 103,312
Compensated Absences	231,493	1,495	-	232,988	9,216
Accrued Interest Payable	23,116	-	1,112	22,004	22,004
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,313,892</u></b>	<b><u>\$ 1,495</u></b>	<b><u>\$ 99,975</u></b>	<b><u>\$ 2,215,412</u></b>	<b><u>\$ 134,532</u></b>

*Lease Purchase Agreement*

An annually renewable Lease Purchase Agreement, dated January 11, 2005, was entered into between San Luis Valley Federal Bank (the "Bank"), as lessor, and Rio Grande County (the "County"), as lessee. The bank issued \$2,500,000 to the County for the purchase of the McCallister Building, the Courthouse Annex, the Road and Bridge Shop Building, and the Road and Bridge Truck Garage. The County is leasing the building back via the Lease Purchase agreement at 4.50% interest. The County used the proceeds from the sale to construct and equip a new jail facility. Payments are due to the Bank in annual installments through October 2025. The County can purchase the building back at any time for the Purchase Option Price included in the lease.

The buildings are included in fixed assets at a cost of \$1,762,653 with accumulated depreciation of \$735,622.

The annual debt service for the Lease Purchase Agreement is as follows:

	PRINCIPAL	INTEREST	TOTAL
2012	\$ 103,312	\$ 88,016	\$ 191,328
2013	107,961	83,367	191,328
2014	112,819	78,509	191,328
2015	117,896	73,432	191,328
2016	123,202	68,127	191,329
2017-2021	704,330	252,312	956,642
2022-2025	690,900	78,918	769,818
	<b><u>\$ 1,960,420</u></b>	<b><u>\$ 722,681</u></b>	<b><u>\$ 2,683,101</u></b>

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 9 RETIREMENT**

***Pension Plans***

Rio Grande County participates in a defined contribution pension plan offered by Colorado County Officials and Employees Retirement Association (CCOERA). The County agrees to contribute a minimum of 4% and a maximum of 6% of the compensation of each employee. For 2011, the County contributed 4%. Each participant contributes an amount equal to the County's contribution. Participants may contribute an extra voluntary amount not to exceed 10% of their compensation. For the year ended December 31, 2011, employer and employee contributions were \$154,104 and \$154,104, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. That report may be obtained by writing to Colorado County Officials and Employee Retirement Association, 4949 South Syracuse, Suite 400, Denver, CO 80237 or by calling 1-800-352-0313.

***Deferred Compensation Plan***

The County also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(f). The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. The County has no other liability other than to make the required monthly contribution.

**NOTE 10 ELECTRONIC BENEFIT TRANSACTIONS**

The Social Services Special Revenue Fund includes only the local share of Electronic Benefit Transactions (EBT's) in the financial statements. The federal and state revenue and related expenditures are not included in the financial statements. In accordance with the Colorado Department of Human Services, if a County doesn't record the federal and state EBT portion, it is required to disclose in the footnotes, or in a separate schedule to the financial statements, 100% of the EBT authorizations plus the expenditures made by the County. This is disclosed in a separate schedule in the Other Supplementary Information section of these financial statements .

**NOTE 11 TABOR AMENDMENT RESERVE**

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 requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. The voters of the County passed a ballot issue in 1999 allowing the County to retain and expend all revenues collected in the year 2000 and thereafter, which do not involve any new taxes and or an increase in the existing mill levy, notwithstanding the limitations of section 29-1-301, C.R.S. and Article X, section 20 of the Colorado Constitution.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. The Emergency Reserve has been presented as a reservation of fund balance in the County funds. The County is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**NOTE 12 COLORADO CONTRABAND FORFEITURE ACT**

We have reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2011.

**NOTE 13 RISK MANAGEMENT**

***Colorado Counties Casualty and Property Pool (CAPP)***

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

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

***Colorado Workers' Compensation Pool (CWCP)***

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

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

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

**NOTE 14 JOINT VENTURES**

***SAN LUIS VALLEY REGIONAL SOLID WASTE AUTHORITY***

The San Luis Valley Regional Solid Waste Authority was created by an intergovernmental agreement between Rio Grande County and Alamosa County on April 14, 1995, pursuant to the authority granted by C.R.S. 29-1-203. It has been designated as a joint venture under the provisions of GASB Statement No. 14. Its purpose is to provide the citizens of both counties an integrated municipal solid waste disposal facility in accordance with provision of C.R.S. 30-20-1005.

The Authority is governed by a Board of Directors consisting of five members as follows: one Rio Grande County Commissioner, one Alamosa County Commissioner, one director appointed by the City of Monte Vista, one director appointed by the City of Alamosa, and one director who is a member of the Rio Grande County Land Use or administrative staff as appointed by the Rio Grande County Commissioners.

It is the intent of the counties that the initial funding of the Authority by each county be provided on a loan basis in substantially the same proportion that the population of each county bears to the combined population of both counties. Alamosa and Rio Grande Counties may provide additional funding at any time in the future if they choose to do so by resolution.

***Closure and Post-Closure Care***

Rio Grande and Alamosa Counties are exposed to closure and post-closure expenses should the Authority be unable to meet those obligations when they become due. Management believes the risk of failure to be minimal. State and federal laws and regulations require the Authority 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 after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Authority reported \$586,595 as landfill closure and post-closure care liability at December 31, 2011 that represents the cumulative amount reported to date based on the use of 32.29% of the estimated capacity of the landfill.

The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,165,197 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2008, the most recent information available. The Authority expects to close the landfill in the year 2055. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**RIO GRANDE COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

The most recent audited financial statements of the authority report total assets of \$4,027,802 , total liabilities of \$625,191 , and net assets of \$3,402,611 at December 31, 2011.

The San Luis Valley Regional Solid Waste Authority issues publicly available annual financial statements. That report may be obtained by writing to the San Luis Valley Regional Solid Waste Authority, PO Box 861, Monte Vista, Colorado 81144.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

*Grant Programs* – The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the County expects any such amounts to be immaterial.

*Litigation* – The County is currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements; accordingly, no provision for losses has been recorded.

*Insurance Pools* – The County is a member of the Colorado Counties Casualty and Property Pool (CAPP) and the Colorado Workers' Compensation Pool (CWCP). CAPP and CWCP have a legal obligation for claims against its members to the extent that funds are available in their annually established loss funds and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds are direct liabilities of the participating members. CAPP and CWCP have indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs. The ultimate liability to the County resulting from claims not covered by CAPP and CWCP is not presently determinable.

## **RIO GRANDE COUNTY, COLORADO**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 2,770,000	\$ 2,770,000	\$ 3,022,391	\$ 252,391
Intergovernmental Revenue	1,969,359	1,980,359	2,018,942	38,583
Licenses and Permits	95,400	95,400	117,823	22,423
Investment Income	50,000	50,000	73,177	23,177
Charges for Services	397,100	449,100	455,238	6,138
Miscellaneous	47,050	47,050	128,288	81,238
<b>TOTAL REVENUES</b>	<u>5,328,909</u>	<u>5,391,909</u>	<u>5,815,859</u>	<u>423,950</u>
<b>EXPENDITURES</b>				
General Government	2,599,656	2,644,156	2,594,302	49,854
Public Safety	2,450,282	2,484,282	2,031,588	452,694
Judicial - District Attorney	160,677	160,677	160,677	-
Health and Welfare	5,450	5,450	2,679	2,771
Auxiliary Services	37,440	37,440	58,969	(21,529)
Culture and Recreation	16,420	48,920	41,510	7,410
Capital Outlay	8,500	8,500	40,875	(32,375)
Debt Service	191,330	191,330	191,328	2
<b>TOTAL EXPENDITURES</b>	<u>5,469,755</u>	<u>5,580,755</u>	<u>5,121,928</u>	<u>458,827</u>
Excess (deficiency) of revenues over expenditures	<u>(140,846)</u>	<u>(188,846)</u>	<u>693,931</u>	<u>882,777</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	-	-	1,050	1,050
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1,050</u>	<u>1,050</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(140,846)</u>	<u>(188,846)</u>	<u>694,981</u>	<u>883,827</u>
<b>Fund Balance at beginning of year</b>	<u>2,487,446</u>	<u>2,487,446</u>	<u>3,186,600</u>	<u>699,154</u>
<b>Fund Balance at end of year</b>	<u>\$ 2,346,600</u>	<u>\$ 2,298,600</u>	<u>\$ 3,881,581</u>	<u>\$ 1,582,981</u>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 335,050	\$ 335,050	\$ 344,782	\$ 9,732
Intergovernmental Revenue	2,217,000	2,239,000	2,314,302	75,302
Licenses and Permits	100	100	350	250
Charges for Services	20,000	80,000	80,950	950
Miscellaneous	6,200	6,200	25,297	19,097
<b>TOTAL REVENUES</b>	<u>2,578,350</u>	<u>2,660,350</u>	<u>2,765,681</u>	<u>105,331</u>
<b>EXPENDITURES</b>				
Highways and Streets	2,407,391	2,489,391	1,831,038	658,353
Capital Outlay	200,000	200,000	236,475	(36,475)
<b>TOTAL EXPENDITURES</b>	<u>2,607,391</u>	<u>2,689,391</u>	<u>2,067,513</u>	<u>621,878</u>
Excess (deficiency) of revenues over expenditures	(29,041)	(29,041)	698,168	727,209
<b>Fund Balance at beginning of year</b>	<u>2,201,789</u>	<u>2,201,789</u>	<u>3,029,393</u>	<u>827,604</u>
<b>Fund Balance at end of year</b>	<u>\$ 2,172,748</u>	<u>\$ 2,172,748</u>	<u>\$ 3,727,561</u>	<u>\$ 1,554,813</u>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SOCIAL SERVICES FUND**  
**For the Year Ended December 31, 2011**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 512,332	\$ 512,332	\$ 508,776	\$ (3,556)
Intergovernmental Revenue	10,709,485	10,709,485	1,923,436	(8,786,049)
<b>TOTAL REVENUES</b>	<u>11,221,817</u>	<u>11,221,817</u>	<u>2,432,212</u>	<u>(8,789,605)</u>
<b>EXPENDITURES</b>				
Health and Welfare	11,369,322	11,369,322	2,438,916	8,930,406
<b>TOTAL EXPENDITURES</b>	<u>11,369,322</u>	<u>11,369,322</u>	<u>2,438,916</u>	<u>8,930,406</u>
Excess (deficiency) of revenues over expenditures	(147,505)	(147,505)	(6,704)	140,801
<b>Fund Balance at beginning of year</b>	<u>355,997</u>	<u>355,997</u>	<u>659,169</u>	<u>303,172</u>
<b>Fund Balance at end of year</b>	<u>\$ 208,492</u>	<u>\$ 208,492</u>	<u>\$ 652,465</u>	<u>\$ 443,973</u>

**Notes to Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

## **RIO GRANDE COUNTY, COLORADO**

### **OTHER SUPPLEMENTARY INFORMATION**

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

**RIO GRANDE COUNTY, COLORADO  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

**AIRPORT FUND** – This fund is used to account for improvements to and operations of the Astronaut Rominger Airport.

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

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

**RIO GRANDE COUNTY WEED CONTROL DISTRICT** – This fund is used to provide monies for spraying of undesirable plants along the roads within Rio Grande County as required by the Colorado Weed Management Act.

**CAPITAL PROJECTS FUND**

Capital Projects Funds are used to account for the financing of capital purchases or construction for Rio Grande County and its facilities.

**RIO GRANDE COUNTY, COLORADO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2011**

**SPECIAL REVENUE FUNDS**

	<b>PUBLIC HEALTH FUND</b>	<b>AIRPORT FUND</b>	<b>CONSERVATION TRUST FUND</b>	<b>TOURISM FUND</b>	<b>RIO GRANDE COUNTY WEED CONTROL DISTRICT</b>	<b>CAPITAL PROJECTS FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL</b>
<b>ASSETS</b>							
Cash and Investments	\$ 135,487	\$ 88,105	\$ 261,960	\$ 250,170	\$ 189,245	\$ 8,180	\$ 933,147
Due From Other Governments	57,424	-	-	-	-	-	57,424
Property Taxes Receivable	85,348	-	-	-	79,000	-	164,348
<b>TOTAL ASSETS</b>	<b>\$ 278,259</b>	<b>\$ 88,105</b>	<b>\$ 261,960</b>	<b>\$ 250,170</b>	<b>\$ 268,245</b>	<b>\$ 8,180</b>	<b>\$ 1,154,919</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 1,990	\$ 20,297	\$ -	\$ 1,532	\$ 90	\$ -	\$ 23,909
Due To Other Funds	-	11,289	-	-	-	-	11,289
Deferred Revenue - Property Taxes	85,348	-	-	-	79,000	-	164,348
<b>TOTAL LIABILITIES</b>	<b>87,338</b>	<b>31,586</b>	<b>-</b>	<b>1,532</b>	<b>79,090</b>	<b>-</b>	<b>199,546</b>
<b>FUND BALANCE</b>							
Restricted for:							
Tabor Amendment Reserve	8,000	1,000	200	2,600	5,000	-	16,800
Committed to:							
Capital Projects	-	-	-	-	-	8,180	8,180
Assigned to:							
Health and Welfare	182,921	-	-	-	-	-	182,921
Culture and Recreation	-	-	261,760	246,038	-	-	507,798
Weed Control	-	-	-	-	184,155	-	184,155
Astronaut Rominger Airport	-	55,519	-	-	-	-	55,519
<b>TOTAL FUND BALANCE</b>	<b>190,921</b>	<b>56,519</b>	<b>261,960</b>	<b>248,638</b>	<b>189,155</b>	<b>8,180</b>	<b>955,373</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 278,259</b>	<b>\$ 88,105</b>	<b>\$ 261,960</b>	<b>\$ 250,170</b>	<b>\$ 268,245</b>	<b>\$ 8,180</b>	<b>\$ 1,154,919</b>

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

**SPECIAL REVENUE FUNDS**

	<b>PUBLIC HEALTH FUND</b>	<b>AIRPORT FUND</b>	<b>CONSERVATION TRUST FUND</b>	<b>TOURISM FUND</b>	<b>RIO GRANDE COUNTY WEED CONTROL DISTRICT</b>	<b>CAPITAL PROJECTS FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL</b>
<b>REVENUES</b>							
Taxes	\$ 101,260	\$ -	\$ -	\$ 80,213	\$ 92,423	\$ -	\$ 273,896
Intergovernmental Revenue	256,938	44,052	51,748	-	29	-	352,767
Charges For Services	22,897	-	-	-	40,000	-	62,897
Interest on Investments	480	391	90	80	803	-	1,844
Miscellaneous	13,146	10,725	64	256	392	-	24,583
<b>TOTAL REVENUES</b>	<b>394,721</b>	<b>55,168</b>	<b>51,902</b>	<b>80,549</b>	<b>133,647</b>	<b>-</b>	<b>715,987</b>
<b>EXPENDITURES</b>							
Current Expenditures:							
General Government	-	19,458	168	-	-	-	19,626
Health and Welfare	394,541	-	-	-	104,395	-	498,936
Culture and Recreation	-	-	19,883	57,299	-	-	77,182
Capital Outlay	-	20,000	-	-	7,300	-	27,300
<b>TOTAL EXPENDITURES</b>	<b>394,541</b>	<b>39,458</b>	<b>20,051</b>	<b>57,299</b>	<b>111,695</b>	<b>-</b>	<b>623,044</b>
Excess (deficiency) of revenues over expenditures	180	15,710	31,851	23,250	21,952	-	92,943
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Capital Assets	-	-	-	-	6,455	-	6,455
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,455</b>	<b>-</b>	<b>6,455</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	180	15,710	31,851	23,250	28,407	-	99,398
<b>Fund Balance at beginning of year</b>	<b>190,741</b>	<b>40,809</b>	<b>230,109</b>	<b>225,388</b>	<b>160,748</b>	<b>8,180</b>	<b>855,975</b>
<b>Fund Balance at end of year</b>	<b>\$ 190,921</b>	<b>\$ 56,519</b>	<b>\$ 261,960</b>	<b>\$ 248,638</b>	<b>\$ 189,155</b>	<b>\$ 8,180</b>	<b>\$ 955,373</b>

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS OUT**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES REPORTED ON THE GAAP BASIS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>Governmental Funds</b>				
Non-major Governmental Funds				
Special Revenue Funds				
Public Health Agency Fund	417,059	434,059	394,541	\$39,518
Airport Fund	507,500	507,500	39,458	\$468,042
Conservation Trust Fund	106,000	178,500	20,051	158,449
Tourism Fund	78,980	78,980	57,299	21,681
Weed Control District	134,925	134,925	111,695	23,230
Capital Projects Fund	-	-	-	-
Total Non-major Governmental Funds	<u>\$1,244,464</u>	<u>\$1,333,964</u>	<u>\$623,044</u>	<u>\$710,920</u>

**RIO GRANDE COUNTY, COLORADO**  
**DEPARTMENT OF SOCIAL SERVICES**  
**SCHEDULE OF EBT AUTHORIZATIONS, WARRANT EXPENDITURES,**  
**AND TOTAL EXPENDITURES**  
**For the Year Ended December 31, 2011**

	A	B	C	D	E
Program	County EBT Authorizations	County Share of Authorizations EBT Only OR MOE	Expenditures By County Warrants Issued	County EBT Authorizations plus Expenditures by County Warrant (Col. A + Col. C)	Total Expenditures (Col. B + Col.C)
COLORADO WORKS/TANF	\$ 394,958.60	\$ 39,349.54	\$ 582,720.04	\$ 977,678.64	\$ 622,069.58
CHILD CARE	192,745.48	25,882.97	42,691.15	235,436.63	68,574.12
CHILD WELFARE	457,267.63	110,075.63	577,965.25	1,035,232.88	688,040.88
COUNTY ADMINISTRATION	9,156.54	9,156.54	476,227.92	485,384.46	485,384.46
CORE SERVICES	44,420.43	2,858.82	63,486.00	107,906.43	66,344.82
CHILD SUPPORT ENFORCEMENT	-	-	248,711.42	248,711.42	248,711.42
LEAP	456,459.43	-	31,196.00	487,655.43	31,196.00
AID TO THE NEEDY DISABLED	61,357.45	12,271.50	-	61,357.45	12,271.50
HOME CARE ALLOWANCE	280,075.55	14,003.81	-	280,075.55	14,003.81
OLD AGE PENSION	260,436.25	-	12,621.95	273,058.20	12,621.95
SINGLE ENTRY POINT / OLTC	-	-	190,381.19	190,381.19	190,381.19
CO WIDE COST ALLOCATION PASS THRU	-	-	54,518.05	54,518.05	54,518.05
TANF COLLECTIONS EBT	(8,831.80)	(1,766.36)	-	(8,831.80)	(1,766.36)
GENERAL ASSISTANCE	-	-	26.00	26.00	26.00
FEMA	-	-	150.00	150.00	150.00
OTHER	(93,797.58)	(18,759.52)	-	(93,797.58)	(18,759.52)
SUBTOTAL	\$ 2,054,247.98	\$ 193,072.93	\$ 2,280,694.97	\$ 4,334,942.95	\$ 2,473,767.90
FOOD ASSISTANCE FRAUD	-	-	915.61	915.61	915.61
FOOD ASSISTANCE	4,108,597.29	-	-	4,108,597.29	-
RIO GRANDE CTY TOTAL (Note1)	\$ 6,162,845.27	\$ 193,072.93	\$ 2,281,610.58	\$ 8,444,455.85	\$ 2,474,683.51
# R.G. CTY DEPRECIATION	-	-	(39,961.00)	(39,961.00)	(39,961.00)
^ Unidentified reconciling item	-	-	4,193.49	4,193.49	4,193.49
GRAND TOTAL	\$ 6,162,845.27	\$ 193,072.93	\$ 2,245,843.07	\$ 8,408,688.34	\$ 2,438,916.00

# The County continues to record depreciation expense on items capitalized.

^ This amount is an unidentified reconciling item between Client CYMA G/L and the State CFMS Reporting System.

**NOTE 1:**

The County Social Service recipient awards are provided by the State of Colorado Electronic Benefit Transfer System (EBT).

The County's direct payments include other direct payments made during 2011, including the County's share of the EBT transfer.

A. Welfare payments authorized by the Rio Grande County Department of Social Services. These county authorizations are paid by the Colorado Department of Human Services by QWEST debit cards or by electronic funds transfer (EFT).

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 Rio Grande County.

E. This total matches the expenditures on the Social Services Fund - Statement of Revenues, Expenditures and Changes in Fund Balance.

**RIO GRANDE COUNTY, COLORADO**

**OTHER SCHEDULES AND REPORTS**

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2011**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
COLORADO DEPT. OF HUMAN SERVICES			
<i>SNAP Cluster</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 122,845
Commodity Supplemental Food Program	10.565		4,645
<i>Emergency Food Assistance Cluster</i>			
Emergency Food Assistance Program (Administrative Costs)	10.568		778
Emergency Food Assistance Program (Food Commodities)	10.569		31,298
Total for <i>Emergency Food Assistance Cluster</i>			<u>32,076</u>
COLORADO DEPT. OF TREASURY			
<i>Schools and Roads Cluster</i>			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Title I and Title III Funds			
Direct Expenditures: Title III Funds			610
Direct Expenditures: Title I Funds			110,025
Passed to Sub recipients: Title I Funds			<u>110,025</u>
			<u>220,660</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Bulletproof Vest Partnership Program	16.607		3,340
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
COLORADO DEPT. OF HUMAN SERVICES			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		907,155
Child Support Enforcement	93.563		196,765
Low-Income Home Energy Assistance	93.568		487,655
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		(26,113)
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		174,308
Total for <i>CCDF Cluster</i>			<u>148,195</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645		10,327
Foster Care-Title IV-E	93.658		148,426
Adoption Assistance	93.659		39,822
Social Services Block Grant	93.667		89,777
Medical Assistance Program ( <i>Medicaid Cluster</i> )	93.778		131,791
Medical Assistance Program ( <i>Medicaid Cluster</i> ) - OLTC/SEP	93.778		24,765
COLORADO DEPT. OF HEALTH CARE POLICY & FINANCING			
Medical Assistance Program - Healthy Communities ( <i>Medicaid Cluster</i> )	93.778		37,363
Medical Assistance Program - OLTC/SEP ( <i>Medicaid Cluster</i> )	93.778		102,003
Children's Health Insurance Program	93.767		9,345
Public Health Emergency Preparedness	93.069	EPR-HW1/2-HHS	16,276

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2011**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<i>Immunization Cluster</i>			
Immunization Grants	93.268	IMM-KA1-HHS	10,142
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	EIP-QW1/9-HHS	8,946
National Bioterrorism Hospital Preparedness Program	93.889		4,803
Preventive Health and Health Services Block Grant	93.991	PRV-HC1-HHS	7,500
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>COLORADO DEPT. OF LOCAL AFFAIRS</b>			
Emergency Management Performance Grants	97.042	12EM1L54	20,691
<b>GOVERNOR'S OFFICE OF HOMELAND SECURITY</b>			
<i>Homeland Security Cluster</i>			
Homeland Security Grant Program - 2008 SHSP	97.067	98HS78854	2,500
Homeland Security Grant Program - 2009 SHSP	97.067	9SHS10SLV	361,197
Homeland Security Grant Program - 2010 SHSP	97.067	10SHS11SLV	163,160
Homeland Security Grant Program - 2009 Citizen Corp	97.067	9CCP10SLV	12,277
Homeland Security Grant Program - 2010 Citizen Corp	97.067	10CCP11SLV	3,440
Total for <i>Homeland Security Cluster</i>			<u>542,574</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>COLORADO DEPT. OF LOCAL AFFAIRS</b>			
<i>CDBG - State-Administered CDBG Cluster</i>			
Community Development Block Grants/State's Program	* 14.228		368,168
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Fish and Wildlife Management Assistance	15.608		20,658
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>COLORADO DIVISION OF CRIMINAL JUSTICE</b>			
Crime Victim Assistance Program	16.575		22,210
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>COLORADO DEPT. OF PUBLIC HEALTH AND ENVIRONMENT</b>			
Performance Partnership Grants	66.605	HAZ-AS1-EPA	<u>5,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,743,923</u></u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A: BASIS OF PRESENTATION**

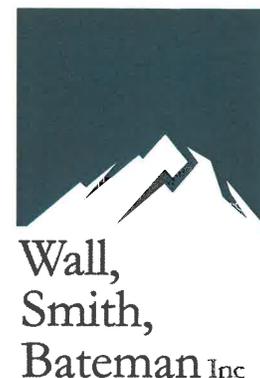
The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rio Grande County, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B: SUBRECIPIENTS**

The County provided federal awards to two subrecipients during 2011.

\* Denotes pass through grant to San Luis Valley Development Resources Group.

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



To the Board of County Commissioners  
Rio Grande County, Colorado  
Del Norte, Colorado

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande County, Colorado (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Certified Public Accountants**

### **Compliance and Other Matters**

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

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

July 24, 2012



Wall,  
Smith,  
Bateman Inc

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of County Commissioners  
Rio Grande County, Colorado  
Del Norte, Colorado

### **Compliance**

We have audited Rio Grande County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Rio Grande County, Colorado complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### **Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's

### **Certified Public Accountants**

internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

July 24, 2012

**RIO GRANDE COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2011**

**Section I – Summary of Auditor s’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee? \_\_\_\_\_yes no

**Section II – Financial Statement Findings**

None

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

None

**Section IV – Summary Schedule of Prior Audit Findings**

None

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Rio Grande County
	YEAR ENDING : December 2011

This Information From The Records Of (example - City of _ or County of ) Rio Grande County	Prepared By: Suzanne L. Benton	Phone: (719) 657-4215
---	-----------------------------------	--------------------------

**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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,268,330
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	373,733
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	22,753
2. General fund appropriations		b. Snow and ice removal	409,368
3. Other local imposts (from page 2)	366,232	c. Other Spraying of RoW	14,065
4. Miscellaneous local receipts (from page 2)	163,000	d. Total (a. through c.)	446,186
5. Transfers from toll facilities		4. General administration & miscellaneous	129,972
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,218,221
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	529,232	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	2,168,510	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	89,543	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,787,285	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,218,221

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,367,907	2,787,285	2,218,221	2,936,971	0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	303,186	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	21,450	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	762
4. Licenses		f. Charges for Services	144,735
5. Specific Ownership &/or Other	41,596	g. Other Misc. Receipts	
6. Total (1. through 5.)	63,046	h. Other	17,503
c. Total (a. + b.)	366,232	i. Total (a. through h.)	163,000
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	2,129,433	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	68,885
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	38,212	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)	865	f. Other Federal	20,658
f. Total (a. through e.)	39,077	g. Total (a. through f.)	89,543
4. Total (1. + 2. + 3.f)	2,168,510	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		1,268,330	1,268,330
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,268,330	1,268,330
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,268,330	1,268,330
			(Carry forward to page 1)

Notes and Comments: