

Pueblo County, Colorado is pleased to present its Federal Financial Assistance Single Audit Report for the year ending December 31, 2009 in .pdf format.

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PUEBLO COUNTY, COLORADO

FEDERAL FINANCIAL ASSISTANCE

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2009

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**PUEBLO COUNTY, COLORADO
FEDERAL FINANCIAL ASSISTANCE - SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2009**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Pueblo County, Colorado
Pueblo, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pueblo County, Colorado'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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2010 on our consideration of Pueblo County, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in considering the results of our audit.

McPherson, Brayfogel, Davlin & Goodrich, PC

July 19, 2010

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BASIC FINANCIAL STATEMENTS

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PUEBLO COUNTY, COLORADO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 35,562,936	\$ 26,375	\$ 35,589,311	\$ 1,775,797
Investments	-	-	-	49,628
Receivables, net	52,205,150	9,229	52,214,379	868,074
Internal balances	2,832,260	(2,832,260)	-	-
Inventories	968,004	-	968,004	-
Prepaid expenses and deposits	252,838	-	252,838	2,750
Deferred issue costs, net of accumulated amortization	1,316,869	54,028	1,370,897	-
Restricted assets:				
Cash and cash equivalents	2,437	619,020	621,457	-
Accrued interest	-	102	102	-
Land held for development	-	457,000	457,000	-
Capital Assets:				
Land and water rights	10,961,020	4,402,683	15,363,703	-
Construction in progress	30,170,810	-	30,170,810	-
Collections and works of art	350,000	-	350,000	24,467
Non-depreciable capital assets	41,481,830	4,402,683	45,884,513	24,467
Buildings and improvements	69,678,210	341,970	70,020,180	-
Machinery and equipment	23,959,825	858,283	24,818,108	276,112
Improvements other than buildings	-	1,385,738	1,385,738	-
Infrastructure	120,553,850	-	120,553,850	-
Less accumulated depreciation	(85,809,623)	(1,379,923)	(87,189,546)	(81,302)
Depreciable capital assets, net	128,382,262	1,206,068	129,588,330	194,810
Total Capital Assets, net	169,864,092	5,608,751	175,472,843	219,277
TOTAL ASSETS	263,004,586	3,942,245	266,946,831	2,915,526
LIABILITIES				
Accounts payable and accrued expenses	5,596,353	20,430	5,616,783	17,747
Due to other governmental agencies	528,131	-	528,131	115,418
Unearned revenue	45,575,079	13,425	45,588,504	-
Long-term liabilities -				
Portion due or payable in one year or less -				
Accrued interest	218,556	26,572	245,128	-
General obligation bonds	1,622,766	-	1,622,766	-
Certificates of participation	1,080,000	325,000	1,405,000	-
Capital leases	265,688	53,585	319,273	-
Compensated absences	540,000	-	540,000	-
Estimated claims and judgments	323,769	-	323,769	-
Pollution remediation obligation	235,200	-	235,200	-
Portion due or payable after one year -				
General obligation bonds, net	8,290,071	-	8,290,071	-
Certificates of participation, net	36,464,587	5,423,474	41,888,061	-
Capital leases	332,967	60,104	393,071	-
Advances from other government	-	3,620,492	3,620,492	-
Compensated absences	7,300,700	-	7,300,700	-
Estimated claims and judgments	248,292	-	248,292	-
Net OPEB Obligation	811,003	-	811,003	-
Net pension obligation	3,807,309	-	3,807,309	-
TOTAL LIABILITIES	113,240,471	9,543,082	122,783,553	133,165
NET ASSETS				
Invested in capital assets, net of related debt	156,687,721	(253,412)	156,434,309	219,277
Restricted for:				
Tabor	2,200,000	-	2,200,000	-
Debt service	1,184,675	-	1,184,675	-
Unrestricted	(10,308,282)	(5,347,425)	(15,655,707)	2,563,084
TOTAL NET ASSETS	\$ 149,764,114	\$ (5,600,837)	\$ 144,163,277	\$ 2,782,361

The accompanying notes are an integral part of this statement.

**PUEBLO COUNTY, COLORADO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

Function/program activities:	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
General government	\$ 28,866,745	\$ 4,902,303	\$ 2,344,599	\$ -
Public safety	31,324,338	2,137,698	7,503,286	1,484,161
Road and bridge	12,263,344	739,437	4,309,240	6,104,655
Health, welfare and sanitation	29,634,129	503,904	20,385,418	-
Culture and recreation	2,072,045	82,094	-	350,084
Conservation	756,747	123,964	4,702	-
Urban redevelopment and housing	3,366,798	392,479	1,694,034	-
Economic development and assistance	377,695	-	12,500	-
Interest on long-term debt	587,585	-	-	-
Total Governmental Activities	109,249,426	8,881,879	36,253,779	7,938,900
BUSINESS-TYPE ACTIVITIES				
Desert Hawk golf course	1,446,301	800,910	2,584	42,688
Total Business-Type Activities	1,446,301	800,910	2,584	42,688
Total Primary Government	\$ 110,695,727	\$ 9,682,789	\$ 36,256,363	\$ 7,981,588
COMPONENT UNITS				
Pueblo County Community Development Corp.	\$ 57,289	\$ 44,240	\$ 110,000	\$ -
Pueblo County Emergency Telephone Service Authority	460,988	506,083	-	-
Runyon Sports Complex Commission, Inc.	433,934	403,066	98,905	-
Total Component Units	\$ 952,211	\$ 953,389	\$ 208,905	\$ -
GENERAL REVENUES				
Property taxes levied for -				
General purposes				
Debt service				
Sales and use taxes				
Specific ownership taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS				
NET ASSETS, beginning of year				
NET ASSETS, end of year				

The accompanying notes are an integral part of this statement.

**Net (Expenses) Revenues and
Changes in Net Assets**

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (21,619,843)	\$ -	\$ (21,619,843)	\$ -
(20,199,193)	-	(20,199,193)	-
(1,110,012)	-	(1,110,012)	-
(8,744,807)	-	(8,744,807)	-
(1,639,867)	-	(1,639,867)	-
(628,081)	-	(628,081)	-
(1,280,285)	-	(1,280,285)	-
(365,195)	-	(365,195)	-
(587,585)	-	(587,585)	-
<u>(56,174,868)</u>	<u>-</u>	<u>(56,174,868)</u>	<u>-</u>
-	(600,119)	(600,119)	-
-	(600,119)	(600,119)	-
<u>\$ (56,174,868)</u>	<u>\$ (600,119)</u>	<u>\$ (56,774,987)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 96,951
-	-	-	45,095
-	-	-	68,037
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,083</u>
37,029,901	-	37,029,901	-
1,473,564	-	1,473,564	-
15,377,132	-	15,377,132	-
4,038,074	-	4,038,074	-
170,931	-	170,931	8,874
139,347	-	139,347	-
(45,262)	45,262	-	-
<u>58,183,687</u>	<u>45,262</u>	<u>58,228,949</u>	<u>8,874</u>
2,008,819	(554,857)	1,453,962	218,957
147,755,295	(5,045,980)	142,709,315	2,563,404
<u>\$ 149,764,114</u>	<u>\$ (5,600,837)</u>	<u>\$ 144,163,277</u>	<u>\$ 2,782,361</u>

PUEBLO COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 23,867,162	\$ 36,659	\$ 4,089,591	\$ -	\$ 7,569,524	\$ 35,562,936
Receivables, net:						
Taxes	33,906,217	2,229,663	3,964,552	-	4,216,932	44,317,364
Grants	952,895	351,348	-	500,000	723,400	2,527,643
Notes	200,000	-	-	-	397,314	597,314
Interest	2,633	-	-	-	23,448	26,081
Other governments	24,747	623	2,004,011	-	1,176	2,030,557
Other agencies	115,418	-	-	-	1,400,000	1,515,418
Other	625,014	-	49,036	420,819	95,903	1,190,772
Inventories	136,501	470,049	-	-	361,454	968,004
Due from other funds	445,828	-	-	409,258	73,238	928,324
Prepaid items and deposits	73,099	-	179,739	-	-	252,838
Cash and cash equivalents - restricted	-	-	-	2,437	-	2,437
Advances to other funds	2,375,697	413,558	-	-	450,000	3,239,255
TOTAL ASSETS	<u>\$ 62,725,211</u>	<u>\$ 3,501,900</u>	<u>\$ 10,286,929</u>	<u>\$ 1,332,514</u>	<u>\$ 15,312,389</u>	<u>\$ 93,158,943</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,482,544	\$ 756,395	\$ 208,052	\$ 2,077,467	\$ 952,840	\$ 5,477,298
Due to other governments	450	-	527,681	-	-	528,131
Due to other funds	419,729	239,252	95,186	-	186,152	940,319
Deferred revenue	32,133,744	1,252,798	7,181,588	-	5,006,949	45,575,079
Other accrued liabilities	105,304	4,378	8,828	-	546	119,056
Advances from other funds	-	-	-	-	395,000	395,000
TOTAL LIABILITIES	<u>34,141,771</u>	<u>2,252,823</u>	<u>8,021,335</u>	<u>2,077,467</u>	<u>6,541,487</u>	<u>53,034,883</u>
FUND BALANCES:						
Reserved	3,249,306	1,249,077	179,739	-	5,789,436	10,467,558
Unreserved, reported in:						
General fund	25,334,134	-	-	-	-	25,334,134
Special revenue funds	-	-	2,085,855	-	2,981,466	5,067,321
Capital projects fund	-	-	-	(744,953)	-	(744,953)
TOTAL FUND BALANCES	<u>28,583,440</u>	<u>1,249,077</u>	<u>2,265,594</u>	<u>(744,953)</u>	<u>8,770,902</u>	<u>40,124,060</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,725,211</u>	<u>\$ 3,501,900</u>	<u>\$ 10,286,929</u>	<u>\$ 1,332,514</u>	<u>\$ 15,312,389</u>	<u>\$ 93,158,943</u>

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Fund Balances - Governmental Funds \$ 40,124,060

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	\$ 255,673,715	
Accumulated depreciation is	<u>(85,809,623)</u>	169,864,092

Deferred charges including debt issuance costs are not available to pay current period expenditures and therefore are not reported as assets in governmental funds, but are reported in the governmental activities column of the Statement of Net Assets.

Unamortized bond issue costs		1,316,870
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

General obligation bonds payable	\$ (9,912,837)	
Certificates of participation payable	(37,544,587)	
Accrued interest on bonds payable	(218,556)	
Capital leases payable	(598,655)	
Compensated absences	(7,840,700)	
Claims and judgments	(572,061)	
Pollution remediation obligation	(235,200)	
OPEB obligation	(811,003)	
Net pension obligation	<u>(3,807,309)</u>	<u>(61,540,908)</u>

Total Net Assets - Governmental Activities		<u>\$ 149,764,114</u>
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The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property taxes, net	\$ 29,633,105	\$1,168,692	\$3,697,850	\$ -	\$ 4,003,818	\$ 38,503,465
Specific ownership taxes	3,261,233	122,745	388,420	-	265,676	4,038,074
Sales and use taxes	12,944,623	2,289,419	-	-	143,090	15,377,132
Fees and fines	36,847	-	-	-	-	36,847
Licenses and permits	179,545	3,000	-	-	-	182,545
Intergovernmental	9,535,100	5,884,589	17,872,280	500,000	5,551,114	39,343,083
State highway users tax	-	4,258,482	-	-	-	4,258,482
Charges for services	6,164,602	471,718	138,194	-	798,940	7,573,454
Investment earnings	78,146	-	-	3,338	94,477	175,961
Contributions and private grants	-	-	-	-	587,586	587,586
Other revenues	671,701	9,396	-	44,000	19,795	744,892
TOTAL REVENUES	<u>62,504,902</u>	<u>14,208,041</u>	<u>22,096,744</u>	<u>547,338</u>	<u>11,464,496</u>	<u>110,821,521</u>
EXPENDITURES						
Current:						
General government	24,720,631	-	-	-	2,891,919	27,612,550
Public safety	26,491,486	-	-	-	40,081	26,531,567
Highways and streets	-	7,665,246	-	-	-	7,665,246
Health and welfare	1,656,435	-	22,019,861	222,456	3,108,874	27,007,626
Culture and recreation	399,758	-	-	-	326,235	725,993
Urban development and housing	-	-	-	-	3,004,412	3,004,412
Conservation	621,776	-	-	-	-	621,776
Economic development assistance	120,282	-	-	-	-	120,282
Intergovernmental	3,277,316	1,550,821	-	-	-	4,828,137
Debt service:						
Principal	-	-	-	-	1,564,538	1,564,538
Interest and other charges	1,365,654	-	-	5,886	477,034	1,848,574
Capital outlay	3,244,024	7,010,070	167,107	8,362,383	1,263,704	20,047,288
TOTAL EXPENDITURES	<u>61,897,362</u>	<u>16,226,137</u>	<u>22,186,968</u>	<u>8,590,725</u>	<u>12,676,797</u>	<u>121,577,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>607,540</u>	<u>(2,018,096)</u>	<u>(90,224)</u>	<u>(8,043,387)</u>	<u>(1,212,301)</u>	<u>(10,756,468)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of certificates of participation	26,600,000	-	-	-	-	26,600,000
Original issue discount on certificates of participation	(400,756)	-	-	-	-	(400,756)
Transfers in	160,870	1,132,742	-	3,967,164	1,159,641	6,420,417
Transfers out	(6,243,546)	-	-	-	(222,132)	(6,465,678)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,116,568</u>	<u>1,132,742</u>	<u>-</u>	<u>3,967,164</u>	<u>937,509</u>	<u>26,153,983</u>
NET CHANGE IN FUND BALANCES	20,724,108	(885,354)	(90,224)	(4,076,223)	(274,792)	15,397,515
FUND BALANCES - January 1	<u>7,859,332</u>	<u>2,134,431</u>	<u>2,355,818</u>	<u>3,331,270</u>	<u>9,045,694</u>	<u>24,726,545</u>
FUND BALANCES - December 31	<u>\$ 28,583,440</u>	<u>\$1,249,077</u>	<u>\$2,265,594</u>	<u>\$ (744,953)</u>	<u>\$ 8,770,902</u>	<u>\$ 40,124,060</u>

The accompanying notes are an integral part of this statement. -7-

PUEBLO COUNTY, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds		\$ 15,397,515
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
	Cost of assets capitalized	\$ 19,219,161
	Depreciation expense	<u>(7,618,852)</u> 11,600,309
In the statement of activities, donations of capital assets are reported as revenues. However, these donations do not represent a current financial resource and thus are not reported in the funds.		
		526,148
In the statement of activities, the loss on the disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds. The loss on disposal is calculated as follows:		
	Cost of assets disposed	\$ (1,122,522)
	Accumulated depreciation of assets disposed	<u>1,092,359</u> (30,163)
Certain revenue was recognized in the fund statements but was earned and accrued in a prior period for the statement of activities.		
		(43,567)
The change in the carrying value of pollution remediation obligation is not reported in governmental funds.		
		291,300
In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amounts actually paid. This year, compensated absences earned (\$447,444) exceeded the amounts paid (\$326,380).		
		(121,064)
Some expenses (estimated claims and judgments) reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		35,384
The change in the carrying value of the net OPEB obligation is not reported in governmental funds.		
		(403,837)
The change in the carrying value of the net pension asset (obligation) is not reported in governmental funds.		
		(1,646,592)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and other obligations is as follows:		
	Issuance of certificates of participation	\$ (26,199,244)
	Debt issue costs on issuance of certificates of participation	956,396
	Principal payments on general obligation bonds and capital lease	1,828,949
	Interest expense on general obligation bonds and capital lease	(77,420)
	Amortization of bond issuance costs, discount, premium and deferred amount on refunding	<u>(105,295)</u> (23,596,614)
Change in net assets of governmental activities		<u>\$ 2,008,819</u>

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2009

Enterprise Fund
Desert Hawk Golf
Course at Pueblo West

ASSETS	Enterprise Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 26,375
Accounts receivable	9,229
Due from other funds	12,000
TOTAL CURRENT ASSETS	47,604
NONCURRENT ASSETS	
Capital assets -	
Land	4,402,683
Buildings	341,970
Improvements	1,385,738
Machinery and equipment	858,283
Accumulated depreciation	(1,379,923)
TOTAL CAPITAL ASSETS	5,608,751
Other assets -	
Deferred issue costs	54,028
Cash and cash equivalents, restricted for debt service	619,020
Accrued interest, restricted for debt service	102
Land held for development	457,000
TOTAL OTHER ASSETS	1,130,150
TOTAL NONCURRENT ASSETS	6,738,901
TOTAL ASSETS	\$ 6,786,505
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 20,430
Due to general fund	5
Accrued interest	26,572
Certificates of participation payable	325,000
Capital leases payable	53,585
Unearned revenue	13,425
TOTAL CURRENT LIABILITIES	439,017
LONG-TERM LIABILITIES	
Certificates of participation payable, net	5,423,474
Capital leases payable	60,104
Advance due other funds	2,844,255
Advance on purchase option from other government	457,000
Deferred water payments	1,109,381
Loan payable to other government	2,054,111
TOTAL LONG-TERM LIABILITIES	11,948,325
TOTAL LIABILITIES	12,387,342
NET ASSETS	
Invested in capital assets, net of related debt	(253,412)
Unrestricted (deficit)	(5,347,425)
TOTAL NET ASSETS (DEFICIT)	(5,600,837)
TOTAL LIABILITIES AND NET ASSETS	\$ 6,786,505

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2009

	<u>Enterprise Fund</u> <u>Desert Hawk Golf</u> <u>Course at Pueblo West</u>
OPERATING REVENUE	
Charges for services	\$ 800,910
TOTAL OPERATING REVENUES	<u>800,910</u>
 OPERATING EXPENSES	
Personnel services	27,679
Contract fees	330,065
Supplies	168,263
Professional services	7,798
Insurance	8,988
Repairs and maintenance	92,835
Depreciation	189,147
Utilities and communications	205,388
Equipment rent	1,919
TOTAL OPERATING EXPENSES	<u>1,032,082</u>
 OPERATING INCOME (LOSS)	 <u>(231,172)</u>
 NONOPERATING REVENUES (EXPENSES)	
Investment income	2,584
Interest and fiscal charges	(414,219)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(411,635)</u>
 INCOME (LOSS) BEFORE TRANSFERS	 <u>(642,807)</u>
Contributions	42,688
Transfers in	45,262
TOTAL TRANSFERS	<u>87,950</u>
 CHANGE IN NET ASSETS	 <u>(554,857)</u>
NET ASSETS (DEFICIT) JANUARY 1	<u>(5,045,980)</u>
NET ASSETS (DEFICIT) DECEMBER 31	<u>\$ (5,600,837)</u>

The accompanying notes are an integral part of this statement.

**PUEBLO COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2009**

	<u>Enterprise Fund Desert Hawk Golf Course at Pueblo West</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 791,677
Payments to suppliers for goods and services	(671,920)
Payments to employees	(27,148)
Net cash provided by operating activities	<u>92,609</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions	42,688
Transfers in	33,262
Net cash provided by noncapital financing activities	<u>75,950</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of fund advance	(96,995)
Principal paid on certificates of participation	(310,000)
Principal paid on capital leases	(72,819)
Interest and fiscal charges	(317,711)
Acquisition of capital assets	(53,467)
Proceeds from sale of capital assets	-
Advances from other funds	322,457
Advances from other governments	239,529
Net cash (used) by capital and related financing activities	<u>(289,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	2,938
Net cash provided by investing activities	<u>2,938</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(117,509)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>762,904</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 645,395</u>
Displayed as:	
Cash and cash equivalents	\$ 26,375
Cash and cash equivalents, restricted for debt service	619,020
	<u>\$ 645,395</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (231,172)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	189,147
Change in assets and liabilities -	
Accounts receivable	(3,833)
Accounts payable and accrued expenses	(7,535)
Deferred water payments	151,402
Unearned revenue	(5,400)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 92,609</u>

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 906,704	\$ 3,833,991
Accounts receivable	559,938	106,490
Interest receivable	25,535	-
Other accounts receivable	148,124	-
Due from other governments	-	20,450
Investments, at fair value	<u>89,182,364</u>	<u>-</u>
TOTAL ASSETS	<u>90,822,665</u>	<u>\$ 3,960,931</u>
LIABILITIES		
Accounts payable	69,330	\$ -
Due to other entities	-	106,490
Due to other taxing entities	-	3,348,804
Due to developers	-	337,694
Due to victims and insurance companies	-	11,688
Other accrued expenses	93,518	-
Due to lien holders and property owners	<u>-</u>	<u>156,255</u>
TOTAL LIABILITIES	<u>162,848</u>	<u>\$ 3,960,931</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 90,659,817</u>	

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2009

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 3,390,440
Plan members	<u>3,390,440</u>
Total contributions	<u>6,780,880</u>
Investment earnings:	
Net appreciation in fair value of investments	12,108,181
Interest and dividend income	<u>1,709,265</u>
Total investment income	13,817,446
Less investment expense	<u>(271,168)</u>
Net investment earnings	<u>13,546,278</u>
TOTAL ADDITIONS	<u>20,327,158</u>
DEDUCTIONS	
Benefit payments:	
Retirement benefits	5,486,414
Refunds of contributions	<u>260,608</u>
Total benefit payments	<u>5,747,022</u>
Administrative expenses:	
Administrative costs	<u>138,925</u>
Total administrative expenses	<u>138,925</u>
TOTAL DEDUCTIONS	<u>5,885,947</u>
CHANGE IN NET ASSETS	14,441,211
NET ASSETS AVAILABLE FOR PLAN BENEFITS AT BEGINNING OF YEAR	<u>76,218,606</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS AT END OF YEAR	<u>\$ 90,659,817</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards. The County has elected to apply only Financial Accounting Standards Board (FASB) statements issued prior to November 30, 1989 to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. A summary of Pueblo County's significant accounting policies applied in the preparation of these financial statements follows.

NOTE A – REPORTING ENTITY

Pueblo County, Colorado (the County) was formed in 1866 and is a political subdivision of the State of Colorado, governed by an elected three-member Board of County Commissioners. There are also seven other elected officials of the County (Assessor, Clerk and Recorder, Coroner, District Attorney, Sheriff, Surveyor and Treasurer). The County provides the following services: public safety (sheriff, jail and coroner), planning and zoning, judicial, health and welfare, culture and recreation, public improvements, and general administrative services.

All financial transactions of the elected officials' offices of the County are included in the general fund. The Board of County Commissioners has budgetary authority over the elected officials and is accountable for all fiscal matters. Property taxes fund a significant portion of the costs of operating the elected officials' offices. Services provided by the elected officials are for the benefit of Pueblo County residents and are conducted within the boundaries of the County.

As required by generally accepted accounting principles (GAAP), the accompanying financial statements present the County (the primary government) and its component units, which are entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations and, consequently, data from these units are combined with data of the primary government. The discretely-presented component units, however, are reported separately in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31 year end.

Blended Component Units

The financial statements of the following component units have been "blended" with those of the County because (1) their governing bodies are substantially the same as the governing body of the County, and (2) the component unit provides services entirely to the County.

Public Trustee performs certain functions of the County as required by Colorado Revised Statutes. The financial activity of the Public Trustee has been blended into the County's comprehensive annual financial report (CAFR) in the government-wide governmental activities and in the fund financial statements as the Public Trustee Special Revenue Fund. Separately-issued financial statements for the Public Trustee are not available.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE A – REPORTING ENTITY, continued

Prosecutors Assistance, Inc. was formed 1981 and exists for the purpose of education and determent and prevention of crime. The Prosecutors Assistance, Inc. is a not-for-profit corporation operated by the Office of the District Attorney. The board is composed of the District Attorney and four members, one is appointed by the City of Pueblo Chief of Police, one is appointed by the Pueblo County Sheriff, and two are appointed by the District Attorney. The board does not submit a proposed annual operating budget to the County for their approval. The financial activity of the Prosecutors Assistance, Inc. has been blended into the County's comprehensive annual financial report (CAFR) in the government-wide governmental activities and in the fund financial statements as the Prosecutors Assistance Special Revenue Fund. Separately-issued financial statements for the Prosecutors Assistance, Inc. are not available.

The Pueblo County Capital Construction Corporation (PCCCC) was formed in 1989 and exists for the purpose of constructing and financing major County facilities. PCCCC is the financing vehicle used to facilitate the acquisition and improvement of a municipal golf course known as Desert Hawk Golf Course at Pueblo West (the golf course). PCCCC is a non-profit public benefit corporation that leases the golf course to the County under an annually renewable lease-purchase agreement. PCCCC issued certificates of participation, the proceeds of which were used for the acquisition and improvement of the golf course. The lease payments made by the County to PCCCC are used to retire the certificates of participation. Upon retirement of the certificates of participation, title to the golf course will pass to the County and the County is financially responsible for the activities of the Corporation. In conjunction with the operation of the golf course, the County entered into an agreement with the Pueblo West Metropolitan District (the District) that created a management board to promote, operate, develop and maintain the golf course. The board is composed of seven members, three of whom are appointed by the County, three are appointed by the District, and one member is jointly appointed. The agreement requires the board to submit a proposed annual operating budget to the County and the District for their approval. Beginning in the calendar year 2005 and going forward, the District and the County each fund one-half of the annual debt service requirements. The repayment of the amounts advanced by the County and District to the enterprise is based upon the cumulative loan balances of each party as of the end of the prior calendar year. The total annual repayment to both the County and District is limited to \$500,000 per year. The agreement also requires the District to treat the charge for untreated water provided to the golf course through December 2010 as additional non-interest bearing loans if not covered by annual revenues. The agreement also provides that upon the complete retirement of the certificates of participation, as well as any loans and advances made to the enterprise by both the County and the District and any other indebtedness of the enterprise, the title ownership of the golf course shall be transferred to joint and general ownership of the County and the District. The financial activity of the PCCCC has been blended into the County's CAFR in the government-wide business-type activities and in the fund financial statements as the Desert Hawk Golf Course at Pueblo West proprietary fund.

Discretely Presented Component Units

The financial statements of the following component units have been "discretely presented" in the accompanying report because (1) their governing boards are not substantially the same as the governing body of the County, and (2) the component units provide services entirely or almost entirely to the citizenry and not the County.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE A – REPORTING ENTITY, continued

The Pueblo County Community Development Corporation (PCCDC) was formed in 1988 for the purpose of assisting in the development and economic stabilization of the statutory towns and unincorporated areas within Pueblo County by promoting and assisting the growth and development of business concerns in the area. The County, from time to time, is the recipient of community development block grant (CDBG) funds for the purpose of administering a revolving loan fund program for business development. The state of Colorado requires that the revolving loan fund program be operated and controlled by a private, nonprofit corporation. Accordingly, in order to meet state requirements, the County has transferred its responsibility for the revolving loan fund program to the Corporation which is a non-profit public benefit corporation. The activities of the PCCDC are governed by a board composed of seven members, all of whom are appointed by the County. The PCCDC may only be dissolved by action of the Board of County Commissioners and all accounting and administrative functions are performed by the County. The PCCDC is presented as a business-type activity. Separately-issued financial statements of the Pueblo County Community Development Corporation are not available.

Pueblo County Emergency Telephone Service Authority (the Authority) was formed December 9, 2003 by the Board of County Commissioners to account for revenues derived from special telephone surcharges which are used to purchase and maintain enhanced 911 equipment and related activities as allowed by Colorado Revised Statutes. The activities of the Authority are governed by a board composed of seven members, five of whom are appointed by the County, one appointed by the Town of Boone, Colorado and one appointed by the Town of Rye, Colorado. The Authority may be dissolved by mutual agreement of a majority of the parties involved. All accounting and administrative functions of the Authority are performed by the County. The Authority is presented as a business-type activity. Separately-issued financial statements of the Pueblo County Emergency Telephone Service Authority are not available.

Runyon Sports Complex Commission, Inc (the Commission) is a Colorado nonprofit corporation formed in 1993 by the Board of County Commissioners for the purpose of developing and coordinating baseball and other sports and recreation programs utilizing the Runyon Sports Complex. The activities of the Commission are governed by a board composed of nine members all of whom are appointed by the County. The Commission may only be dissolved by action of the Board of County Commissioners. The County provides financial assistance to the operations of the Commission. The Commission is presented as a business-type activity. Separately-issued financial statements of the Runyon Sports Complex Commission, Inc. are not available.

NOTE B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Financial information of the County and its discretely-presented component units is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net assets and a statement of activities. For the most part, the effect of interfund activity has been removed from these statements.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

These statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining. The fiduciary funds of the primary government are not included in the government-wide financial statements; however, separate financial statements are presented.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and for each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the County's major governmental and enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

NOTE C – 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 as are the proprietary fund and fiduciary fund financial statements, except that agency funds, as they are merely custodial funds, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be 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 generally are 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. General capital asset acquisitions are reported as

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION, continued

expenditures in governmental funds while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales and use taxes, specific ownership taxes, state-shared taxes, grant and entitlement revenues, interest and charges for services are considered revenues susceptible to accrual and have been recognized as revenues of the current fiscal period. Other receipts, fines, licenses, and permits are not susceptible to accrual because they are not generally measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

The County reports the following major governmental funds:

- The **General Fund** is the primary operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources of the County except those required to be accounted for in another fund. Major revenue sources include property taxes, sales and use taxes, specific ownership taxes, charges for services, intergovernmental revenues and investment revenue. Primary expenditures are for general administration, public safety, judicial, planning and zoning, property valuation, tax collection and distribution, vehicle licensing, and capital acquisition.
- The **Road & Bridge Fund** is a special revenue fund used to administer projects related to County road and bridge construction and maintenance and traffic engineering. Financing sources are from dedicated property taxes, federal and state grants and state highway users tax. By state law, Colorado counties are required to maintain a road and bridge fund and a portion of road and bridge taxes is allocated to cities and towns for use in their road and street activities.
- The **Social Services Fund** is a special revenue fund used to administer human services programs under state and federal regulations. Programs include, but are not limited to, medicaid, food stamps, foster care programs, senior service programs, job training services, and temporary assistance to needy families (TANF). Colorado counties are required by state law to maintain a human services fund.
- The **Capital Projects Fund** is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities and/or the acquisition of land. During the year ended December 31, 2009, the activity reported in this fund included the completion of the construction of the new health department building as well as land preparation for the new judicial building.

The County reports the following major proprietary fund:

- The **Desert Hawk Golf Course at Pueblo West** fund accounts for the operations of a golf course known as Desert Hawk at Pueblo West, Colorado.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION, continued

Additionally, the County reports the following fund types:

Governmental Funds:

- ***Special revenue funds*** are used to account for revenue sources that are legally restricted to expenditure for specific purposes and generally pertain to the operating activities of various County departments. Such funds are established when required by statute, resolution, or executive decision to finance particular functions or activities. The other special revenue funds are:
 - Employee Retirement
 - Board of Developmental Disability
 - Contingent
 - Pueblo County Housing
 - Conservation Trust
 - Solid Waste Management
 - Department of Aging Services
 - Housing and Human Services
 - Detention Commissary
 - Subdivision Park Site Fee
 - Fire Hydrant Impact Fee
 - Public Trustee
 - Prosecutors Assistance
 - Capital Expenditure
- ***Debt service funds*** are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest on general obligation debt. The debt service funds are:
 - Library Debt Service – accounts for the accumulation of ad valorem property taxes and the payment of principal and interest on Pueblo County general obligation bonds series 1999 issue of \$14,000,000 and the Pueblo County general obligation refunding bonds series 2005 issue of \$9,645,000.
 - Animal Shelter Debt Service – accounts for the accumulation of ad valorem property taxes and the payment of principal and interest on Pueblo County limited tax general obligation bond series 2006 issue of 4,060,000.

Fiduciary funds:

- ***Pension Trust fund*** accounts for the activities of the Pueblo County Officers and Employees Pension Plan, which accumulates resources for pension benefit payments of qualified employees.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION, continued

- *Agency funds* account for assets held for other governments or individuals in an agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The County's agency funds account for (1) the collection of property taxes billed and collected by the County on behalf of other taxing entities; (2) deposits collected from land developers pertaining to current land development projects; (3) the collection of monetary restitution damages from defendants and the payment to victims of crimes; and (4) for the collection of fees, costs and sales proceeds associated with property foreclosures within the County and corresponding payment to lien holders and property owners.

The effect of interfund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the County's proprietary fund and the road and bridge fund and charges for sales of goods and services between various functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Desert Hawk Golf Course at Pueblo West are charges to customers for sales and services. Operating expenses for the enterprise fund include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Pooled Cash and Investments. The Pueblo County Treasurer maintains an investment pool of most of the cash resources, including cash resources of the following discretely-presented component units: Pueblo County Community Development Corporation and the Pueblo County Emergency Telephone Service Authority. State statutes specify investment instruments in which the County may invest and require that public deposits be placed only in eligible public depositories in the State of Colorado. Investments are reported at fair value and all investment revenue, including changes in the fair value of investments, is reported as revenue in the statements of revenues, expenditures and changes in fund balance. Available cash is invested temporarily in certificates of deposits, money market accounts or other highly liquid investments. Each funds' portion of this pool is reported as cash and cash equivalents while accrued interest receivable is displayed separately. The amount of interest earned from secured investments is credited to the general fund based on Colorado state statutes, except for the contingent, department of aging services, subdivision park site fee and fire hydrant impact fee special revenue funds. In addition, because the treasury pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY, continued

The U.S. agency securities represent the County's investments that are reported at fair value. Fair value has been estimated based on quoted market price. The remaining investments, reported as cash and cash equivalents, are the Colorado Liquid Asset Trust (Colo Trust) and the Colorado Surplus Asset Fund Trust (C-Safe) investment pools and are reported at amortized cost as allowed under GAAP. Both investment pools are external investment pools that are not registered with the SEC as investment companies, but each pool has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value in computing share prices if certain conditions are met. The regulatory oversight for both investment pools rests with the Colorado Securities Commission and the fair value of the County's investments in each pool is the same as the value of the respective pool's shares.

2. Cash Equivalents. For purposes of the statement of cash flows, the County considers cash and cash equivalents to be cash on hand, demand deposits, all highly liquid investments, including restricted cash and cash equivalents, with original maturities at the time of purchase of three months or less and equity in the County's cash management pool.

3. Property Taxes. Property taxes were levied on December 22, 2009, based on the assessed value of property as certified by the County Assessor by the previous December 15, and attach as an enforceable lien on January 1 of the following year. Assessed values are a percentage of actual values. A reevaluation of all property must be made every two years. The last reevaluation date was January 1, 2009 for the 2008 base year as specified by state law.

The taxes levied on December 22, 2009 reflect 2009 property taxes that will be collected in 2010. The County collects its own property taxes and the property taxes for other taxing entities within the County. The collection and remittance of taxes for other taxing entities are accounted for in an agency fund. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 2 following the year levied and may be paid in two installments (February 28 and June 15) or they may be paid in full on or before April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

4. Interfund Receivables/Payables. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Lending or borrowing arrangements outstanding at the end of the fiscal year are reflected as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). Noncurrent advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance in applicable governmental funds to indicate that they are not available for appropriation as they do not represent expendable, available financial resources. Interfund balances are eliminated in the government-wide statements.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY, continued

5. Inventories and Prepaid Items. Inventories in all funds are recorded at the lower of cost (first-in, first-out basis) or market and consist of expendable supplies and commodities. In the governmental fund financial statements, the reported inventory for materials and supplies is equally offset by a fund balance reserve which indicates they do not constitute available, spendable resources. The reported inventory for commodities is equally offset by deferred revenue and the value of commodities is recognized as both revenue and an expenditure when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. In the governmental fund financial statements, these amounts are offset by a reservation of fund balance which indicates they do not constitute available, spendable resources.

6. Restricted assets. Restricted assets include cash and cash equivalents in the capital projects fund as well as cash and cash equivalents and accrued interest in the proprietary fund that are legally restricted as to their use based upon the respective bond indenture.

7. Capital Assets. Capital assets, which include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 (\$50,000 for buildings and infrastructure) and a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended December 31, 2009.

Depreciation of all exhaustible capital assets is charged as an expense against their operations or functions. Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and improvements	5-165 years	10-30 years
Machinery and equipment	5-10 years	3-10 years
Improvements other than buildings	N/A	5-20 years
Infrastructure – Bridges	50 years	N/A
Infrastructure – Roads	20-40 years	N/A
Infrastructure – Drainage improvements	30 years	N/A

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY, continued

8. Compensated Absences. It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation benefits up to predetermined maximums and are compensated for these accumulated vacation benefits either through paid time off, at termination, or retirement. Employees are also allowed to accumulate sick pay benefits up to predetermined maximums; however, payment of these sick pay benefits is limited to lesser maximums depending on the length of service and the date the employee was hired. Vacation benefits and related payroll costs are measured based on established County policy and generally accepted accounting principles.

The entire compensated absence liability is reported in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured due to employee retirements or resignations.

9. Accrued Liabilities and Long-Term Obligations. In the government-wide financial statements and the fund financial statements for the proprietary fund, all long-term debt and other similar long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the obligations using the interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issue, along with the related premium, if any, is reported as other financing resources, while discounts, if any, are reported as other financing uses. Debt issue costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

10. Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets reduced by accumulated depreciation and outstanding balances of any borrowings used for the acquisition, construction or improvement of capital assets. Restricted net assets are reported when there are liabilities imposed on their use through external restriction imposed by creditors, grantors, voters, or laws or regulations of other governments.

11. Contraband Forfeitures. In accordance with the Colorado Contraband Forfeiture Act, forfeitures from the seizure of contraband are used for the specific purpose of law enforcement activities. These funds are included in the County's general fund.

12. Interfund Transactions. Interfund transactions are accounted for as revenues, expenditures or expense. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditure/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY, continued

13. Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

The County adheres to the following procedures in establishing the budgetary data reflected in the required supplementary information. These procedures are in compliance with Colorado Revised Statutes.

1. Budgets are required by law for all funds. Prior to October 15, the budget director submits to the Commissioners a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of County Commissioners to obtain taxpayer comments. Prior to December 15, the expenditure estimates in the annual budgets are enacted into law through the passage of an appropriation resolution.
2. Expenditures may not legally exceed appropriations at the fund level. Management may at any time transfer any unencumbered appropriation balance or portion thereof from one classification of expenditure to another within the same fund, department, office or agency. The Commissioners may, by resolution and public notice, transfer any unencumbered appropriation balance or portion thereof from one fund, department, office, or agency to another. County Commissioners may amend the original adopted budget during the year by passing a new resolution to reflect current needs, and during 2009 the expenditure estimates were amended for certain funds. These amendments were made in accordance with state statutes.
3. All budgets adopted by the Commissioners, including the proprietary fund type, use the current financial resources measurement basis and modified accrual basis of accounting.
4. Budgeted amounts reported in the required supplementary information are as originally adopted by the Board of County Commissioners. All appropriations lapse at year end.
5. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as a management control device. Encumbrances do not constitute expenditures or liabilities because the commitment is appropriated and honored during the subsequent fiscal year.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE B – LEGAL COMPLIANCE - BUDGETS

For each adopted annual operating budget, the legal level of budgetary control exists at the total fund level. That is to say, total expenditures for each fund cannot legally exceed total appropriations for that fund. Management cannot amend the adopted budget but must request that the County Commissioners transfer amounts between funds or adopt supplemental appropriations when the need arises.

NOTE C – LEGAL COMPLIANCE – EXCESS OF ACTUAL EXPENDITURES AND OTHER FINANCING USES OVER BUDGETED EXPENDITURES AND OTHER FINANCING USES

The following funds incurred actual expenditures and other financing uses in excess of budgeted expenditures and other financing uses:

	<u>Actual</u>	<u>Budget</u>	<u>Actual Over Budget</u>
<u>Special Revenue Fund:</u>			
Employee Retirement	\$ 2,520,856	\$ 2,518,612	\$ 2,244
Pueblo County Housing	61	-	61
Solid Waste Management	108,034	100,000	8,034
Prosecutors Assistance	22,292	-	22,292
	<u>\$ 2,651,243</u>	<u>\$ 2,618,612</u>	<u>\$ 32,631</u>
 <u>Component Unit:</u>			
Pueblo County Community Development Corporation	<u>\$ 332,275</u>	<u>\$ 331,300</u>	<u>\$ 975</u>

III – DETAILED NOTES FOR ALL FUNDS

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS

1. Cash and cash equivalents are summarized as follows:

<u>Held by County Treasurer</u>		
Cash and cash equivalents on hand		\$ 949,410
Demand deposits		1,146,418
Investment pools		35,506,230
Certificates of deposit		956,563
U.S. agency securities		2,501,575
Restricted assets:		
Demand deposits		<u>621,457</u>
		<u>\$ 41,681,653</u>
 <u>Not held by the County Treasurer</u>		
Component Unit – Runyon Sports Complex Commission, Inc:		
Demand deposits		\$ 67,666
Certificates of deposits		71,237
		<u>\$ 138,903</u>
		 <u>\$ 41,820,556</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Financial Statement Presentation

	<u>Statement of Net Assets</u>		<u>Statement of</u> <u>Fiduciary</u> <u>Net Assets</u>	<u>Total</u>
	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Units</u>	<u>Fiduciary</u> <u>Funds</u>	
Cash and cash equivalents	\$ 35,589,311	\$ 1,775,797	\$ 3,833,991	\$ 41,199,099
Restricted cash and cash equivalents	621,457	-	-	621,457
	<u>\$ 36,210,768</u>	<u>\$ 1,775,797</u>	<u>\$ 3,833,991</u>	<u>\$ 41,820,556</u>

Due to the nature of the County's cash management pool, it is not possible to segregate deposits and investments between the primary government and the following discretely presented component units: Pueblo County Community Development Corporation and the Pueblo County Emergency Telephone Service Authority. The same is true for FDIC insurance coverage. Accordingly, only reporting entity totals are shown for the deposits and investments, as well as the FDIC coverage as follows:

	<u>Total</u>
Deposits	\$ 2,724,438
Investments	38,007,805
Cash on hand	949,410
	<u>\$ 41,681,653</u>

Deposits for the Runyon Sports Complex Commission, Inc. are reported as deposits of component units not held by the County treasurer.

2. Deposits. At December 31, 2009 the carrying amount of the County's deposits, including certificates of deposit, was \$2,724,438 and the bank balance was \$5,997,414. Of the bank balance, \$2,341,678 was covered by federal depository insurance and \$3,655,736 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires all public monies be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge qualifying collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned to it. The County's policy for custodial credit risk parallels Colorado statutes. As of December 31, 2009, deposits with a bank balance of \$3,655,736 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the County's name.

Deposits of component units not held by County treasurer

Runyon Sports Complex Commission, Inc. - At December 31, 2009 the carrying amount of the Commission's deposits was \$188,532 and the bank balance was \$188,771 and was covered by federal depository insurance.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

3. Investments. The County is subject to the provisions of Colorado Revised Statutes 24-75-601 entitled “Concerning Investment in Securities by Public Entities.” This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers’ acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

As of December 31, 2009, the following investments and maturities were included in the County’s cash management pool:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 Year</u>
U.S. agencies	\$ 2,501,575	\$ 2,501,575
Colo Trust	31,320,821	31,320,821
CSAFE	<u>4,185,409</u>	<u>4,185,409</u>
	<u>\$ 38,007,805</u>	<u>\$ 38,007,805</u>

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

Credit risk – The County does not have an investment policy that would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2009, the County’s investment in Colo Trust is rated AAAM by Standard & Poor’s and Aaa by Moody’s, while the investment in C-Safe is rated AAAM by Standard and Poor’s and Aaa by Moody’s.

As of December 31, 2009, the County’s investment in U.S agencies and the corresponding credit rating was as follows:

<u>U.S. Agency</u>	<u>Credit Rating</u>	
	<u>Moody’s</u>	<u>Standard and Poor’s</u>
Federal Home Loan Mortgage Corporation	Aaa	AAA

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS – FIDUCIARY FUNDS - PENSION TRUST FUND

The Pueblo County Officers and Employees Pension Plan (the Plan) was established in 1967 under the provisions of Title 24, Article 54 of the Colorado Revised Statutes (C.R.S.). Responsibility for the organization and administration of the Plan as well as the investment of the Plan’s funds is placed with the Board of Trustees of the Plan.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS – FIDUCIARY FUNDS - PENSION TRUST FUND, continued

At December 31, 2009, cash and cash equivalents and investments of the Plan are reported as follows:

Financial Statement Presentation

	Statement of Fiduciary Net Assets Pension Trust Fund
Cash and cash equivalents	<u>\$ 906,704</u>
Investments, at fair value	<u>\$ 89,182,364</u>

1. Pension Trust Fund - Cash and cash equivalents are summarized as follows:

Demand deposits	\$ 151,098
Money market accounts	<u>755,606</u>
	<u>\$ 906,704</u>

2. Deposits. At December 31, 2009 the carrying amount of the Plan's deposits was \$151,098 and the bank balance was \$182,927. Of the bank balance \$182,927 was covered by federal depository insurance.

3. Investments. As of December 31, 2009, the Plan had the following investments and maturities:

	Fair Value	Investment Maturities Less Than 1 year
<u>Investment Type</u>		
Investment contract with Principal Life Insurance Company	\$ 6,727,015	\$ 6,727,015
Limited partnership interest – Grosvenor Institutional Partners	9,620,723	9,620,723
State Street Bank & Trust Company Daily International		
Alpha Securities Lending Fund	11,753,890	11,753,890
Registered investment companies –		
Pimco total return fund institutional shares #35	17,723,906	17,723,906
Vanguard Institutional Index fund #94	8,997,559	8,997,559
Domestic equity securities	25,224,529	25,224,529
International equity securities	<u>9,134,742</u>	<u>9,134,742</u>
	<u>\$ 89,182,364</u>	<u>\$ 89,182,364</u>

Interest rate risk – The Plan does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – The Plan's investment policy does not allow transactions in any of the following: 1) short sales; 2) leverage or margin transactions; 3) investments in private companies; and 4) investments that would generate unrelated business taxable income. The Plan's investments in equity mutual funds and debt securities mutual funds are not rated.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS – FIDUCIARY FUNDS - PENSION TRUST FUND, continued

Foreign Currency Risk – The Plan’s exposure to foreign currency risk results from its position in foreign currency-denominated investments in various foreign equity mutual funds. The Plan’s investment policy permits it to invest up to 20% of total investments in foreign currency-denominated investments.

NOTE C – RECEIVABLES

Receivables as of December 31, 2009 consist of the following:

Primary Government

	<u>Governmental Activities</u>					
	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes:						
Property taxes	\$ 32,035,446	\$ 1,265,453	\$ 4,004,598	\$ -	\$ 4,232,860	\$ 41,538,357
Sales and use taxes	2,191,125	422,385	-	-	26,400	2,639,910
Highway users tax	-	554,480	-	-	-	554,480
Grants	952,895	351,347	-	500,000	723,400	2,527,642
Notes	200,000	-	-	-	397,314	597,314
Interest	2,633	-	-	-	23,448	26,081
Other governments	24,747	623	2,004,011	-	1,176	2,030,557
Other agencies	115,418	-	-	-	1,400,000	1,515,418
Other	<u>625,014</u>	<u>-</u>	<u>54,137</u>	<u>420,819</u>	<u>95,903</u>	<u>1,195,873</u>
	36,147,278	2,594,288	6,062,746	920,819	6,900,501	52,625,632
Less: allowance for Uncollectible accounts	<u>(320,354)</u>	<u>(12,654)</u>	<u>(45,147)</u>	<u>-</u>	<u>(42,328)</u>	<u>(420,483)</u>
Net receivables	<u>\$ 35,826,924</u>	<u>\$ 2,581,634</u>	<u>\$ 6,017,599</u>	<u>\$ 920,819</u>	<u>\$ 6,858,173</u>	<u>\$ 52,205,149</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,797,314</u>	<u>\$ 1,997,314</u>
	<u>Business-type Activities</u>					
	<u>Desert Hawk Golf Course</u>					
Receivables:						
Other	\$ 9,229					
Less: allowance for Uncollectible accounts	<u>-</u>					
Net receivables	<u>\$ 9,229</u>					

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE C – RECEIVABLES, continued

Other Agencies. The County entered into an economic development cooperation agreement with Pueblo Development Foundation (PDF), a Colorado non-profit corporation. The agreement provides that PDF administer an economic development revolving loan program on behalf of the County. The amount due at December 31, 2009 of \$1,400,000 represents funds that have been advanced to PDF to be used in the operation of the loan program. Either party, upon one years' written notice, may terminate the agreement; however, management considers the possibility of termination to be remote and therefore the amount of the receivable is equally offset by a fund balance reserve which indicates that it does not constitute an available spendable resource. If the agreement is terminated, uncommitted loan funds and outstanding loans and leases funded under the agreement will be assigned to the County by PDF.

Component Units

	<u>Pueblo County Community Development Corporation</u>	<u>Emergency Telephone Service Authority</u>	<u>Runyon Sports Complex Commission, Inc.</u>	<u>Total</u>
Receivables:				
Notes	\$ 870,491	\$ -	\$ -	\$ 870,491
Other	<u>-</u>	<u>77,583</u>	<u>-</u>	<u>77,583</u>
	870,491	77,583	-	948,074
Less: allowance for uncollectible accounts	<u>(80,000)</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Net total receivables	<u>\$ 790,491</u>	<u>\$ 77,583</u>	<u>\$ -</u>	<u>\$ 868,074</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 601,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,000</u>

Unearned/deferred Revenue. Governmental funds report deferred revenue in connection with grant funds received prior to incurring qualifying expenditures. Governmental funds also defer revenue recognition in connection with taxes levied for future periods. At December 31, 2009 the various components of unearned revenue were as follows:

	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Desert Hawk Golf Course</u>
Property taxes	\$ 31,715,092	\$ 1,252,798	\$ 3,964,552	\$ 4,190,532	\$ 41,122,974	\$ -
Unearned grant revenue	418,652	-	3,217,036	816,417	4,452,105	-
Other unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,425</u>
	<u>\$ 32,133,744</u>	<u>\$ 1,252,798</u>	<u>\$ 7,181,588</u>	<u>\$ 5,006,949</u>	<u>\$ 45,575,079</u>	<u>\$ 13,425</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at December 31, 2009:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General fund	\$ 445,828	\$ 419,729
Road and bridge fund	-	239,252
Social services fund	-	95,186
Capital projects	409,258	-
Nonmajor governmental	<u>73,238</u>	<u>186,152</u>
Total governmental funds	<u>928,324</u>	<u>940,319</u>
Enterprise funds –		
Desert hawk golf course at Pueblo West	<u>12,000</u>	<u>5</u>
	<u>\$ 940,324</u>	<u>\$ 940,324</u>

The amounts reflected as due from other funds and due to other funds reflect the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts reflected as due from other funds are scheduled to be collected in the subsequent year.

The following table summarizes advances to/from other funds at December 31, 2009:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major governmental funds -		
Advance due the general fund from:		
Housing and human services fund	\$ 355,000	\$ -
Department of aging services fund	40,000	-
Desert hawk golf course at Pueblo West	1,980,697	-
Advance due road and bridge fund from		
Desert hawk golf course at Pueblo West	<u>413,558</u>	<u>-</u>
	<u>2,789,255</u>	<u>-</u>
Nonmajor governmental funds -		
Advance due to contingent fund from		
Desert hawk golf course at Pueblo West	450,000	-
Advance due to general fund from department		
of aging services fund	-	40,000
Advance due to general fund from housing and		
human services fund	<u>-</u>	<u>355,000</u>
	<u>450,000</u>	<u>395,000</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, continued

Major enterprise fund –

Advances due from Desert hawk golf course

at Pueblo West to:

General fund	-	1,980,697
Road and bridge fund	-	413,558
Nonmajor governmental fund	-	450,000
	-	2,844,255
	<u>\$ 3,239,255</u>	<u>\$ 3,239,255</u>

Long-term advances from the general fund, the road and bridge fund and the contingent fund to Desert Hawk golf course at Pueblo West have been made to finance the current operations of the golf course and are to be repaid as cash becomes available within the golf course fund. However, there are no set dates or specific terms for repayment. The balance of \$355,000 due the general fund from the housing and human services fund was the result of advances made to establish working capital when the housing and human services fund was created. The balance of \$40,000 due the general fund from the department of aging services fund was the result of an advance made to establish working capital. A reservation of fund balance is maintained in the corresponding fund for these advances to indicate that they do not constitute available spendable resources. All amounts reflected as advances due from other funds are not scheduled to be collected in the subsequent year.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General fund	\$ 160,870	\$ 6,243,547
Road and bridge fund	1,132,742	-
Capital projects fund	3,967,164	-
Nonmajor governmental funds:		
Conservation trust fund	-	45,262
Department of aging services fund	1,967	16,000
Housing and human services fund	248,674	-
Public Trustee	-	160,870
Capital expenditure fund	909,000	-
Major enterprise fund:		
Desert hawk golf course at Pueblo West	45,262	-
	<u>\$ 6,465,679</u>	<u>\$ 6,465,679</u>

Transfers among funds are provided for as part of the annual budget process. Transfers are used to move revenues from the fund required to collect the revenue to the fund required or authorized to expend them. Interfund transfers are eliminated in the government-wide financial statements except for transfers between governmental funds and the enterprise fund.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS

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

	Balance January 1, 2009	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2009
<u>Governmental Activities:</u>				
Nondepreciable assets:				
Land	\$ 8,961,213	\$ 188,843	\$ -	\$ 9,150,056
Water rights	91,600	-	-	91,600
Land-infrastructure	1,719,364	-	-	1,719,364
Collections	350,000	-	-	350,000
Construction in progress	<u>28,944,105</u>	<u>15,934,406</u>	<u>(14,707,701)</u>	<u>30,170,810</u>
Total capital assets not being depreciated	<u>40,066,282</u>	<u>16,123,249</u>	<u>(14,707,701)</u>	<u>41,481,830</u>
Depreciable assets:				
Buildings and improvements	56,328,951	13,349,259	-	69,678,210
Machinery and equipment	23,591,746	1,490,601	(1,122,522)	23,959,825
Infrastructure	<u>117,063,949</u>	<u>3,489,901</u>	-	<u>120,553,850</u>
Total capital assets being depreciated	<u>196,984,646</u>	<u>18,329,761</u>	<u>(1,122,522)</u>	<u>214,191,885</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,813,883)	(1,852,594)	-	(19,666,477)
Machinery and equipment	(16,277,099)	(1,729,926)	1,092,359	(16,914,666)
Infrastructure	<u>(45,192,148)</u>	<u>(4,036,332)</u>	-	<u>(49,228,480)</u>
Total accumulated depreciation	<u>(79,283,130)</u>	<u>(7,618,852)</u>	<u>1,092,359</u>	<u>(85,809,623)</u>
Capital assets being depreciated, net	<u>117,701,516</u>	<u>10,710,909</u>	<u>(30,163)</u>	<u>128,382,262</u>
Total Governmental Activities Capital Assets, net	<u>\$157,767,798</u>	<u>\$26,834,158</u>	<u>\$(14,737,864)</u>	<u>\$169,864,092</u>

Construction in progress at December 31, 2009 is comprised of the following:

On-going improvement to various uncompleted infrastructure projects	\$ 26,141,494
Uncompleted improvements to various buildings	677,244
Judicial building	<u>3,352,072</u>
	<u>\$ 30,170,810</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS, continued

	Balance January 1, 2009	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2009
<u>Business-Type Activities:</u>				
Nondepreciable assets:				
Land	\$ 4,402,683	\$ -	\$ -	\$ 4,402,683
Total capital assets not being depreciated	4,402,683	-	-	4,402,683
Depreciable assets:				
Buildings	341,970	-	-	341,970
Improvements other than buildings	1,335,738	50,000	-	1,385,738
Machinery and equipment	854,816	3,467	-	858,283
Total capital assets being depreciated	2,532,524	53,467	-	2,585,991
Less accumulated depreciation for:				
Buildings	(199,744)	(25,496)	-	(225,240)
Improvements other than buildings	(537,161)	(68,799)	-	(605,960)
Machinery and equipment	(453,871)	(94,852)	-	(548,723)
Total accumulated depreciation	(1,190,776)	(189,147)	-	(1,379,923)
Capital assets being depreciated, net	1,341,748	(135,680)	-	1,206,068
Total Business-Type Activities Capital Assets, net	\$ 5,744,431	\$ (135,680)	\$ -	\$ 5,608,751

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 982,757
Public safety	1,444,245
Road and bridge	4,539,222
Health and welfare	295,123
Culture and recreation	278,982
Conservation	11,260
Urban redevelopment and housing	67,263
Total depreciation expense – governmental activities	\$ 7,618,852
Business-Type Activities:	
Desert Hawk Golf Course at Pueblo West	\$ 189,147
Total depreciation expense – business-type activities	\$ 189,147

Construction commitments:

At December 31, 2009, the County had in process various uncompleted infrastructure construction projects with remaining estimated costs totaling \$617,948. The County has also committed \$238,474 toward various building and improvement projects that were in process at December 31, 2009. Funding for these projects is to be provided primarily by the proceeds of related grants and future taxes.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS, continued

Discretely Presented Component Unit – Emergency Telephone Service Authority

A summary of changes in capital assets, net of accumulated depreciation, for the year ended December 31, 2009 follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deletions/ Inventory Adjustments/ Transfers</u>	<u>Balance December 31, 2009</u>
Depreciable assets:				
Machinery and equipment	\$ 113,545	\$ 80,590	\$ -	\$ 194,135
Less accumulated depreciation	<u>(40,507)</u>	<u>(29,183)</u>	<u>-</u>	<u>(69,690)</u>
Emergency Telephone Service Authority capital assets, net	<u>\$ 73,038</u>	<u>\$ (16,870)</u>	<u>\$ -</u>	<u>\$ 124,445</u>

Discretely Presented Component Unit – Runyon Sports Complex Commission, Inc.

A summary of changes in capital assets, net of accumulated depreciation, for the year ended December 31, 2009 follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deletions/ Inventory Adjustments/ Transfers</u>	<u>Balance December 31, 2009</u>
Nondepreciable assets:				
Works of art	\$ 24,467	\$ -	\$ -	\$ 24,467
Total capital assets not being depreciated	<u>24,467</u>	<u>-</u>	<u>-</u>	<u>24,467</u>
Depreciable assets:				
Machinery and equipment	\$ 44,947	\$ 37,030	\$ -	\$ 81,977
Less accumulated depreciation	<u>(4,668)</u>	<u>(6,944)</u>	<u>-</u>	<u>(11,612)</u>
Capital assets being depreciated, net	<u>\$ 40,279</u>	<u>\$ 30,086</u>	<u>\$ -</u>	<u>\$ 70,365</u>
Runyon Sports Complex Commission, Inc. capital assets, net	<u>\$ 64,746</u>	<u>\$ 30,086</u>	<u>\$ -</u>	<u>\$ 94,832</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2009:

	<u>Balance</u> January 1, 2009	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Balance</u> December 31, 2009	<u>Due</u> Within One Year
Governmental Activities:					
General obligation bonds, series 1999	\$ 660,000	\$ -	\$ (660,000)	\$ -	\$ -
General obligation bonds, refunding, series 2005	9,245,000	-	(75,000)	9,170,000	760,000
Limited tax general obligation bond, series 2006	2,061,911	-	(829,538)	1,232,373	862,766
Deferred amount on refunding	(711,071)	-	65,640	(645,431)	-
Unamortized premium	171,748	-	(15,853)	155,895	-
Unamortized discount	(1,222)	-	1,222	-	-
Total general obligation bonds payable	<u>11,426,366</u>	<u>-</u>	<u>(1,513,529)</u>	<u>9,912,837</u>	<u>1,622,766</u>
Certificates of participation, series 2008	11,415,000	-	-	11,415,000	1,080,000
Certificates of participation, series 2009A	-	23,600,000	-	23,600,000	-
Certificates of participation, series 2009B	-	3,000,000	-	3,000,000	-
Unamortized discount	(77,469)	-	7,812	(69,657)	-
Unamortized discount	-	(387,406)	-	(387,406)	-
Unamortized discount	-	(13,350)	-	(13,350)	-
Total certificates of participation	<u>11,337,531</u>	<u>26,199,244</u>	<u>7,812</u>	<u>37,544,587</u>	<u>1,080,000</u>
Obligation under capital leases	<u>863,065</u>	<u>-</u>	<u>(264,410)</u>	<u>598,655</u>	<u>265,688</u>
Compensated absences	<u>7,719,636</u>	<u>447,444</u>	<u>(326,380)</u>	<u>7,840,700</u>	<u>540,000</u>
Estimated claims and judgments	<u>607,445</u>	<u>585,823</u>	<u>(621,207)</u>	<u>572,061</u>	<u>323,769</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 31,954,043</u>	<u>\$ 27,232,511</u>	<u>\$ (2,717,714)</u>	<u>\$ 56,468,840</u>	<u>\$ 3,832,223</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

Business-Type Activities:

Refunding certificates of participation, series 2005	\$ 6,855,000	\$ -	\$ (310,000)	\$ 6,545,000	\$ 325,000
Deferred amount on refunding	(803,699)	-	82,539	(721,160)	-
Unamortized discount	<u>(83,992)</u>	<u>-</u>	<u>8,626</u>	<u>(75,366)</u>	<u>-</u>
Total certificates of participation	<u>5,967,309</u>	<u>-</u>	<u>(218,835)</u>	<u>5,748,474</u>	<u>325,000</u>
 Obligation under capital leases	 <u>186,508</u>	 <u>-</u>	 <u>(72,819)</u>	 <u>113,689</u>	 <u>53,585</u>
 Advances from other government:					
Purchase option	457,000	-	-	457,000	-
Deferred water payments	957,979	151,402	-	1,109,381	-
Non-interest bearing loan	<u>1,814,582</u>	<u>239,529</u>	<u>-</u>	<u>2,054,111</u>	<u>-</u>
Total advances from other government	<u>3,229,561</u>	<u>390,931</u>	<u>-</u>	<u>3,620,492</u>	<u>-</u>
 Total Business-Type Activity, Long-Term Liabilities	 <u>\$ 9,383,378</u>	 <u>\$ 390,931</u>	 <u>\$ (291,654)</u>	 <u>\$ 9,482,655</u>	 <u>\$ 378,585</u>

Payments on the general obligation bonds are made by the library debt service fund with property taxes. Payments on the limited tax general obligation bond are made by the animal shelter debt service fund with property taxes. Payments on the obligation under capital leases reported in the governmental activities are serviced by the general fund. The certificates of participation, obligations under capital leases and advances from other government in the business-type activity are serviced by the Desert Hawk golf course proprietary fund. The compensated absence liabilities are paid by the fund for which the employee worked while claims and judgments are generally liquidated by the general fund.

The following is a description of each individual issue for the governmental activities:

General Obligation

\$9,645,000 2005 series general obligation library refunding bonds (Pueblo library district); interest rate ranges from 3.5% to 5.0%; due in annual installments ranging from \$449,163 to \$1,139,088 including interest through November 1, 2019; debt is serviced by the library debt service fund	\$ 9,170,000
\$4,060,000 2006 series limited tax general obligation bond (Pueblo County animal shelter project); interest rate of 3.934% due in monthly installments of \$74,650 including interest through May 16, 2011; debt is serviced by the animal shelter debt service fund	<u>1,232,373</u>
	<u>10,402,373</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

Certificates of Participation

\$11,415,000, series 2008 certificates of participation; interest rate ranges from 3.2% to 5.0%; due in annual installments including interest ranging from \$409,258 to \$1,579,170 through September 2018; debt is serviced by the general fund	11,415,000
\$23,600,000, series 2009A certificates of participation; interest rate ranges from 6.5% to 6.85%; due in annual installments including interest ranging from \$1,133,913 to \$2,529,415 through September 2039; debt is serviced by the general fund	23,600,000
\$3,000,000, series 2009A certificates of participation; interest rate is 6.25%; due in annual installments including interest ranging from \$133,333 to \$942,500 through September 2022; debt is serviced by the general fund	3,000,000
	38,015,000

Obligations under capital leases

\$1,199,900 of obligation under capital lease; interest rate of 5.75%; payable in monthly installments of \$23,058 including interest through March 2012; lease provides a prepayment clause which may be exercised anytime equal to 104.5% of the remaining unamortized balance of the capital lease; debt is serviced by the general fund	582,674
\$72,500 of obligation under capital lease; interest rate of 11.54%; payable in annual installments of \$17,825 including interest through November 2010; debt is serviced by the general fund	15,981
	598,655

Other obligations

Compensated absences	7,840,700
Estimated claims and judgments	572,061
	8,412,761
Total governmental activities	\$ 57,428,789

The debt service requirements for the governmental activities general obligation bonds, certificates of participation, and capital leases as of December 31, 2009 are as follows:

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

Year Ending December 31,	Governmental Activities					
	General & Limited Tax Obligation Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,622,766	\$ 407,222	\$ 2,029,988	\$ 1,080,000	\$ 1,763,316	\$ 2,843,316
2011	1,159,607	349,332	1,508,939	1,115,000	2,243,575	3,358,575
2012	825,000	314,088	1,139,088	1,155,000	2,203,435	3,358,435
2013	855,000	281,088	1,136,088	1,200,000	2,157,235	3,357,235
2014	890,000	246,888	1,136,888	1,255,000	2,106,235	3,361,235
2015-2019	5,050,000	633,052	5,683,052	6,365,000	9,606,120	15,971,120
2020-2024	-	-	-	4,505,000	8,138,263	12,643,263
2025-2029	-	-	-	5,650,000	6,523,215	12,173,215
2030-2034	-	-	-	6,995,000	4,457,638	11,452,638
2035-2039	-	-	-	8,695,000	1,839,224	10,534,224
Total	\$ 10,402,373	\$ 2,231,670	\$ 12,634,043	\$38,015,000	\$41,038,256	\$ 79,053,256

Year Ending December 31,	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2010	\$ 265,688	\$ 28,835	\$ 294,523
2011	264,450	12,248	276,698
2012	68,517	658	69,175
Total	\$ 598,655	\$ 41,741	\$ 640,396

The \$9,645,000 general obligation library refunding bonds (Pueblo library district) series 2005 with an average interest rate of 4.089% were issued by the County to advance refund \$8,930,000 of outstanding general obligation library (Pueblo Library District Project) series 1999 bonds. In accordance with state law, the refunding bonds represent general obligations of the County payable from ad valorem property taxes to be levied without limitation against all taxable property within the County in an amount sufficient to pay the principal and interest on the bonds.

The \$4,060,000 limited tax general obligation bonds (Pueblo County animal shelter project) series 2006 with an interest rate of 3.934% were issued by the County to finance the construction of a new animal shelter. In accordance with state law, the bond represents a general obligation of the County payable from ad valorem property taxes to be levied without limitation against all taxable property within the County in an amount sufficient to pay the principal and interest on the bond.

The 11,415,000 series 2008 certificates of participation represent assignment of proportionate interests in rights to receive payments pursuant to an annually renewable health department lease purchase agreement dated November 11, 2008 between the County and Wells Fargo Bank, N.A. The principal and interest on the certificates is payable solely from annually appropriated base rentals paid by the County to Wells Fargo Bank, N.A. The certificates shall never constitute or give rise to a general obligation or other indebtedness of the County within the meaning of any constitutional, statutory or other debt limitation. All the payment obligations of the County are subject to annual appropriation by the Board of County Commissioners.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

The 23,600,000 series 2009A certificates of participation represent assignment of proportionate interests in rights to receive payments pursuant to an annually terminable amended and restated lease purchase agreement dated December 29, 2009 between the County and Wells Fargo Bank, N.A. The principal and interest on the certificates is payable solely from annually appropriated base rentals paid by the County to Wells Fargo Bank, N.A. The certificates shall never constitute or give rise to a general obligation or other indebtedness of the County within the meaning of any constitutional, statutory or other debt limitation. All the payment obligations of the County are subject to annual appropriation by the Board of County Commissioners. The County designated the 2009A certificates as “Build America Bonds” for purposes of the federal American Recovery and Reinvestment Act of 2009 and will receive federal direct payments from the United States Treasury equal to 35% of the interest payable on the 2009A certificates.

The 3,000,000 series 2009B certificates of participation represent assignment of proportionate interests in rights to receive payments pursuant to an annually terminable amended and restated lease purchase agreement dated December 29, 2009 between the County and Wells Fargo Bank, N.A. The principal and interest on the certificates is payable solely from annually appropriated base rentals paid by the County to Wells Fargo Bank, N.A. The certificates shall never constitute or give rise to a general obligation or other indebtedness of the County within the meaning of any constitutional, statutory or other debt limitation. All the payment obligations of the County are subject to annual appropriation by the Board of County Commissioners.

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new general obligation bonds in escrow to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased general obligation bonds are not included in the County financial statements. \$8,930,000 of bonds previously defeased are still outstanding at December 31, 2009.

The following is a description of each individual issue of the business-type activities:

Certificates of Participation

\$7,985,000 series 2005 refunding certificates of participation issue of Pueblo County Capital Construction Corporation (PCCCC); interest rate ranges from 3.5% to 5.0%; due in annual installments including interest ranging from \$601,788 to \$617,925 through December 2024; debt is serviced by the Desert Hawk Golf Course at Pueblo West enterprise fund	<u>6,545,000</u>
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Obligations under capital leases

\$120,922 of obligation under capital lease; interest rate of 6.46%; payable in monthly installments of \$2,351 including interest through December 2010; debt is serviced by the Desert Hawk Golf Course at Pueblo West enterprise fund	27,250
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\$175,043 of obligation under capital lease; interest rate of 7.95%; payable monthly during May through October in installments of \$5,544 including interest through October 2012, debt is serviced by the Desert Hawk Golf Course at Pueblo West enterprise fund	<u>86,439</u>
	<u>113,689</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

Other Obligations

The County entered into an agreement with the Pueblo West Metropolitan District (the District) related to the acquisition and operation of Desert Hawk Golf Course at Pueblo West. Under this agreement the District advanced \$1,450,000 for the acquisition of the golf course with \$170,000 of the advance treated as a non-interest bearing loan and the remaining \$1,280,000 treated as an irrevocable option to acquire the title to all or some of the additional properties identified in the agreement. If the District does not exercise its option on any or all of the additional properties, the portion of the advance not exercised shall become a non-interest bearing loan. Beginning in the calendar year 2005 and going forward the District and the County each fund one-half of the annual debt service requirements. These annual advances are to be treated as non-interest bearing loans. Furthermore, the agreement requires the District to provide untreated water to the enterprise at a rate equal to, but no higher than the actual cost incurred by the District. Any amount of water delivered prior to January 1, 2011 that is not covered by annual revenues shall be treated as non-interest bearing loans. Repayment of all loans is solely from excess revenues over cash disbursements of the enterprise fund and is limited to \$500,000 per year. The amounts due the District under this agreement at December 31, 2009 are as follows:

Advance on purchase option	457,000
Deferred water payments, non-interest bearing	1,109,381
Non-interest bearing loan	<u>2,054,111</u>
	<u>3,620,492</u>
Total business-type activities	<u>\$ 10,279,181</u>

The debt service requirements for the business type activity certificates of participation and capital leases as of December 31, 2009 are as follows:

<u>Year Ending</u> <u>December 31,</u>	Business-Type Activities					
	Certificates of Participation			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 325,000	\$ 291,788	\$ 616,788	\$ 54,267	\$ 7,208	\$ 61,475
2011	335,000	280,412	615,412	29,245	4,017	33,262
2012	350,000	266,175	616,175	30,177	1,605	31,782
2013	365,000	252,525	617,525	-	-	-
2014	380,000	237,925	617,925	-	-	-
2015-2019	2,140,000	933,290	3,073,290	-	-	-
2020-2024	<u>2,650,000</u>	<u>395,625</u>	<u>3,045,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,545,000</u>	<u>\$ 2,657,740</u>	<u>\$ 9,202,740</u>	<u>\$ 113,689</u>	<u>\$ 12,830</u>	<u>\$ 126,519</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

The series 2005 refunding certificates of participation of PCCCC represent assignments of proportionate interests in rights to receive payments pursuant to an annually renewable golf course lease purchase agreement dated August 1, 2005 between the County and PCCCC. The principal and interest on the certificates is payable solely from annually appropriated base rentals paid by the County to PCCCC and moneys held by the Trustee in the certificate fund and the reserve fund. The principal and interest on the certificates shall never constitute or give rise to a general obligation or other indebtedness of the County within the meaning of any constitutional, statutory or other debt limitation. All payment obligations of the County are subject to annual appropriation by the Board of County Commissioners.

In prior years, the PCCCC defeased certain certificates of participation by placing the proceeds of new certificates of participation in escrow to provide for all future debt service payments on the old certificates of participation. Accordingly, the escrow account assets and liability for the defeased certificates of participation are not included in the County's financial statements. \$5,975,000 of certificates of participation outstanding previously defeased is still outstanding at December 31, 2009.

Capital Leases:

The County has entered into capital lease agreements for various equipment and machinery under which the equipment will become the property of the County when all terms of the lease agreements have been met. The following schedule presents the future minimum lease payments as of December 31, 2009:

	Governmental Activities	Business-Type Activities
Future minimum lease payments	\$ 640,396	\$ 126,519
Less: amounts representing interest	(41,741)	(12,830)
	\$ 598,655	\$ 113,689

The assets acquired and related accumulated amortization under capital leases are as follows:

	Governmental Activities	Business-Type Activities
Assets:		
Machinery and equipment	\$ 72,500	\$ 295,965
Buildings and improvements	1,199,900	-
Less: accumulated amortization	(180,529)	(83,374)
	\$ 1,091,871	\$ 212,591

Amortization of assets acquired under capital leases is included with depreciation expense.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE G – NET ASSETS

Restricted net assets are net assets whose uses are subject to constraints that are either: (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at December 31, 2009 for governmental activities are as follows:

	Governmental Activities
Restricted for:	
Tabor	\$ 2,200,000
Debt service	1,184,675
Total Restricted Net Assets	\$ 3,384,675

Restricted for tabor. This represents approximately 3% of the County's estimated 2009 fiscal year spending as that term is defined in the Colorado Constitution. Under these provisions of the Constitution, these reserves can be used for declared emergencies only and the County must accumulate 3% or more of its fiscal year spending in these reserve accounts.

Restricted for debt service. This amount represents the amount available in the debt service fund for future principal and interest payments on the following obligations:

2005 series general obligation refunding library bonds (Pueblo library district project)	\$ 66,018
2006 series limited tax general obligation bond (Pueblo community animal shelter project)	1,118,657
	\$ 1,184,675

PRIOR PERIOD ADJUSTMENT

Net assets of the governmental activities at January 1, 2009 has been restated from amounts previously reported to reflect a prior period adjustment as follows:

Net assets at January 1, 2009, as previously reported	\$147,635,575
Prior period adjustment to include Prosecutors Assistance, Inc. as a blended component unit	119,720
Net assets at January 1, 2009, as restated	\$147,755,295

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE H – FUND BALANCES

Primary Government

Fund balances which are not available for appropriation or are not considered expendable available financial resources are reserved. Unreserved fund balances that have been earmarked by the Board of County Commissioners and/or management for specified purposes are considered designated. Such reserved and designated fund balances at December 31, 2009 are as follows:

	<u>Governmental Activities</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	
Reserved fund balances:						
Tabor	\$ -	\$ -	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000
Inventories	136,501	470,049	-	-	-	606,550
Encumbrances	464,009	365,470	-	-	157,447	986,926
Prepaid items and deposits	73,099	-	179,739	-	-	252,838
Debt service	-	-	-	-	1,184,675	1,184,675
Advances to other funds	2,375,697	413,558	-	-	450,000	3,239,255
Notes receivable	200,000	-	-	-	397,314	597,314
Economic development loan program	-	-	-	-	1,400,000	1,400,000
Total reserved fund balances	<u>3,249,306</u>	<u>1,249,077</u>	<u>179,739</u>	<u>-</u>	<u>5,789,436</u>	<u>10,467,558</u>
Unreserved-						
Designated fund balances:						
Cash reserves	-	-	1,462,963	-	-	1,462,963
Property, casualty and workers' compensation self insurance	895,830	-	-	-	-	895,830
Outdoor warning system	28,098	-	-	-	-	28,098
Recreation endowment	66,703	-	-	-	-	66,703
District attorney & sheriff forfeiture	75,408	-	-	-	-	75,408
Conservation programs	66,573	-	-	-	-	66,573
County clerk branch office project	1,277,290	-	-	-	-	1,277,290
Subsequent years' expenditures	<u>19,687,590</u>	<u>-</u>	<u>622,892</u>	<u>-</u>	<u>-</u>	<u>20,310,482</u>
Total designated fund balances	<u>22,097,492</u>	<u>-</u>	<u>2,085,855</u>	<u>-</u>	<u>-</u>	<u>24,183,347</u>
Undesignated fund balances, reported in:						
General fund	3,236,642	-	-	-	-	3,236,642
Special revenue funds	-	-	-	-	2,981,466	2,981,466
Capital projects funds	-	-	-	(744,953)	-	(744,953)
Total undesignated fund balances	<u>3,236,642</u>	<u>-</u>	<u>-</u>	<u>(744,953)</u>	<u>2,981,466</u>	<u>5,473,155</u>
Total unreserved fund balances	<u>25,334,134</u>	<u>-</u>	<u>2,085,855</u>	<u>(744,953)</u>	<u>2,981,466</u>	<u>29,656,502</u>
Total fund balances	<u>\$ 28,583,440</u>	<u>\$ 1,249,077</u>	<u>\$ 2,265,594</u>	<u>\$ (744,953)</u>	<u>\$ 8,770,902</u>	<u>\$ 40,124,060</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE H – FUND BALANCES, continued

RESERVED FUND BALANCES

Reserve for labor, specific capital acquisition and debt service. These reserves represent amounts that are restricted as to their uses as described in Note III - G.

Reserve for inventories. A reserve equal to the inventories on hand at December 31, 2009 is provided to indicate that these assets do not represent available spendable resources.

Reserve for encumbrances. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Reserve for prepaid items and deposits. A reserve equal to the payments made in 2009 for 2010 expenditures is provided to indicate that they do not represent available spendable resources.

Reserve for advances to other funds and notes receivable. The noncurrent portion of long-term advances and notes receivable are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

Reserve for economic development loan program. A reserve equal to the receivable due from Pueblo Development Foundation to indicate that this asset does not represent available spendable resources and therefore is not available for appropriation.

UNRESERVED-DESIGNATED FUND BALANCES

Designations of fund balances are not legally required segregations but indicate tentative plans for future use of these resources. These designations, however, are only estimates and may change due to unforeseen circumstances.

Designated for cash reserves. This designation represents the amount of working capital which the County Commissioners determined should be maintained at all times.

Designated for property, casualty and workers' compensation self insurance. This designation represents the amount required to fund estimated claims and judgments outstanding as of December 31, 2009.

Designated for outdoor warning system. This designation represents funds to be used for future expenditures related to the maintenance and improvement of the County's outdoor warning system.

Designated for recreation endowment. This designation represents funds to be used for future expenditures related to the maintenance and improvement of recreation facilities within the County.

Designated for district attorney and sheriff forfeiture. This designation represents unspent forfeiture funds to be used for projects and services related to public safety.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE H – FUND BALANCES, continued

Designated for conservation programs. This designation represents funds to be used for future expenditures related to various programs of the Colorado State University – extension office.

Designated for subsequent years' expenditures. This amount represents the portion of fund balance that was used to balance the relationship between revenues and other financing sources and expenditures and other financing uses in developing and adopting the 2010 budget.

PRIOR PERIOD ADJUSTMENT

Fund balance of the non-major governmental funds at January 1, 2009 has been restated from amounts previously reported to reflect a prior period adjustment as follows:

Fund balance at January 1, 2009, as previously reported	\$ 8,925,974
Prior period adjustment to include Prosecutors Assistance, Inc. as a non-major special revenue fund	<u>119,720</u>
Fund balance at January 1, 2009, as restated	<u>\$ 9,045,694</u>

IV – OTHER NOTE DISCLOSURES

NOTE A - RISK MANAGEMENT

County Workers' Compensation Pool

The County is exposed to various risks of loss relative to employees' job-related injuries. The County has elected to manage this risk through self-insurance and participation in the County Workers' Compensation Pool (CWCP), a public entity risk pool operating as a common risk management and insurance program for member counties.

The County is self-insured for job-related injuries up to \$225,000 per occurrence. Coverage for losses in excess of this amount is provided by CWCP. The membership agreement of CWCP provides that the pool be self-sustaining through member premiums and additional assessments, if necessary. In addition, the pool purchases excess insurance through commercial insurance companies for claims in excess of the specified self-insured retention.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE A - RISK MANAGEMENT, continued

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to property and casualty. The County has elected to manage this risk of loss through self-insurance and participation in the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool operating as a common risk management and insurance program for member counties.

The County is self-insured for property and casualty losses up to \$125,000 per occurrence along with a \$10,000 deductible amount for each wrongful termination claim. CAPP provides coverage for losses in excess of these amounts through the purchase of commercial insurance for claims in excess of the specified self-insured retention.

At December 31, 2009, the determined loss reserve for self-insured workmen’s compensation claims and property and liability claims totaled \$607,445, which represents the discounted present value of expected losses using a discount rate assumption of 4.96% and includes claims incurred but not yet reported. The liability was computed based on case loss reserves provided by third-party administrators for losses that have already occurred. Development factors were applied to the loss reserves to provide an estimate of future payments.

Changes in the aggregate claims liability for the years ended December 31, 2009 and 2008 are as follows:

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Estimated claims liability, January 1	\$ 607,445	\$ 936,580
Current year claims and changes in estimates	585,823	514,767
Current year payments	(621,207)	(843,902)
Estimated claims liability, December 31	\$ 572,061	\$ 607,445

All health coverage, except dental coverage, is being provided through purchased commercial insurance. Dental coverage is provided through a flexible funded plan accounted for by the County in the general fund. Under the terms of the contract, the County’s liability is limited to \$1,000 per participant per year.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS

DEFINED BENEFIT PENSION PLAN

Plan Description. The Pueblo County Officers and Employees Pension Plan is a single employer defined benefit pension plan administered by the Pueblo County Retirement Board. The plan provides retirement benefits to plan members and their beneficiaries at the discretion of the Retirement Board subject to applicable state law requirements. The Pueblo County Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Pueblo County Retirement Board, 215 W 10th Street, Pueblo, Colorado, 81003-2992 or by calling 1-719-583-6026.

Retirement Benefits. Normal retirement date is the first of the month on or after reaching age 62. The annual benefit payable at normal retirement is equal to 2.1% times final average annual compensation times the years of credited service. The annual benefit will not be greater than 80% of the Participant's average annual compensation during the 12 highest paid consecutive months of credited service within the last 120 months. For those participants who were employees on or before December 31, 1996, such annual retirement benefit shall not be less than \$300 multiplied by the participants' credited service.

An active or vested participant who has five or more years of credited service may elect to retire on the first of any month after the attainment of age 55. The benefit will be equal to the accrued benefit reduced by .25% per month for each month by which the early retirement date precedes the normal retirement date. An active participant may also elect to retire with a special early benefit if the sum of their age and years of employment equals at least 75 upon termination of employment. The benefit will be equal to the accrued benefit unreduced for early payment but the benefit cannot commence before age 50.

Basis of Accounting. The financial statements of the plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan investments are recorded at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Participant Data. The number of plan participants is as follows:

Active	1,039
Receiving benefits	392
Terminated vested	<u>59</u>
Total	<u>1,490</u>

Funding Policy and Annual Pension Cost. Generally all employees and elected officials are eligible and required to join the plan. Plan members are required to contribute 7.5% (8.0% effective January 1, 2010) of their annual covered salary and the County is required to contribute an amount that, along with participant contributions, will be sufficient to provide benefits provided by the plan and pay all administrative expenses of the plan. These contribution requirements are established and may be amended under provisions of state law.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

Such County contributions must at least match participant contributions; the current rate is 7.5% (8.0% effective January 1, 2010) of annual covered payroll. The County's annual pension cost and net pension obligation (asset) of the Pueblo County Officers and Employees Pension Plan for the current year and related information for the plan is as follows:

Annual required contribution	\$ 5,054,194
Interest on net pension obligation	172,857
Annual required contribution adjustment	<u>(190,019)</u>
Annual pension cost	5,037,032
Contributions made	<u>(3,390,440)</u>
Increase (decrease) in net pension obligation	1,646,592
Net pension obligation beginning of year	<u>2,160,717</u>
Net pension obligation end of year	<u><u>\$ 3,807,309</u></u>

Contribution rates –

County	7.5% (8.0% effective January 1, 2010)
Plan members	7.5% (8.0% effective January 1, 2010)

Actuarial valuation date	January 1, 2010
Actuarial cost method	Entry age normal method
Amortization method	Level dollar closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Actuarial Assumptions –	
Investment rate of return*	8.0%
Projected salary increases*	4.6% - 7.7%
*Includes inflation at	4.0%
Cost-of-living adjustments	None

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
December 31, 2007	3,639,092	75.8%	1,851,589
December 31, 2008	3,396,579	90.9%	2,160,617
December 31, 2009	5,037,032	67.1%	3,807,309

Schedule of Funded Status

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a÷b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)÷c)</u>
12/31/08	\$ 91,462,327	\$ 135,026,709	\$ 43,564,382	67.7%	\$ 44,933,964	97.0%
12/31/09	106,828,017	142,020,463	35,192,446	75.2%	43,267,756	81.3%

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

The Schedule of Funding Progress, presented as required supplementary information immediately following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description. The County provides post-employment insurance benefits to certain eligible employees through the Pueblo County Retiree Health Insurance Plan, a single-employer defined benefit plan administered by the County. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

All retirees of the County have the option under state law to continue their medical insurance coverage through the County from the time of retirement until the employee reaches the age of 65. Members are required to contribute the full premium amount. In addition to the medical benefits, all retirees are eligible for a life insurance benefit that is in force until their death, regardless of age. This benefit has a face amount of \$2,000.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the County. For the year ended December 31, 2009, the County contributed \$197,850 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the County, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statements Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation to the plan:

Annual required contribution	\$ 605,163
Interest on net OPEB obligation	24,430
Adjustment to annual required contribution	<u>(27,906)</u>
Annual OPEB cost (expense)	601,687
Contributions made	<u>(197,850)</u>
Increase in net OPEB obligation	403,837
Net OPEB obligation beginning of year	<u>407,166</u>
Net OPEB obligation end of year	<u><u>\$ 811,003</u></u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 566,385	\$ 159,219	28.1%	\$ 407,166
December 31, 2009	601,687	197,850	32.9%	811,003

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,212,610, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,212,610. The covered payroll (annual payroll of active employees covered by the plan) was \$44,173,022, and the ratio of the UAAL to the covered payroll was 11.80 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.5 percent in the initial year, 10.0 percent for the second year, and reduced by decrements to an ultimate rate of 6.1 percent after ten years. The investment rate includes a 3.5 percent inflation assumption. The actuarial value of assets was determined using the fair value of assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES

Condensed Financial Statements – Discretely Presented Component Units

A. Statement of Net Assets

	Pueblo County Community Development Corporation	Pueblo County Emergency Telephone Service Authority	Runyon Sports Complex Commission, Inc.	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 375,885	\$ 1,261,008	\$ 138,904	\$ 1,775,797
Investments	-	-	49,628	49,628
Receivables (net)	790,491	77,133	-	867,624
Due to other governments	-	450	-	450
Prepaid items	-	2,750	-	2,750
Capital Assets:				
Works of art	-	-	24,467	24,467
Machinery and equipment	-	194,135	81,977	276,112
Less accumulated depreciation	-	(69,690)	(11,612)	(81,302)
Total Capital Assets, net	-	124,445	94,832	219,277
TOTAL ASSETS	1,166,376	1,465,786	283,364	2,915,526
<u>LIABILITIES</u>				
Accounts payable and and accrued expenses	10	13,249	4,488	17,747
Due to other entities	-	115,418	-	115,418
TOTAL LIABILITIES	10	128,667	4,488	133,165
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	124,445	94,832	219,277
Unrestricted	1,166,366	1,212,674	184,044	2,563,084
TOTAL NET ASSETS	\$ 1,166,366	\$ 1,337,119	\$ 278,876	\$ 2,782,361

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES, continued

Condensed Financial Statements – Discretely Presented Component Units, continued

B. Statement of Activities

	Pueblo County Community Development Corporation	Pueblo County Emergency Telephone Service Authority	Runyon Sports Complex Commission, Inc.	Total
EXPENSES:				
Economic development and assistance:				
Administration	\$ 23,546	\$ -	\$ -	\$ 23,546
Economic development grants and loans	33,743	-	-	33,743
Public Safety:				
Administration	-	311,143	-	311,143
Supplies	-	120,662	-	120,662
Depreciation	-	29,183	-	29,183
Culture and recreation:				
Baseball park operations:				
Personnel services	-	-	241,168	241,168
Supplies	-	-	150,098	150,098
Professional services	-	-	14,551	14,551
Insurance	-	-	21,173	21,173
Depreciation	-	-	6,944	6,944
TOTAL EXPENSES	57,289	460,988	433,934	952,211
PROGRAM REVENUES:				
Charges for services	44,240	506,083	403,066	953,389
Operating grants and contributions	110,000	-	98,905	208,905
TOTAL PROGRAM REVENUES	154,240	506,083	501,971	1,162,294
NET (EXPENSE) REVENUE	96,951	45,095	68,037	210,083
GENERAL REVENUES				
Interest income	1,091	4,873	2,910	8,874
TOTAL GENERAL REVENUES	1,091	4,873	2,910	8,874
CHANGE IN NET ASSETS	98,042	49,968	70,947	218,957
NET ASSETS, beginning of year	1,068,324	1,287,151	207,929	2,563,404
NET ASSETS, end of year	\$ 1,166,366	\$ 1,337,119	\$ 278,876	\$ 2,782,361

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES, continued

Condensed Financial Statements – Discretely Presented Component Units, continued

C. Statement of Cash Flows	<u>Pueblo County Community Development Corporation</u>	<u>Pueblo County Emergency Telephone Service Authority</u>	<u>Runyon Sports Complex Commission, Inc.</u>	<u>Total Discretely Presented Component Units</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 287,430	\$ 495,290	\$ 403,066	\$ 1,185,786
Payments for new loans	(309,986)	-	-	(309,986)
Payment to suppliers for goods and services	(22,308)	(107,813)	(183,524)	(313,645)
Payments to employees	-	(213,499)	(241,168)	(454,667)
Net cash provided (used) by operating activities	<u>(44,864)</u>	<u>173,978</u>	<u>(21,626)</u>	<u>107,488</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and grants	110,000	-	88,570	198,570
Receipts from donors	-	-	10,335	10,335
Net cash provided by noncapital financing activities	<u>110,000</u>	<u>-</u>	<u>98,905</u>	<u>208,905</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(80,590)	(37,030)	(117,620)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(80,590)</u>	<u>(37,030)</u>	<u>(117,620)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(969)	(969)
Interest received	1,091	4,873	2,910	8,874
Net cash provided by investing activities	<u>1,091</u>	<u>4,873</u>	<u>1,941</u>	<u>7,905</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,227	98,261	42,190	206,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>309,658</u>	<u>1,162,747</u>	<u>96,714</u>	<u>1,569,119</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 375,885</u>	<u>\$ 1,261,008</u>	<u>\$ 138,904</u>	<u>\$ 1,775,797</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (13,049)	\$ 45,095	\$ (30,868)	\$ 1,178
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	29,183	6,944	36,127
Bad debt expense	35,000	-	-	35,000
Change in assets and liabilities -				
Accounts receivable	(66,796)	(10,793)	-	(77,589)
Prepaid items	-	(2,750)	-	(2,750)
Accounts payable and accrued expenses	(19)	113,243	2,298	115,522
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (44,864)</u>	<u>\$ 173,978</u>	<u>\$ (21,626)</u>	<u>\$ 107,488</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES, continued

JOINT VENTURES

PUEBLO REGIONAL BUILDING DEPARTMENT

The County is a participant with the City of Pueblo, Colorado in a joint venture known as the Pueblo Regional Building Department. The Department's purpose is to enforce building codes and license contractors throughout the City and County. The governing body is composed of nine members, four of which are appointed by the County, four are appointed by the City, and one member is jointly appointed. The Department is required to submit monthly reports of revenues and expenditures to the County and City and their annual budget is subject to the approval of the County and City. In addition, the agreement stipulates that if allocated expenses exceed revenues for either the County or City, the Department can assess the County or City for the deficit. Complete financial statements for the Department can be obtained from the Department's administrative office at 316 W. 15th, Pueblo, Colorado.

PUEBLO CITY-COUNTY HEALTH DEPARTMENT

The Pueblo-City County Health Department is also a joint venture between the City of Pueblo and the County of Pueblo. The Department was created in 1952 for the purpose of providing public health care services to the residents of the City and County. Approximately 25% of the Department's revenues are composed of subsidies from the City and County of Pueblo, with the County's totaling \$1,449,142 for 2009. The governing body of the Department is composed of five members, two of which are appointed by the County, two are appointed by the City of Pueblo, and one member is jointly appointed.

The governing body of the Department appoints the administrator and the administrator appoints all other personnel. The joint venture agreement requires that the governing body of the Department submit a proposed annual operating budget to the City and County for their approval. Based upon the proposed budget, the City and County individually determine the amount of their respective annual subsidies for the Department. The joint venture agreement also stipulates that the participants shall endeavor to appropriate funds to the department that are reasonable, fair and equitable to all parties. Complete financial statements for the City-County Health Department can be obtained from their administrative office located at 101 West 9th Street, Pueblo, Colorado.

HISTORIC ARKANSAS RIVERWALK AUTHORITY

The County is a participant with the City of Pueblo (the City), the Pueblo Conservancy District (the Conservancy District) and the Board of Water Works (the Board) in a joint venture known as the Historic Arkansas Riverwalk Authority (the Authority). The Authority's purpose is to promote, manage, supervise, operate, develop and maintain the Historic Arkansas Riverwalk Project (HARP). The governing body is composed of five members, two of which are appointed by the City, while each of the other participants appoints one member.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES, continued

The Authority is required to submit an annual budget to each of the participants except the Board. The budget is to include a specific line item for each participant's subsidy except the Board's. The governing body of each participant, in its sole discretion, shall approve such budgeted specific line item for appropriation to the Authority in an amount equal to, greater or less than the amount contained in the annual plan and budget. During 2009, the County appropriated \$279,500 to the Authority. Complete financial statements for the Authority can be obtained from their administrative office located at 200 West 1st Street, Pueblo, Colorado.

JOINTLY GOVERNED ORGANIZATION

PUEBLO AREA COUNCIL OF GOVERNMENTS (PACOG)

PACOG was formed in 1971 to serve as an inter-local advisory board through which local governmental entities may be aided in dealing with issues of common interest that transcend geographic borders to include a comprehensive regional planning process. PACOG's governing body is composed of 15 members, of which three are County Commissioners. The County's accountability is limited to making these appointments. During 2009, the County appropriated \$48,277 to PACOG.

NOTE D – COMMITMENTS AND CONTINGENCIES

1. Pollution Remediation Obligations. In May 2008, the County acquired real estate for the future expansion of certain government facilities. At the time of acquisition, the former owner was in the process of asbestos clean-up. The terms of the purchase required the former owner to complete the asbestos clean-up and a portion of the sale proceeds were placed in an escrow account for clean-up costs. However, the former owner did not complete the clean-up and the escrow balance was not sufficient to complete the clean-up. During the year-ended December 31, 2008, the County continued the clean-up and incurred costs totaling \$7,405,547, of which \$460,535 has been capitalized and included in construction in progress in the Statement of Net Assets in accordance with generally accepted accounting principles. At December 31, 2008, the County anticipated additional outlays totaling \$526,500 would be required to complete the clean-up that met the requirements of the State of Colorado Department of Public Health and Environment. During the year ended December 31, 2009, the County continued the clean-up and incurred costs totaling \$222,456 which were not capitalized. At December 31, 2009, the County adjusted the anticipated additional outlays to complete the clean-up to \$235,200. The estimated liability is calculated based on proposals submitted by contractors and management's estimate of other internal costs. These costs are included in long-term liabilities, payable in one year or less in the Statement of Net Assets.

In addition, the County has been named in an arbitration case with the contractor providing the asbestos mitigation services during the year ended December 31, 2008. The case involves claims and counterclaims by both parties and is set for an arbitration hearing in July 2010. As of December 31, 2009, no estimate of recoveries and/or liabilities could be made.

2. Grants and Other. The County participates in a number of federal and state assisted grant programs. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the County. In the opinion of management, however, any

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE D – COMMITMENTS AND CONTINGENCIES, continued

such disallowed claims will not have a material effect on the financial statements of the County as of and for the year ended December 31, 2009.

The County is responsible for administering certain federal and state social services programs for which the related revenue and expenditures are not included in the accompanying financial statements since the state of Colorado makes the grant disbursements. The following schedule lists Pueblo County electronic benefit transfer authorizations, warrant expenditures, and total expenditures associated with the social services special revenue fund for the year ended December 31, 2009:

Program	A		B		C		D		E		F	
	County EBT/EFT		County Share of		Expenditures by		County EBT/EFT		Total		Expenditures	
	Authorizations	Refunds	Authorizations	Authorizations	County Warrant	County Warrant	Authorizations plus Expenditures by County Warrant	(Col. A + Col. B + Col D)	(Col. C + Col. D)			
Old Age Pension	\$ 2,314,563	\$ (26,868)	\$ 10,943	\$ 82,586	\$ 2,370,281	\$ 93,529						
Low-income energy assistance program	4,929,314	(2,005)	-	191,703	5,119,012	191,703						
Temporary assistance for needy families	5,513,990	-	820,328	1,645,642	7,159,632	2,465,970						
Regular administration *	-	-	-	5,349,397	5,349,397	5,349,397						
Child welfare	8,245,751	(415,146)	1,478,398	6,703,290	14,533,895	8,181,688						
Core services	511,650	-	49,548	1,018,631	1,530,281	1,068,179						
Aid to the needy disabled	2,854,013	(783,532)	377,309	-	2,070,481	377,309						
Child care	3,229,395	(2,436)	393,726	355,479	3,582,438	749,205						
Medicaid transportation	-	-	-	34,663	34,663	34,663						
Aid to the blind	3,611	-	219	-	3,611	219						
Single entry point	-	-	-	1,583,210	1,583,210	1,583,210						
Child support enforcement	-	-	-	1,888,642	1,888,642	1,888,642						
Special IV-E funds	-	-	-	932	932	932						
General assistance	-	-	-	1,020	1,020	1,020						
County only	-	-	-	201,302	201,302	201,302						
Subtotal	27,602,287	(1,229,987)	3,130,471	19,056,497	45,428,797	22,186,968						
Food assistance	42,960,686	(506,340)	-	-	42,454,346	-						
Grand Total	\$ 70,562,973	\$ (1,736,327)	\$ 3,130,471	\$ 19,056,497	\$ 87,883,143	\$ 22,186,968						

*Regular Administration includes:

County Administration Block Grant, Non-Allocated EBT Billings, Food Assistance Fraud, Employment First, Chafee Foster Care Program, and Data Processing.

- A. Welfare payments authorized by the Pueblo County Department of Social Services. These County authorizations are paid by the Colorado Department of Human Services by Quest debit cards or by electronic funds transfer (EFT).
- B. Refunds of welfare payments, authorized in error, recovered from recipients by the Pueblo County Department of Social Services.
- C. County Share of EBT authorizations. These amounts are settled monthly by a reduction of State cash advances to the County.
- D. Expenditures made by County warrants or other County payment methods.
- E. This represents the total cost of the welfare programs that are administered by Pueblo County.
- F. This total matches the total expenditures for Social Services Special Revenue Fund column on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

**PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

IV – OTHER NOTE DISCLOSURES, continued

NOTE D – COMMITMENTS AND CONTINGENCIES, continued

3. Legal Debt Margin. Based on Colorado state statutes, the County’s indebtedness for general obligation bonds shall not exceed three percent of actual value as determined by the last final assessment of the taxable property within the County. General obligation debt outstanding at December 31, 2009, totaled \$10,402,373. Pursuant to Colorado state statutes (C.R.S 24-90-112.5), the general obligation library bonds (Pueblo Library District Project) series 1999 and series 2005 are not subject to such limitation. Therefore, at December 31, 2009 the County’s debt limit was \$311,294,298 and the debt margin was \$310,061,925.

4. Arbitrage Liability. The County has not determined its arbitrage liability, if any; however, the County believes any resulting liability is not material to its financial position as reflected in the government-wide statement of net assets or the proprietary fund statement of net assets, as applicable.

5. Conduit Debt Obligations:

Industrial Revenue Bonds. From time to time, the County issues industrial revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from private sector entities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, there were several series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$31,799,748.

6. Operating Leases. The County has entered into various non-cancelable operating leases for property and equipment; however, all of these leases are subject to annual appropriation by the Commissioners. Costs incurred in 2009 for operating leases were \$366,709 in the governmental funds and \$1,919 in the proprietary fund.

Presented below is a schedule by years of future minimum rental payments required under these leases:

<u>Year Ended December 31,</u>	<u>Lease Payments</u>
2010	\$ 329,801
2011	153,612
2012	42,960
	<u>\$ 526,373</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

IV – OTHER NOTE DISCLOSURES, continued

NOTE D – COMMITMENTS AND CONTINGENCIES, continued

7. Other Items. Colorado voters approved an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities, and other specific requirements affecting state and local governments. The amendment, which is commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the County believes it is in compliance with the requirements of the amendment. The County has made certain interpretations of the amendment's language in order to determine its compliance. On November 9, 2006, the voters of Pueblo County approved a Tabor Ballot question which allows the County to expend funds in excess of its Tabor spending limits for a period of five years. The ballot question approved the expenditure of funds for a new City-County health department facility and various recreation and road projects.

The County is a defendant in numerous lawsuits and claims arising in the normal course of operations. The County is vigorously defending all such claims and it is anticipated that the outcome of such claims and litigation will not have a material adverse effect on the financial position of the County.

8. Other Commitments. The County has committed to contribute to the Young Men's Christian Association (YMCA) a total of \$2,000,000 payable in equal installments of \$200,000 per year for 10 years beginning in 2008. The purpose of this commitment is to cooperatively promote, advance and provide recreational facilities, activities and opportunities for the citizens of Pueblo County. This contribution was made to the YMCA as part of their capital campaign and the yearly payment is subject to annual appropriation by the Board of County Commissioners. As of December 31, 2009, the remaining commitment was \$1,600,000.

In April 2009, the County entered into an economic development contract with PEDCO Foundation and Vestas Towers America, Inc. regarding the commitment of funds in the amount of \$4,122,000 for site preparation, construction, and related costs associated with the location and establishment of a new manufacturing plant to be built by Vestas Towers America, Inc. within the jurisdictional boundaries of Pueblo County, Colorado. This commitment was funded in January 2010.

9. Subsequent events. Subsequent to December 31, 2009, the County awarded various contracts for infrastructure improvements, building construction and improvements, equipment purchases, professional services, public safety, economic development and community services totaling approximately \$5,986,000.

GOVERNMENT AUDITING STANDARDS
AND
OMB CIRCULAR A-133 REPORTS

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**PUEBLO COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009**

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

An unqualified opinion was rendered on the basic financial statements as of and for the year ended December 31, 2009.

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

An unqualified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
93.558	Temporary Assistance to Needy Families
93.568	Low-Income Home Energy Assistance
93.569 &	Community Services Block Grant Cluster;
93.710	Community Development Block Grant,
	Community Development Block Grant - ARRA
97.040	Chemical Stockpile Emergency Preparedness

Dollar threshold used to distinguish between type A and type B programs: \$2,429,593

Auditee qualified as a low-risk auditee? X Yes No

PUEBLO COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2009-1 Internal Control Over Financial Reporting

Criteria:

The Board of County Commissioners and management are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Condition:

Although the County has several fraud risk procedures in place, it does not have a written policies and procedures manual which sets forth guidelines to prevent and detect fraud. Also, the County does not have the accounting policies and procedures currently in place compiled into a comprehensive policy manual.

Context/Effect/Cause:

As part of the audit of the basic fund financial statements of the County, we noted the following material misstatements of the County's fund financial statements, which may have resulted from the lack of the written guidelines as noted above:

- ❖ Retainage payable was not recorded correctly on several projects. Retainage payable, expenditures, and federal grant revenue was overstated by \$172,230 for one project while retainage payable and expenditures were understated by \$46,476 for another project.
- ❖ A not-for-profit organization controlled by the District Attorney's office was not reflected in the County's basic fund statements as a blended component unit. The organization had \$147,297 in cash equivalents as of December 31, 2009, as well as \$49,869 in revenue and \$22,292 in expenditures for the year ended December 31, 2009 and a beginning fund balance of \$119,720. The County did not adopt a budget for this fund.
- ❖ Designations of fund balance for subsequent year expenditures in four funds were recorded incorrectly. The result of these misstatements was an understatement of designated fund balances by \$1,171,590.
- ❖ \$414,042 of estimated uncollectible property taxes was not recorded in the fund financial statements.

PUEBLO COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

- ❖ As a result of personnel changes in the County's Budget and Finance Department, accounting for capital assets was not completed in a timely manner. Capital asset purchases in the business-type activity and component units were not properly recorded and several adjustments were proposed to correct these errors. Entries to record the governmental activities capital assets in the government-wide financial statements prepared by the County also required additional proposed adjustments to accurately report the capital assets.

Recommendations:

We suggest the County compile a written accounting policies and procedures manual, along with a written fraud risk assessment program.

Views of responsible officials and planned corrective actions:

Although we do not agree that the implementation of the relevant auditing standards should elevate the lack of a complete written procedures manual to a material weakness level, we do agree that it is important to have written procedures in place. Therefore, we agree with the above findings and, as a result, will accelerate the preparation and finalization of a written accounting policies and procedures manual, along with developing a written fraud risk assessment program. We anticipate the completion of these written policies and procedures documents by December 31, 2010.

Finding 2009-2 Internal Control Over Grant Accounting

Criteria:

The County receives multiple federal and state grants which are monitored by various County departments. The County does not have a centralized location that is responsible for reviewing the grant accounting to ensure proper revenue recognition and timely reimbursements. Grant revenue is recognized throughout the year when received with adjustments for grant receivable at year-end based on receipts received in the first two months of the year. Expenditures related to grants are not always recorded in separate general ledger accounts making it difficult to monitor grant expenditures and ensure timely reimbursement requests.

Condition:

We noted the following material misstatements of the County's basic fund statements, which may have resulted from the lack of centralized grant accounting.

- ❖ \$236,184 of federal grant proceeds were deferred and not recognized as revenue although the revenue had been earned.
- ❖ \$37,848 of federal grant proceeds were recognized as revenue prior to being earned.
- ❖ \$1,003,102 of federal grant proceeds were recorded as an offset to current year expenditures, rather than recognition as revenue.

PUEBLO COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

- ❖ \$98,368 of matching grant proceeds received from a discretely presented component unit were recorded as an offset to current year expenditures, rather than recognized as revenue.
- ❖ \$42,449 of federal grant revenue was not recognized as revenue even though the payment was received in January 2010 and thus, met the measurable and available criteria under generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

We agree with the above findings and have begun assessing the internal control procedures needed concerning the areas identified.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs for federal awards were noted.

PUEBLO COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009

Finding 2008-1 Internal Control Over Financial Reporting

Criteria: The Board of County Commissioners and management are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Condition: Although the County has several fraud risk procedures in place, it does not have a written policies and procedures manual which sets forth guidelines to prevent and detect fraud. Also, the County does not have the accounting policies and procedures currently in place compiled into a comprehensive policy manual.

Context/Effect/Cause: As part of the audit of the basic fund financial statements of the County, we noted the following misstatements of the County's fund financial statements, which may have resulted from the lack of the written guidelines as noted above:

- ❖ \$39,287 of grant proceeds were recognized as revenue prior to being earned.

Recommendations: We suggest the County compile a written accounting policies and procedures manual, along with a written fraud risk assessment program.

Auditee's Response: Although we do not agree that the implementation of the new auditing standards should elevate the lack of a complete written procedures manual to a significant deficiency level, we do agree that it is important to have written procedures in place. Therefore, we agree with the above findings and, as a result, will accelerate the preparation and finalization of a written accounting policies and procedures manual, along with developing a written fraud risk assessment program. We anticipate the completion of these written policies and procedures documents by January 1, 2010.

Current Status: The recommendation was not implemented and is repeated as Finding 2009-1.

Finding 2008-2 Internal Control Over Safeguarding of Assets

Criteria: The Board of County Commissioners and management are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

PUEBLO COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009

Condition: Although the County has several internal control procedures in place for the safeguarding of County assets, we noted certain areas in which essential controls were lacking.

- ❖ Lack of segregation of duties in the issuance, cancellation, posting and reconciliation of purchase card activity. Specifically, one individual handles all functions related to the recording of purchase card activity.
- ❖ Lack of segregation of duties in the department of finance and budget in that individuals have the ability to process transactions without the oversight of other individuals. Specifically, these individuals may create new vendors, process invoices and remit payment without any authorization required by any other individual.
- ❖ Untimely holding of Prudential Finl Inc. common stock shares contributed to the County. The stock shares are not included as a type of security that public entities in Colorado may acquire and hold as investments as defined in Colorado Revised Statutes 24-75-601.

Auditee's Reponse: We agree with the above findings and as of June 1, 2009, we have added internal control procedures needed concerning the areas identified.

Current Status: The recommendation was implemented during 2009. The finding does not warrant further action.



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

Board of County Commissioners
Pueblo County, Colorado

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies labeled 2009-1 and 2009-2 as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the County of Pueblo, Colorado in a separate letter dated July 19, 2010.

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

This report is intended solely for the information and use of the Board of County Commissioners, management, others within the County, 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.

W. Pherson, Arnyfogel, Davlin & Goodrich, PC

July 19, 2010

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Pueblo County, Colorado
Pueblo, Colorado

Compliance

We have audited the compliance of Pueblo County, Colorado (the County), with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado, as of and for the year ended December 31, 2009, and have issued our report thereon dated July 19, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Pueblo County, Colorado's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of County Commissioners, management, others within the County, 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.

W. Peterson, Bryn Fogh, Davelin & Goodrich, PC

September 10, 2010

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PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Colorado Department of Human Services -			
Food Stamp Cluster -			
Food Stamps	10.551	-	\$ 42,502,361
Food Stamps-ARRA	10.551	-	101,123
State Administrative Matching Grants for			
Food Stamp Program	10.561	-	1,312,810
Food Stamp Enhanced Workfare	10.561	-	29,330
Commodity Supplemental Food Program (Admin)	10.565	-	85,623
Commodity Supplemental Food Program (Commodities)	10.565	7520Z4	348,144
Emergency Food Assistance Program (Administrative Costs)	10.568	-	18,420
Emergency Food Assistance Program-ARRA (Admin Costs)	10.568	-	41,820
Emergency Food Assistance Program (Food Commodities)	10.569	-	513,969
Emergency Food Assistance Program-ARRA (Commodities)	10.569	-	40,617
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>44,994,217</u>

U.S. DEPARTMENT OF COMMERCE

Passed through Colorado Governor's

Office of Homeland Security

Public Safety Interoperable Communications Grant	11.555	-	1,176,576
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TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1,176,576</u>
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U.S. DEPARTMENT OF HOUSING AND

URBAN DEVELOPMENT

Passed through Colorado Department of Local Affairs -

Emergency Shelter Grants Program	14.231	-	57,780
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Passed through Colorado Office of Economic Development

Community Development Block Grant	14.228	-	110,000
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Passed through City of Pueblo, Colorado -

Community Development Block Grant	14.218	-	20,323
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Home Investment Partnership Program	14.239	-	18,517
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TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>206,620</u>
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PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Assistance -			
State Criminal Alien Assistance Program	16.606	-	85,316
Community Prosecution and Project Safe Neighborhoods	16.609	-	162,280
Passed through Colorado Department of Public Safety			
Division of Criminal Justice -			
Juvenile Accountability Incentive Block Grant	16.523	28-JB-L-10-5	20,796
Supervised Visitation, Safe Havens for Children	16.527	2007-CW-AX-0019 28-VA-10-48 & 28-VA-10-49	102,608
Crime Victim Assistance	16.575	26-VW-10-56	95,519
Violence Against Women Formula Grants	16.588	27-CP-04-9-1	47,803
Community Prosecution and Project Safe Neighborhoods	16.609		21,843
Passed through City of Pueblo, Colorado -			
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-1071, 2007-DJ-BX-1094 & 2008-DJ-BX-0415	28,537
Edward Byrne Memorial Justice Assistance Grant-ARRA	16.804	2009-SB-0639	77,003
Passed through City of Colorado Springs, Colorado -			
Internet Crimes Against Children	16.541	-	9,879
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>651,584</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Colorado Department of Transportation -			
Highway Planning and Construction	20.205	-	5,058,919
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>5,058,919</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through Colorado Office of Energy Conservation -			
Weatherization Assistance for Low-Income Persons	81.042	C900346	482,259
TOTAL U.S. DEPARTMENT OF ENERGY			<u>482,259</u>

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Pueblo Area Council of Governments			
Special Programs for the Aging -			
Title VII - Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	01Z-72	2,346
Title VII - Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	01Z-72	6,630
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	01Z-72	24,959
Aging Cluster -			
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	01Z-72	213,864
Title III, Part C - Nutrition Services	93.045	01Z-72	362,220
Nutrition Services Incentive Program	93.053	01Z-72	160,964
Title III, Part C - Nutrition Services-ARRA	93.705		20,920
Title III, Part C - Nutrition Services-ARRA	93.707		42,493
Title III, Part E - National Family Caregiver Support	93.052	01Z-72	79,266
Passed through Colorado Department of Human Services -			
Title IV-B, Family Preservation and Support	93.556	-	84,126
Temporary Assistance to Needy Families	93.558	-	6,681,300
Title IV-D, Child Support Enforcement	93.563	-	1,208,018
Low-Income Home Energy Assistance	93.568	-	4,879,551
Child Care Cluster -			
Child Care & Development Block Grant	93.575	-	808,435
Child Care & Development Block Grant-ARRA	93.713	-	265,878
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	1,253,226
Child Welfare Services-State Grants Title IV-B	93.645	-	117,819
Foster Care - Title IV-E	93.658	-	2,683,643
Foster Care - Title IV-E - ARRA	93.658	-	327,195
Adoption Assistance	93.659	-	1,222,968
Adoption Assistance - ARRA	93.659	-	69,533
Social Services Block Grant - Title XX	93.667	-	766,672
Chafee Foster Care Independence Program	93.674	-	101,884
Title XIX, Medicaid Medical Assistance Program	93.778	-	1,122,521

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont'd)</u>			
Passed through Colorado Department of Health Care Policy and Financing - Medical Assistance Program (Early and Periodic Screening, Diagnosis and Treatment (EPSDT))	93.778	-	180,027
Passed through Colorado Office of Energy Conservation - Low-Income Home Energy Assistance	93.568	C900346&C900543	403,746
Passed through Colorado Department of Local Affairs - Community Services Block Grant	93.569	L5CSBG37 & KCS0034	281,588
Community Services Block Grant - ARRA	93.710	L5CSBG37 & KCS0034	<u>730,618</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>24,102,410</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Colorado Department of Local Affairs - Emergency Management Performance Grants	97.042	9EM09L52	50,495
Passed through Colorado Department of Emergency Management - Chemical Stockpile Emergency Preparedness	97.040	9EM78352 & 8EM78252	2,826,018
Homeland Security Grant Program	97.067	8EM77852 & 98HS78852	<u>1,424,069</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>4,300,582</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 80,973,167</u>

PUEBLO COUNTY, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pueblo 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 presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – OTHER ITEMS

The amount of noncash assistance expended during the year ended December 31, 2009 totaled \$862,113, which is represented by the Commodity Supplemental Food Program (commodities), CFDA #10.565 and the Temporary Emergency Food Assistance Program (Commodity Distribution), CFDA #10.569.

NOTE 3 – CRIME VICTIM COMPENSATION

The Crime Victim Compensation Board of the Tenth Judicial District Attorney's Office receives federal grant funding from the U.S. Department of Justice Crime Victim Compensation Grant (CFDA #16.576), passed through the Colorado Division of Criminal Justice, to pay for expenses for victims of violent crime. The total grant award during 2009 was \$20,000. This financial assistance is not included in the Schedule of Expenditures of Federal Awards for Pueblo County as the payment is made to the Tenth Judicial District, and the payments never enter into Pueblo County's accounting system. They are noted, however, in order to satisfy State reporting requirements.

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