

Pueblo County, Colorado is pleased to present its Federal Financial Assistance Single Audit Report for the year ending December 31, 2011 in .pdf format.

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PUEBLO COUNTY, COLORADO

FEDERAL FINANCIAL ASSISTANCE

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2011

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**PUEBLO COUNTY, COLORADO
FEDERAL FINANCIAL ASSISTANCE - SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2011**

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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, 2011, 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, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012 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 assessing the results of our audit.

McPherson, Bryffogle, Daniels & Goodrich, PC

June 21, 2012

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BASIC FINANCIAL STATEMENTS

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PUEBLO COUNTY, COLORADO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 20,062,658	\$ 17,796	\$ 20,080,454	\$ 2,204,248
Investments	13,850,057	-	13,850,057	50,528
Receivables, net	55,654,188	6,698	55,660,886	370,441
Internal balances	3,531,185	(3,531,185)	-	-
Inventories	737,957	-	737,957	-
Prepaid expenses and deposits	255,885	-	255,885	-
Deferred issue costs, net of accumulated amortization	1,162,861	44,617	1,207,478	-
Restricted assets:				
Cash and cash equivalents	130,025	617,994	748,019	-
Land held for development	-	457,000	457,000	-
Capital assets:				
Land and water rights	11,901,088	4,402,683	16,303,771	-
Easements and right-of-ways	39,317	-	39,317	-
Construction in progress	10,700,080	-	10,700,080	-
Collections and works of art	350,000	-	350,000	24,467
Non-depreciable capital assets	22,990,485	4,402,683	27,393,168	24,467
Buildings and improvements	69,758,851	362,041	70,120,892	-
Machinery and equipment	24,748,365	880,674	25,629,039	402,362
Improvements other than buildings	-	1,474,580	1,474,580	-
Infrastructure	155,729,449	-	155,729,449	-
Software development	4,920,031	-	4,920,031	-
Less accumulated depreciation	(106,017,505)	(1,586,490)	(107,603,995)	(158,793)
Depreciable capital assets, net	149,139,191	1,130,805	150,269,996	243,569
Total capital assets, net	172,129,676	5,533,488	177,663,164	268,036
TOTAL ASSETS	<u>267,514,492</u>	<u>3,146,408</u>	<u>270,660,900</u>	<u>2,893,253</u>
LIABILITIES				
Accounts payable and accrued expenses	5,691,567	17,627	5,709,194	71,589
Due to other governmental agencies	522,907	-	522,907	23,838
Unearned revenue	47,453,546	13,260	47,466,806	-
Long-term liabilities -				
Portion due or payable in one year or less -				
Accrued interest	695,181	23,717	718,898	-
General obligation bonds	825,000	-	825,000	-
Certificates of participation	1,155,000	350,000	1,505,000	-
Capital leases	47,049	59,616	106,665	-
Compensated absences	438,000	-	438,000	-
Estimated claims and judgments	81,722	-	81,722	-
Portion due or payable after one year -				
General obligation bonds, net	6,405,040	-	6,405,040	-
Certificates of participation, net	34,238,531	4,909,963	39,148,494	-
Capital leases	1,874,015	58,887	1,932,902	-
Advances from other government	-	4,369,086	4,369,086	-
Compensated absences	7,543,737	-	7,543,737	-
Estimated claims and judgments	944,486	-	944,486	-
Net OPEB obligation	1,519,623	-	1,519,623	-
Net pension obligation	7,147,598	-	7,147,598	-
TOTAL LIABILITIES	<u>116,583,002</u>	<u>9,802,156</u>	<u>126,385,158</u>	<u>95,427</u>
NET ASSETS				
Invested in capital assets, net of related debt	162,146,287	155,022	162,301,309	268,036
Restricted for:				
Tabor	2,400,000	-	2,400,000	-
Capital projects	3,646,641	-	3,646,641	-
Debt service	105,402	-	105,402	-
Unrestricted	(17,366,840)	(6,810,770)	(24,177,610)	2,529,790
TOTAL NET ASSETS	<u>\$ 150,931,490</u>	<u>\$ (6,655,748)</u>	<u>\$ 144,275,742</u>	<u>\$ 2,797,826</u>

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Function/program activities:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 31,381,568	\$ 5,238,974	\$ 4,001,367	\$ -
Public safety	29,359,229	2,452,536	4,557,611	669,077
Road and bridge	14,171,522	284,628	4,561,276	1,210,567
Health, welfare and sanitation	30,503,159	285,756	20,911,889	-
Culture and recreation	1,747,827	86,389	-	328,218
Conservation	698,566	95,227	4,862	-
Urban redevelopment and housing	3,502,509	188,575	1,213,334	-
Economic development and assistance	1,480,530	-	12,500	-
Interest on long-term debt	2,737,341	-	-	-
Total Governmental Activities	<u>115,582,251</u>	<u>8,632,085</u>	<u>35,262,839</u>	<u>2,207,862</u>
BUSINESS-TYPE ACTIVITIES				
Desert Hawk golf course	1,359,114	782,491	-	-
Total Business-Type Activities	<u>1,359,114</u>	<u>782,491</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 116,941,365</u>	<u>\$ 9,414,576</u>	<u>\$ 35,262,839</u>	<u>\$ 2,207,862</u>
COMPONENT UNITS				
Pueblo County Community Development Corp.	\$ 799	\$ 21,822	\$ -	\$ -
Pueblo County Emergency Telephone Service Authority	593,570	513,532	-	-
Runyon Sports Complex Commission, Inc.	454,495	439,051	124,676	-
Total Component Units	<u>\$ 1,048,864</u>	<u>\$ 974,405</u>	<u>\$ 124,676</u>	<u>\$ -</u>

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**

<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (22,141,227)	\$ -	\$ (22,141,227)	\$ -
(21,680,005)	-	(21,680,005)	-
(8,115,051)	-	(8,115,051)	-
(9,305,514)	-	(9,305,514)	-
(1,333,220)	-	(1,333,220)	-
(598,477)	-	(598,477)	-
(2,100,600)	-	(2,100,600)	-
(1,468,030)	-	(1,468,030)	-
(2,737,341)	-	(2,737,341)	-
<u>(69,479,465)</u>	<u>-</u>	<u>(69,479,465)</u>	<u>-</u>
-	(576,623)	(576,623)	-
-	(576,623)	(576,623)	-
<u>\$ (69,479,465)</u>	<u>\$ (576,623)</u>	<u>\$ (70,056,088)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 21,023
-	-	-	(80,038)
-	-	-	109,232
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,217</u>
41,946,711	-	41,946,711	-
947,986	-	947,986	-
15,043,437	-	15,043,437	-
3,601,583	-	3,601,583	-
319,990	704	320,694	2,847
334,432	-	334,432	-
(50,000)	50,000	-	-
<u>62,144,139</u>	<u>50,704</u>	<u>62,194,843</u>	<u>2,847</u>
(7,335,326)	(525,919)	(7,861,245)	53,064
<u>158,266,816</u>	<u>(6,129,829)</u>	<u>152,136,987</u>	<u>2,744,762</u>
<u>\$ 150,931,490</u>	<u>\$ (6,655,748)</u>	<u>\$ 144,275,742</u>	<u>\$ 2,797,826</u>

PUEBLO COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,536,463	\$ 2,479,940	\$ 5,264,815	\$ 5,781,440	\$ 20,062,658
Investments	13,850,057	-	-	-	13,850,057
Receivables, net:					
Taxes	34,121,282	2,239,266	5,556,463	4,003,965	45,920,976
Grants	1,111,330	-	-	877,570	1,988,900
Notes	4,122,000	-	-	371,440	4,493,440
Interest	28,609	-	-	-	28,609
Other governments	8,742	347	1,160,393	655	1,170,137
Other agencies	23,838	-	-	1,400,000	1,423,838
Other	591,244	-	15,418	21,626	628,288
Inventories	162,818	474,560	-	100,579	737,957
Due from other funds	168,317	-	-	390,875	559,192
Prepaid items and deposits	82,410	-	173,475	-	255,885
Cash and cash equivalents - restricted	-	-	-	130,025	130,025
Advances to other funds	3,522,538	413,706	-	-	3,936,244
TOTAL ASSETS	<u>64,329,648</u>	<u>5,607,819</u>	<u>12,170,564</u>	<u>13,078,175</u>	<u>95,186,206</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	3,023,550	612,717	652,131	1,305,164	5,593,562
Due to other governments	-	-	522,907	-	522,907
Due to other funds	213,136	71,582	151,276	133,258	569,252
Deferred revenue	32,622,278	1,316,882	9,273,982	4,240,404	47,453,546
Other accrued liabilities	72,660	10,394	13,708	1,242	98,004
Advances from other funds	-	-	-	395,000	395,000
TOTAL LIABILITIES	<u>35,931,624</u>	<u>2,011,575</u>	<u>10,614,004</u>	<u>6,075,068</u>	<u>54,632,271</u>
FUND BALANCES:					
Nonspendable	7,889,767	888,265	173,475	1,400,000	10,351,507
Restricted	3,092,999	-	-	3,059,044	6,152,043
Committed	-	2,707,979	-	130,184	2,838,163
Assigned	5,179,986	-	1,383,085	2,413,879	8,976,950
Unassigned	12,235,272	-	-	-	12,235,272
TOTAL FUND BALANCES	<u>28,398,024</u>	<u>3,596,244</u>	<u>1,556,560</u>	<u>7,003,107</u>	<u>40,553,935</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,329,648</u>	<u>\$ 5,607,819</u>	<u>\$ 12,170,564</u>	<u>\$ 13,078,175</u>	<u>\$ 95,186,206</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, 2011

Total Fund Balances - Governmental Funds \$ 40,553,935

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	\$ 278,147,181	
Accumulated depreciation is	<u>(106,017,505)</u>	172,129,676
 Unamortized bond issue costs		 1,162,861

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	\$ (7,230,040)	
Certificates of participation payable	(35,393,531)	
Accrued interest on bonds payable	(695,181)	
Capital leases payable	(1,921,064)	
Compensated absences	(7,981,737)	
Claims and judgments	(1,026,208)	
OPEB obligation	(1,519,623)	
Net pension obligation	<u>(7,147,598)</u>	<u>(62,914,982)</u>

Total Net Assets - Governmental Activities \$ 150,931,490

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, 2011

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property taxes, net	\$ 33,823,978	\$ 1,283,387	\$ 4,061,389	\$ 3,725,943	\$ 42,894,697
Specific ownership taxes	2,907,843	108,025	351,882	233,833	3,601,583
Sales and use taxes	12,530,971	2,372,883	-	139,582	15,043,436
Fees and fines	41,421	-	-	-	41,421
Licenses and permits	170,263	4,225	-	-	174,488
Intergovernmental	6,909,803	593,981	16,958,739	7,131,645	31,594,168
State highway users tax	-	4,540,767	-	-	4,540,767
Charges for services	6,568,696	5,400	70,485	565,365	7,209,946
Investment earnings	314,035	-	-	5,956	319,991
Contributions and private grants	-	-	-	751,753	751,753
Other revenues	1,017,022	16,394	-	19,606	1,053,022
TOTAL REVENUES	<u>64,284,032</u>	<u>8,925,062</u>	<u>21,442,495</u>	<u>12,573,683</u>	<u>107,225,272</u>
EXPENDITURES					
Current:					
General government	27,247,005	-	-	2,813,389	30,060,394
Public safety	25,006,208	-	-	66,316	25,072,524
Highways and streets	-	7,156,834	-	-	7,156,834
Health and welfare	1,563,735	-	22,298,149	2,996,317	26,858,201
Culture and recreation	481,302	-	-	732,560	1,213,862
Urban development and housing	-	-	-	4,970,216	4,970,216
Conservation	658,969	-	-	-	658,969
Economic development assistance	1,264,510	-	-	-	1,264,510
Intergovernmental	1,349,267	1,644,904	-	-	2,994,171
Debt service:					
Principal	1,379,558	-	-	1,159,607	2,539,165
Interest and other charges	2,265,216	-	-	349,480	2,614,696
Capital outlay	1,645,056	4,189,048	60,855	6,084,232	11,979,191
TOTAL EXPENDITURES	<u>62,860,826</u>	<u>12,990,786</u>	<u>22,359,004</u>	<u>19,172,117</u>	<u>117,382,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>1,423,206</u>	<u>(4,065,724)</u>	<u>(916,509)</u>	<u>(6,598,434)</u>	<u>(10,157,461)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of capital lease	-	-	-	1,874,015	1,874,015
Transfers in	168,479	6,351,320	-	5,815,292	12,335,091
Transfers out	(12,131,612)	-	-	(253,479)	(12,385,091)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,963,133)</u>	<u>6,351,320</u>	<u>-</u>	<u>7,435,828</u>	<u>1,824,015</u>
NET CHANGE IN FUND BALANCES	(10,539,927)	2,285,596	(916,509)	837,394	(8,333,446)
FUND BALANCES - January 1	<u>38,937,951</u>	<u>1,310,648</u>	<u>2,473,069</u>	<u>6,165,713</u>	<u>48,887,381</u>
FUND BALANCES - December 31	<u>\$ 28,398,024</u>	<u>\$ 3,596,244</u>	<u>\$ 1,556,560</u>	<u>\$ 7,003,107</u>	<u>\$ 40,553,935</u>

The accompanying notes are an integral part of this statement.

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, 2011

Net change in fund balances - total governmental funds \$ (8,333,446)

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	\$ 13,113,082	
Depreciation expense	<u>(10,658,934)</u>	2,454,148

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. 1,210,567

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	\$ (1,131,179)	
Accumulated depreciation of assets disposed	<u>1,031,245</u>	(99,934)

Certain revenue was recognized in the fund statements but was earned and accrued in a prior period for the statement of activities. (116,170)

The change in the carrying value of pollution remediation obligation is not reported in governmental funds. 14,950

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 paid (\$606,872) exceeded the amounts earned (\$491,096). 115,776

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. (581,570)

The change in the carrying value of the net OPEB obligation is not reported in governmental funds. (379,884)

The change in the carrying value of the net pension obligation is not reported in governmental funds. (2,152,766)

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 capital leases	\$ (1,874,015)	
Principal payments on general obligation bonds and capital lease	2,539,164	
Interest expense on general obligation bonds and capital lease	16,618	
Amortization of bond issuance costs, discount, premium and deferred amount on refunding	<u>(148,764)</u>	<u>533,003</u>

Change in net assets of governmental activities \$ (7,335,326)

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011

Enterprise Fund
Desert Hawk Golf
Course at Pueblo West

ASSETS	Enterprise Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 17,796
Accounts receivable	6,698
Due from other funds	50,000
TOTAL CURRENT ASSETS	74,494
NONCURRENT ASSETS	
Capital assets -	
Land	4,402,683
Buildings	362,041
Improvements	1,474,580
Machinery and equipment	880,674
Accumulated depreciation	(1,586,490)
TOTAL CAPITAL ASSETS	5,533,488
Other assets -	
Deferred issue costs	44,617
Cash and cash equivalents, restricted for debt service	617,994
Land held for development	457,000
TOTAL OTHER ASSETS	1,119,611
TOTAL NONCURRENT ASSETS	6,653,099
TOTAL ASSETS	6,727,593
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	17,628
Due to other funds	39,940
Accrued interest	23,717
Certificates of participation payable	350,000
Capital leases payable	59,616
Unearned revenue	13,260
TOTAL CURRENT LIABILITIES	504,161
LONG-TERM LIABILITIES	
Certificates of participation payable, net	4,909,963
Capital leases payable	58,887
Advance due other funds	3,541,244
Advance on purchase option from other government	457,000
Deferred water payments	1,279,813
Loan payable to other government	2,632,273
TOTAL LONG-TERM LIABILITIES	12,879,180
TOTAL LIABILITIES	13,383,341
NET ASSETS	
Invested in capital assets, net of related debt	155,022
Unrestricted (deficit)	(6,810,770)
TOTAL NET ASSETS (DEFICIT)	(6,655,748)
TOTAL LIABILITIES AND NET ASSETS	\$ 6,727,593

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, 2011

	<u>Enterprise Fund Desert Hawk Golf Course at Pueblo West</u>
OPERATING REVENUE	
Charges for services	\$ 782,491
TOTAL OPERATING REVENUES	<u>782,491</u>
OPERATING EXPENSES	
Personnel services	27,271
Contract fees	325,016
Supplies	194,777
Professional services	12,983
Insurance	8,977
Repairs and maintenance	34,797
Depreciation	153,880
Utilities and communications	219,610
Equipment rent	2,739
TOTAL OPERATING EXPENSES	<u>980,050</u>
OPERATING INCOME (LOSS)	<u>(197,559)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	704
Interest and fiscal charges	(379,064)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(378,360)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(575,919)</u>
Transfers in	50,000
TOTAL TRANSFERS	<u>50,000</u>
CHANGE IN NET ASSETS	(525,919)
NET ASSETS (DEFICIT) JANUARY 1	<u>(6,129,829)</u>
NET ASSETS (DEFICIT) DECEMBER 31	<u>\$ (6,655,748)</u>

The accompanying notes are an integral part of this statement.

**PUEBLO COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2011**

**Enterprise Fund
Desert Hawk Golf
Course at Pueblo West**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	784,043
Payments to suppliers for goods and services		(806,861)
Payments to employees		(27,676)
Net cash provided (used) by operating activities		(50,494)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in		40,000
Net cash provided by noncapital financing activities		40,000

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on certificates of participation		(335,000)
Principal paid on capital leases		(54,778)
Interest and fiscal charges		(292,046)
Acquisition of capital assets		(39,941)
Advances from other funds		419,661
Advances from other governments		317,612
Net cash provided by capital and related financing activities		15,508

CASH FLOWS FROM INVESTING ACTIVITIES

Interest		704
Net cash provided by investing activities		704

NET INCREASE IN CASH AND CASH EQUIVALENTS 5,718

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 630,072

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 635,790

Displayed as:

Cash and cash equivalents	\$	17,796
Cash and cash equivalents, restricted for debt service		617,994
	\$	635,790

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$	(197,559)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		153,880
Change in assets and liabilities -		
Accounts receivable		(258)
Accounts payable and accrued expenses		(8,367)
Unearned revenue		1,810
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(50,494)

The accompanying notes are an integral part of this statement.

PUEBLO COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,343,986	\$ 4,425,235
Accounts receivable	551,992	80,588
Interest receivable	23,628	-
Other accounts receivable	25,765	-
Investments, at fair value		
Investment contract	9,448,047	-
Publicly traded partnership	8,847,929	-
Equity mutual funds	37,963,375	-
Other equity securities	41,541,004	-
	<u>99,745,726</u>	<u>4,505,823</u>
TOTAL ASSETS		
LIABILITIES		
Accounts payable	114,279	-
Due to other entities	-	81,338
Due to other taxing entities	-	3,911,327
Due to developers	-	308,010
Due to victims and insurance companies	-	12,115
Other accrued expenses	102,313	-
Due to lien holders and property owners	-	193,033
	<u>216,592</u>	<u>\$ 4,505,823</u>
TOTAL LIABILITIES		
NET ASSETS		
Held in trust for pension benefits	<u>\$ 99,529,134</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, 2011

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 3,337,480
Plan members	<u>3,337,480</u>
Total contributions	<u>6,674,960</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	(386,611)
Interest and dividend income	<u>1,629,910</u>
Total investment income	1,243,299
Less investment expense	<u>(292,538)</u>
Net investment earnings	<u>950,761</u>
 TOTAL ADDITIONS	 <u><u>7,625,721</u></u>
 DEDUCTIONS	
Benefit payments:	
Retirement benefits	6,462,211
Refunds of contributions	<u>787,575</u>
Total benefit payments	<u>7,249,786</u>
 Administrative expenses:	
Administrative costs	<u>141,021</u>
Total administrative expenses	<u>141,021</u>
 TOTAL DEDUCTIONS	 <u><u>7,390,807</u></u>
 CHANGE IN NET ASSETS	 234,914
 NET ASSETS AVAILABLE FOR PLAN BENEFITS AT BEGINNING OF YEAR	 <u>99,294,220</u>
 NET ASSETS AVAILABLE FOR PLAN BENEFITS AT END OF YEAR	 <u><u>\$ 99,529,134</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 1861 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, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE A – REPORTING ENTITY, continued

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, 2011

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, 2011

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, 2011

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 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, 2011

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 restricted or committed to expenditure for specific purposes other than debt service and capital projects. 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
 - Pueblo County Housing
 - Conservation Trust
 - Department of Aging Services
 - Housing and Human Services
 - Detention Commissary
 - Subdivision Park Site Fee
 - Fire Hydrant Impact Fee
 - Public Trustee
- ***Capital Projects funds*** are used to account and report for financial resources that are restricted, committed or assigned to expenditures for capital outlay (other than those financed by Business-type/Proprietary Funds). The capital projects funds of the County are:
 - Capital Expenditure
 - Capital Projects
- ***Debt service funds*** are used to account and report financial resources that are restricted, committed or assigned to expenditures 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 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. This debt was retired in 2011.

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, 2011

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; (4) the collection of fees, costs and sales proceeds associated with property foreclosures within the County and corresponding payment to lien holders and property owners, and (5) contributions made to the Enterprise Zone administrator paid to various not-for-profit organizations.

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.

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS/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 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, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The U.S. treasury notes and 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 20, 2011, 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, 2011 for the 2010 base year as specified by state law.

The taxes levied on December 20, 2011 reflect 2011 property taxes that will be collected in 2012. 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.

The County entered into property tax incentive agreements with Public Service Company of Colorado and GCC Rio Grande, Inc. in 2005. These agreements provide for refunds or credits of property taxes. In 2011, the County reduced property tax receivable and deferred property tax revenues by \$2,512,398 as a result of these credits.

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).

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS/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. The reported inventory for commodities is recorded as 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.

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, intangibles, 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, 2011.

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
Intangibles – Software development	5 years	N/A

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS/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. The County adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions on January 1, 2011. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As such, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for the County's governmental funds consist of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable and fund advances.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the Board of County Commissioners. Commitments may be modified or changed only by the Board of County Commissioners approving a new resolution.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

- Assigned – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. As authorized by the Board of County Commissioners, intent is expressed by the Director of Budget and Finance to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget.
- Unassigned – includes amounts that do not meet any of the above criteria. The County reports positive unassigned fund balances only in the general fund and negative unassigned fund balances, if any, may be reported in all funds.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements and proprietary fund financial statements, equity is classified as net assets and displayed in the following categories:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted net assets –all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

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, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS/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 and supplemental information. These procedures are in compliance with Colorado Revised Statutes.

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.

NOTE B – LEGAL COMPLIANCE - BUDGETS

1. 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 2011 the expenditure estimates were amended for certain funds. These amendments were made in accordance with state statutes.
2. All budgets adopted by the Commissioners, including the proprietary fund type, use the current financial resources measurement basis and modified accrual basis of accounting.
3. Budgeted amounts reported in the required supplementary information are as originally adopted by the Board of County Commissioners. All appropriations lapse at year end.
4. 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.

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.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued

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>
Special Revenue Funds:			
Detention Commissary	\$ 59,114	\$ 54,000	\$ 5,114
Public Trustee	416,653	415,600	1,053
Proprietary Fund:			
Desert Hawk Golf Course	<u>1,546,812</u>	<u>1,528,812</u>	<u>18,000</u>
	<u>\$ 2,022,579</u>	<u>\$ 1,998,412</u>	<u>\$ 24,167</u>

III – DETAILED NOTES FOR ALL FUNDS

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS

1. Cash and cash equivalents and investments are summarized as follows:

Cash and cash equivalents

Held by County Treasurer

Cash and cash equivalents on hand	\$ 417,449
Demand deposits	5,058,836
Investment pools	19,903,757
Restricted assets:	
Investment pools	617,994
Demand deposits	130,025
	<u>\$ 26,128,061</u>

Not held by the County Treasurer

Component Unit – Runyon Sports Complex Commission, Inc.:	
Demand deposits	\$ 226,253
Cash held with leasing company	1,103,642
	<u>\$ 1,329,895</u>
	<u>\$ 27,457,956</u>

Investments

Held by County Treasurer

U.S. treasury notes	\$ 6,010,312
U.S. agency securities	7,040,360
Certificates of deposit	799,385

Not held by the County Treasurer

Component Unit – Runyon Sports Complex Commission, Inc.:	
Certificates of deposits	50,528
	<u>\$ 13,900,585</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Financial Statement Presentation

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Statement of Net Assets		
Primary Government	\$ 20,080,454	\$ 13,850,057
Primary Government – restricted cash and cash equivalents	748,019	-
Component units	2,204,248	50,528
Statement of Fiduciary Funds		
Agency Funds	4,425,235	-
	<u>\$ 27,457,956</u>	<u>\$ 13,900,585</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	\$ 5,188,861
Investment pools	20,521,751
Cash on hand	417,449
	<u>\$ 26,128,061</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, 2011 the carrying amount of the County’s deposits, including certificates of deposit, was \$5,988,246 and the bank balance was \$8,211,616. Of the bank balance, \$8,211,616 was covered by federal depository insurance. All deposits of the County are held in financial institutions that are designated by the Colorado Division of Banking as eligible depositories under the Public Depository Protection Act.

Deposits of component units not held by County Treasurer

Runyon Sports Complex Commission, Inc. - At December 31, 2011 the carrying amount of the Commission’s deposits was \$276,781 and the bank balance was \$286,184 and \$250,000 was covered by federal National Credit Union Administration Insurance.

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.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE A – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

As of December 31, 2011, 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</u>	
		<u>In Years</u>	
		<u>Less Than 1</u>	<u>1-5</u>
<u>Reported as cash and cash equivalents</u>			
Colo Trust	\$ 3,739,847	\$ 3,739,847	\$ -
CSAFE	5,233,248	5,233,248	-
Money market funds held by lender (restricted)	617,994	617,994	-
Money market funds	<u>10,930,662</u>	<u>10,930,662</u>	<u>-</u>
	<u>\$ 20,521,751</u>	<u>\$ 20,521,751</u>	<u>\$ -</u>
<u>Reported as investments</u>			
U.S. treasury notes	\$ 6,010,312	\$ -	\$ 6,010,312
U.S. agency securities	7,040,360	4,037,812	3,002,548
Certificates of deposit	<u>849,913</u>	<u>849,913</u>	<u>-</u>
	<u>\$ 13,900,585</u>	<u>\$ 4,887,725</u>	<u>\$ 9,012,860</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, 2011, the County's investment in Colo Trust is rated AAAM by Standard & Poor's, while the investment in C-Safe is rated AAAM by Standard and Poor's. The County's investment in a money market mutual fund at Wells Fargo Securities, LLC is rated AAAM by Standard and Poor's.

As of December 31, 2011, the County's investment in U.S obligations and the corresponding credit rating was as follows:

<u>U.S. Obligation</u>	<u>Credit Rating</u>	
	<u>Moody's</u>	<u>Standard and Poor's</u>
U.S. treasury notes	Aaa	AA+
U.S. agency securities	Aaa	AA+

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, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

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

At December 31, 2011, cash and cash equivalents and investments of the Plan are reported as follows:

Financial Statement Presentation

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Statement of Fiduciary Funds – Pension Trust Fund	<u>\$ 1,343,986</u>	<u>\$ 97,800,355</u>

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

Demand deposits	\$ 64,308
Money market accounts	<u>1,279,678</u>
	<u>\$ 1,343,986</u>

2. Deposits. At December 31, 2011, the carrying amount of the Plan’s deposits was \$64,308 and the bank balance was \$65,241. Of the bank balance, \$65,241 was covered by federal depository insurance.

3. Investments. As of December 31, 2011, the Plan had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 year</u>
<u>Investment Type</u>		
Investment contract with Principal Life Insurance Company	\$ 9,448,047	\$ 9,448,047
Limited partnership interest – Grosvenor Institutional Partners	8,847,929	8,847,929
Registered investment companies –		
Pimco total return fund institutional shares #35	18,639,763	18,639,763
Vanguard Institutional Index fund #94	9,914,441	9,914,441
JP Morgan Core Bond Fund #3900	9,409,171	9,409,171
Domestic equity securities	27,578,129	27,578,129
International equity securities	<u>13,962,875</u>	<u>13,962,875</u>
	<u>\$ 97,800,355</u>	<u>\$ 97,800,355</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, 2011

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, 2011 consist of the following:

Primary Government

	Governmental Activities				Total Governmental Funds
	General	Road and Bridge	Social Services	Nonmajor Funds	
Receivables:					
Taxes:					
Property taxes	\$ 32,440,487	\$ 1,330,184	\$ 5,612,589	\$ 4,019,709	\$ 43,402,969
Sales and use taxes	2,005,081	415,687	-	24,453	2,445,221
Highway users tax	-	506,697	-	-	506,697
Grants	1,111,330	-	-	877,570	1,988,900
Notes	4,122,000	-	-	371,440	4,493,440
Interest	28,609	-	-	-	28,609
Other government	8,742	347	1,160,393	655	1,170,137
Other agencies	23,838	-	-	1,400,000	1,423,838
Other	<u>591,244</u>	<u>-</u>	<u>15,418</u>	<u>21,626</u>	<u>628,288</u>
	40,331,331	2,252,915	6,788,400	6,715,453	56,088,099
Less: allowance for uncollectible accounts	<u>(324,286)</u>	<u>(13,302)</u>	<u>(56,126)</u>	<u>(40,197)</u>	<u>(433,911)</u>
Net receivables	<u>\$ 40,007,045</u>	<u>\$ 2,239,613</u>	<u>\$ 6,732,274</u>	<u>\$ 6,675,256</u>	<u>\$ 55,654,188</u>
Amounts not scheduled for collection during subsequent year	<u>\$ 4,122,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,771,440</u>	<u>\$ 5,893,440</u>
		<u>Business-type Activities Desert Hawk Golf Course</u>			
Receivables:					
Other	\$ 6,698				
Less: allowance for uncollectible accounts	-				
Net receivables	<u>\$ 6,698</u>				

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011 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. 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	\$ 334,205	\$ -	\$ -	\$ 334,205
Other	-	68,236	-	68,236
	<u>334,205</u>	<u>68,236</u>	<u>-</u>	<u>402,441</u>
Less: allowance for uncollectible accounts	(32,000)	-	-	(32,000)
Net total receivables	<u>\$ 302,205</u>	<u>\$ 68,236</u>	<u>\$ -</u>	<u>\$ 370,441</u>
Amounts not scheduled for collection during subsequent year	<u>\$ 220,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,384</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, 2011 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	\$ 32,104,309	\$ 1,316,882	\$ 5,556,463	\$ 3,979,512	\$ 42,957,166	\$ -
Unearned grant revenue	517,969	-	3,717,519	260,892	4,496,380	-
Other unearned revenue	-	-	-	-	-	13,260
	<u>\$ 32,622,278</u>	<u>\$ 1,316,882</u>	<u>\$ 9,273,982</u>	<u>\$ 4,240,404</u>	<u>\$ 47,453,546</u>	<u>\$ 13,260</u>

For the most part, unearned grant revenue represents grant funds received in advance.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General fund	\$ 168,317	\$ 213,136
Road and bridge fund	-	71,582
Social services fund	-	151,276
Nonmajor governmental	<u>390,875</u>	<u>133,258</u>
Total governmental funds	<u>559,192</u>	<u>569,252</u>
Enterprise funds –		
Desert hawk golf course at Pueblo West	<u>50,000</u>	<u>39,940</u>
	<u>\$ 609,192</u>	<u>\$ 609,192</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, 2011:

	<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	3,127,538	-
Advance due road and bridge fund from		
Desert hawk golf course at Pueblo West	<u>413,706</u>	<u>-</u>
	<u>3,936,244</u>	<u>-</u>
Nonmajor governmental funds -		
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>-</u>	<u>395,000</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	-	3,127,538	
Road and bridge fund	-	413,706	
	-	<u>3,541,244</u>	
	<u>\$ 3,936,244</u>	<u>\$ 3,936,244</u>	

Long-term advances from the general fund and the road and bridge 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. 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, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General fund	\$ 168,479	\$ 12,131,612
Road and bridge fund	6,351,320	-
Nonmajor governmental funds:	5,815,292	253,479
Major enterprise fund:		
Desert hawk golf course at Pueblo West	50,000	-
	<u>\$ 12,385,091</u>	<u>\$ 12,385,091</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 activities and business-type activities.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS

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

	Balance January 1, 2011	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Governmental Activities:</u>				
Nondepreciable assets				
Land	\$ 10,090,124	\$ -	\$ -	\$ 10,090,124
Water rights	91,600	-	-	91,600
Land-infrastructure	1,719,364	-	-	1,719,364
Easements and right-of-ways	8,675	30,642	-	39,317
Collections	350,000	-	-	350,000
Construction in progress	4,054,035	9,385,929	(2,739,884)	10,700,080
Total capital assets not being depreciate	<u>16,313,798</u>	<u>9,416,571</u>	<u>(2,739,884)</u>	<u>22,990,485</u>
Depreciable assets:				
Buildings and improvements	69,758,851	-	-	69,758,851
Machinery and equipment	24,034,935	1,844,609	(1,131,179)	24,748,365
Software development	4,003,347	916,684	-	4,920,031
Infrastructure	150,843,780	4,885,669	-	155,729,449
Total capital assets being depreciated	<u>248,640,913</u>	<u>7,646,962</u>	<u>(1,131,179)</u>	<u>255,156,696</u>
Less accumulated depreciation for:				
Building and improvements	(22,001,814)	(2,309,297)	-	(24,311,111)
Machinery and equipment	(17,921,551)	(1,557,259)	1,031,245	(18,447,565)
Software development	(2,274,889)	(984,006)	-	(3,258,895)
Infrastructure	(54,191,562)	(5,808,372)	-	(59,999,934)
Total accumulated depreciation	<u>(96,389,816)</u>	<u>(10,658,934)</u>	<u>1,031,245</u>	<u>(106,017,505)</u>
Capital assets being depreciated, net	<u>152,251,097</u>	<u>(3,011,972)</u>	<u>(99,934)</u>	<u>149,139,191</u>
Total Governmental Activities				
Capital Assets, net	<u>\$ 168,564,895</u>	<u>\$ 6,404,599</u>	<u>\$ (2,839,818)</u>	<u>\$ 172,129,676</u>

Construction in progress at December 31, 2011 is comprised of the following:

On-going improvement to various uncompleted infrastructure projects	\$ 1,931,023
Uncompleted improvements to various buildings	4,093,605
Uncompleted replacement of communications equipment	770,373
Judicial building	<u>3,905,079</u>
	<u>\$ 10,700,080</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS, continued

	Balance January 1, 2011	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2011
<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 and improvements	362,041	-	-	362,041
Improvements other than buildings	1,434,639	39,941	-	1,474,580
Machinery and equipment	880,674	-	-	880,674
Total capital assets being depreciated	2,677,354	39,941	-	2,717,295
Less accumulated depreciation for:				
Building and improvements	(241,134)	(9,878)	-	(251,012)
Improvements other than buildings	(674,568)	(73,324)	-	(747,892)
Machinery and equipment	(516,908)	(70,678)	-	(587,586)
Total accumulated depreciation	(1,432,610)	(153,880)	-	(1,586,490)
Capital assets being depreciated, net	1,244,744	(113,939)	-	1,130,805
Total Business-Type Activities				
Capital assets, net	\$ 5,647,427	\$ (113,939)	\$ -	\$ 5,533,488

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 1,710,688
Public safety	1,655,182
Road and bridge	6,203,219
Health and welfare	793,417
Culture and recreation	255,603
Conservation	12,764
Urban redevelopment and housing	28,061
Total depreciation expense - governmental activities	\$ 10,658,934

Business-Type Activities:

Desert Hawk Golf Course at Pueblo West	\$ 153,880
Total depreciation expense - business-type activities	\$ 153,880

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE E – CAPITAL ASSETS, continued

Construction commitments:

At December 31, 2011, the County had in process various uncompleted infrastructure construction projects with remaining estimated costs totaling \$9,373,600. The County has also committed \$56,553,000 toward various building and improvement projects that were in process at December 31, 2011. Funding for these projects is to be provided primarily by the proceeds of related grants, future taxes, and issuance of certificates of participation.

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, 2011 follows:

	Balance January 1, 2011	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2011
Depreciable assets:				
Machinery and equipment	\$ 228,290	\$ 11,144	\$ (16,865)	\$ 222,569
Less accumulated depreciation	(102,648)	(41,660)	16,865	(127,443)
Emergency Telephone Service Authority capital assets, net	<u>\$ 125,642</u>	<u>\$ (30,516)</u>	<u>\$ -</u>	<u>\$ 95,126</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, 2011 follows:

	Balance January 1, 2011	Additions	Deletions/ Inventory Adjustments/ Transfers	Balance December 31, 2011
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	116,053	63,740	-	179,793
Less accumulated depreciation	(17,791)	(13,559)	-	(31,350)
Capital assets being depreciated, net	<u>98,262</u>	<u>50,181</u>	<u>-</u>	<u>148,443</u>
Runyon Sports Complex Commission, Inc. capital assets, net	<u>\$ 122,729</u>	<u>\$ 50,181</u>	<u>\$ -</u>	<u>\$ 172,910</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011	Due Within One Year
<u>Governmental Activities:</u>					
General obligation refunding, series 2005	\$ 8,410,000	\$ -	\$ (790,000)	\$ 7,620,000	\$ 825,000
Limited tax general obligation bond, series 2006	369,607	-	(369,607)	-	-
Deferred amount on refunding	(579,791)	-	65,640	(514,151)	-
Unamortized premium	140,043	-	(15,852)	124,191	-
Total general obligation bonds payable	<u>8,339,859</u>	<u>-</u>	<u>(1,109,819)</u>	<u>7,230,040</u>	<u>825,000</u>
Certificates of participation, series 2008	10,335,000	-	(1,115,000)	9,220,000	1,155,000
Certificates of participation, series 2009A	23,600,000	-	-	23,600,000	-
Certificates of participation, series 2009B	3,000,000	-	-	3,000,000	-
Unamortized discount	(61,845)	-	7,812	(54,033)	-
Unamortized discount	(374,386)	-	13,020	(361,366)	-
Unamortized discount	(12,210)	-	1,140	(11,070)	-
Total certificates of participation	<u>36,486,559</u>	<u>-</u>	<u>(1,093,028)</u>	<u>35,393,531</u>	<u>1,155,000</u>
Obligations under capital leases	<u>311,606</u>	<u>1,874,015</u>	<u>(264,557)</u>	<u>1,921,064</u>	<u>47,049</u>
Compensated absences	<u>8,097,512</u>	<u>491,097</u>	<u>(606,872)</u>	<u>7,981,737</u>	<u>438,000</u>
Estimated claims and judgments	<u>444,638</u>	<u>1,104,679</u>	<u>(523,109)</u>	<u>1,026,208</u>	<u>81,722</u>
Net OPEB obligation	<u>1,139,739</u>	<u>544,148</u>	<u>(164,264)</u>	<u>1,519,623</u>	<u>-</u>
Net pension obligation	<u>4,994,832</u>	<u>5,490,246</u>	<u>(3,337,480)</u>	<u>7,147,598</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 59,814,745</u>	<u>\$ 9,504,185</u>	<u>\$ (7,099,129)</u>	<u>\$ 62,219,801</u>	<u>\$ 2,546,771</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011	Due Within One Year
<u>Business-Type Activities:</u>					
Refunding certificates of participation, series 2005	\$ 6,220,000	\$ -	\$ (335,000)	\$ 5,885,000	\$ 350,000
Deferred amount on refunding	(641,985)	-	76,088	(565,897)	-
Unamortized discount	(67,092)	-	7,952	(59,140)	-
Total certificates of participation	<u>5,510,923</u>	<u>-</u>	<u>(250,960)</u>	<u>5,259,963</u>	<u>350,000</u>
Obligations under capital leases	<u>173,281</u>	<u>-</u>	<u>(54,778)</u>	<u>118,503</u>	<u>59,616</u>
Advances from other governments:					
Purchase option	457,000	-	-	457,000	-
Deferred water payments	1,279,813	-	-	1,279,813	-
Non-interest bearing loan	<u>2,314,661</u>	<u>317,612</u>	<u>-</u>	<u>2,632,273</u>	<u>-</u>
Total advances from other governments	<u>4,051,474</u>	<u>317,612</u>	<u>-</u>	<u>4,369,086</u>	<u>-</u>
Total Business-Type Activity Long-term Liabilities	<u>\$ 9,735,678</u>	<u>\$ 317,612</u>	<u>\$ (305,738)</u>	<u>\$ 9,747,552</u>	<u>\$ 409,616</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 obligations 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. Payments on the net pension obligation and the net post-employment benefit obligation are recorded in the applicable governmental funds.

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 \$ 7,620,000

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	9,220,000
\$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 2009B 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	<u>3,000,000</u>
	<u>35,820,000</u>

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	47,049
\$990,944 of obligation under capital lease; interest rate of 4.26%; payable in semi-annual installments of \$111,184 including interest through July 2017; lease payments begin six months after project phase is completed which is estimated to be in July, 2012; debt is serviced by the general fund	990,944
\$883,071 of obligation under capital lease; interest rate of 4.26%; payable in semi-annual installments of \$99,081 including interest through November 2017; lease payments begin six months after project phase is completed which is estimated to be in November, 2012; debt is serviced by the general fund	<u>883,071</u>
	<u>1,921,064</u>

Other obligations

Compensated absences	7,981,737
Estimated claims and judgments	1,026,208
Net OPEB obligation	1,519,623
Net pension obligation	<u>7,147,598</u>
	<u>17,675,166</u>
Total governmental activities	<u>\$ 63,036,230</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE F – LONG-TERM LIABILITIES, continued

The debt service requirements for the governmental activities general obligation bonds, certificates of participation, and capital leases as of December 31, 2011 are as follows:

Year Ending December 31,	Governmental Activities					
	General & Limited Tax Obligation Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 825,000	\$ 314,088	\$ 1,139,088	1,155,000	2,203,435	\$ 3,358,435
2013	855,000	281,087	1,136,087	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	935,000	202,387	1,137,387	1,310,000	2,049,760	3,359,760
2016	970,000	164,988	1,134,988	1,370,000	1,990,810	3,360,810
2017-2021	3,145,000	265,675	3,410,675	5,335,000	8,985,305	14,320,305
2022-2026	-	-	-	4,975,000	7,545,198	12,520,198
2027-2031	-	-	-	6,145,000	5,758,375	11,903,375
2032-2036	-	-	-	7,630,000	3,478,088	11,108,088
2037-2039	-	-	-	5,445,000	756,925	6,201,925
Total	\$ 7,620,000	\$ 1,475,113	\$ 9,095,113	\$ 35,820,000	\$ 37,031,366	\$ 72,851,366

Year Ending December 31,	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2012	\$ 47,049	\$ 658	\$ 47,707
2013	343,613	76,916	420,529
2014	358,545	61,984	420,529
2015	374,126	46,403	420,529
2016	390,383	30,145	420,528
2017	407,348	13,181	420,529
Total	\$ 1,921,064	\$ 229,287	\$ 2,150,351

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 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, 2011

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. \$7,505,000 of bonds previously defeased are still outstanding at December 31, 2011.

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>\$ 5,885,000</u>
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Obligations under capital leases

\$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	31,657
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\$141,608 of obligation under capital lease; interest rate of 3.50%; payable in annual installments of \$30,998 including interest through September 2014, debt is serviced by the Desert Hawk Golf Course at Pueblo West enterprise fund	<u>86,846</u>
	<u>118,503</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2010 are as follows:

Advance on purchase option	457,000
Deferred water payments, non-interest bearing	1,279,813
Non-interest bearing loan	<u>2,632,273</u>
	<u>4,369,086</u>
Total business-type activities	<u>\$ 10,372,589</u>

The debt service requirements for the business type activity certificates of participation and capital leases as of December 31, 2011 are as follows:

Year Ending December 31,	Business-Type Activities					
	Certificates of Participation			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 350,000	\$ 266,175	\$ 616,175	\$ 59,616	\$ 4,645	\$ 64,261
2013	365,000	252,525	617,525	28,937	2,061	30,998
2014	380,000	237,925	617,925	29,950	1,048	30,998
2015	395,000	222,725	617,725	-	-	-
2016	410,000	205,740	615,740	-	-	-
2017-2021	2,320,000	737,075	3,057,075	-	-	-
2022-2024	<u>1,665,000</u>	<u>163,375</u>	<u>1,828,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,885,000</u>	<u>\$ 2,085,540</u>	<u>\$ 7,970,540</u>	<u>\$ 118,503</u>	<u>\$ 7,754</u>	<u>\$ 126,257</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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. \$5,460,000 of certificates of participation outstanding previously defeased is still outstanding at December 31, 2011.

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, 2011:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Future minimum lease payments	\$ 2,150,351	\$ 126,257
Less: amounts representing interest	(229,287)	(7,754)
	<u>\$ 1,921,064</u>	<u>\$ 118,503</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Cash held with leasing company	\$ 1,103,642	\$ -
Construction in progress	770,373	-
Machinery and equipment	-	438,789
Buildings and improvements	1,199,900	-
Less: accumulated amortization	(279,977)	(191,751)
	<u>\$ 2,793,938</u>	<u>\$ 247,038</u>

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

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011 for governmental activities are as follows:

	Governmental Activities
Restricted for:	
Tabor	\$ 2,400,000
Capital Projects	3,646,641
Debt service	105,402
Total Restricted Net Assets	\$ 6,152,043

Restricted for tabor. This represents approximately 3% of the County’s estimated 2011 fiscal year spending as that term is defined in the Colorado Constitution. Under these provisions of the Constitution, this portion of net assets can be used for declared emergencies only and the County must accumulate 3% or more of its fiscal year spending in this account.

Restricted for capital projects. This represents the amount received for various funding sources to be used in future capital projects:

Build America Bond proceeds	\$ 692,999
Capital lease for communications equipment	1,103,642
Southern Delivery System infrastructure	1,850,000
	\$ 3,646,641

Restricted for debt service. This 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)	\$ 103,639
2006 series limited tax general obligation bond (Pueblo community animal shelter project)	1,763
	\$ 105,402

NOTE H – FUND BALANCES

As reported in the summary of significant accounting policies at I (D) (10), the County adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective January 1, 2011. Based on certain provisions of the statement, the County has reclassified the contingent and prosecutors assistance special revenue funds that were previously reported as nonmajor special revenue funds as follows:

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III – DETAILED NOTES FOR ALL FUNDS, continued

NOTE H – FUND BALANCES, continued

	General	Contingent	Prosecutors Assistance
Fund balance at January 1, 2011, as previously reported	\$ 34,714,383	\$ 4,055,661	\$ 167,907
GASB 54 reclassification	4,223,568	(4,055,661)	(167,907)
Fund balance at January 1, 2011, as restated	\$ 38,937,951	\$ -	\$ -

At December 31, 2011, fund balances for governmental funds consist of the following:

	Governmental Activities				Total Governmental Funds
	General	Road and Bridge	Social Services	Non-major Funds	
Nonspendable fund balances:					
Inventories	\$ 162,818	\$ 474,559	\$ -	\$ -	\$ 637,377
Prepaid items and deposits	82,410	-	173,475	-	255,885
Advances to other funds	3,522,539	413,706	-	-	3,936,245
Notes receivable	4,122,000	-	-	-	4,122,000
Economic development loan program	-	-	-	1,400,000	1,400,000
Total nonspendable fund balances:	7,889,767	888,265	173,475	1,400,000	10,351,507
Restricted fund balances:					
Tabor	2,400,000	-	-	-	2,400,000
Capital projects	692,999	-	-	2,953,642	3,646,641
Debt service	-	-	-	105,402	105,402
Total reserved fund balances	3,092,999	-	-	3,059,044	6,152,043
Committed fund balances:					
Capital projects	-	2,707,979	-	130,184	2,838,163
Total committed fund balances	-	2,707,979	-	130,184	2,838,163
Assigned fund balances:					
Social services	-	-	1,187,137	-	1,187,137
Public safety	763,078	-	-	215,715	978,793
Cultural and recreation	81,579	-	-	203,815	285,394
Health and welfare	-	-	-	74,394	74,394
Housing programs	-	-	-	527,854	527,854
Public trustee	-	-	-	308,883	308,883
Employee benefits	400,197	-	-	759,463	1,159,660
Subsequent years' expenditures	3,935,132	-	195,948	323,755	4,454,835
Total assigned fund balances	5,179,986	-	1,383,085	2,413,879	8,976,950
Unassigned fund balances:	12,235,272	-	-	-	12,235,272
Total fund balances	\$ 28,398,024	\$ 3,596,244	\$ 1,556,560	\$ 7,003,107	\$ 40,553,935

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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.

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, 2011, the determined loss reserve for self-insured workmen's compensation claims and property and liability claims totaled \$600,020, which represents the discounted present value of expected losses using a discount rate assumption of 0.53% 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 self-insured claims liability for workmen's compensation and property and casualty for the years ended December 31, 2011 and 2010 are as follows:

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Estimated claims liability, January 1	\$ 444,638	\$ 572,061
Current year claims and changes in estimates	678,491	572,709
Current year payments	<u>(523,109)</u>	<u>(700,132)</u>
Estimated claims liability, December 31	<u>\$ 600,020</u>	<u>\$ 444,638</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE A - RISK MANAGEMENT, continued

All health coverage, except dental coverage, is being provided through a purchased commercial risk-sharing insurance policy or arrangement. The terms of the policy provide that if claims exceed premiums paid, the County is liable for the difference up to a cap maximum. The prior year deficit will carry forward from year to year, but only up to \$1 million maximum or when claims exceed 105% of premiums, in which case, payment for the excess is due to the insurance provider. The County's prior year deficit due to the provider totals \$281,934 at December 31, 2011 and is included in accounts payable. The current year deficit of \$426,188 is included in the estimated claims liability at December 31, 2011. The premium rates do not reflect that liability.

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.

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 (719) 583-6026.

Retirement Benefits. Normal retirement date is the first of the month on or after reaching age 62 (65 if hired on or after January 1, 2011). The annual benefit payable at normal retirement is equal to 2.1% times final average annual compensation times the years of credited service (1.85% if hired on or after January 1, 2011). 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% (.417% if hired on or after January 1, 2011) 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 (80 if hired on or after January 1, 2011) 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 (55 if hired on or after January 1, 2011).

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.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

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	1,047
Receiving benefits	435
Terminated vested	<u>67</u>
Total	<u>1,549</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% effective January 1, 2012) 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.

Such County contributions must at least match participant contributions; the current rate is 7.5% (8% effective January 1, 2012) of annual covered payroll. The County's annual pension cost and net pension obligation 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	\$ 5,544,042
Interest on net pension obligation	399,587
Annual required contribution adjustment	<u>(453,383)</u>
Annual pension cost	5,490,246
Contributions made	<u>(3,337,480)</u>
Increase (decrease) in net pension obligation	2,152,766
Net pension obligation beginning of year	<u>4,994,832</u>
Net pension obligation end of year	<u>\$ 7,147,598</u>
Contribution rates –	
County	7.5% (8% 2012)
Plan members	7.5% (8% 2012)
Actuarial valuation date	January 1, 2012
Actuarial cost method	Entry age normal method
Amortization method	Level dollar closed
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market
Actuarial Assumptions –	
Investment rate of return*	8.0%
Projected salary increases*	4.0% - 6.0%
*Includes inflation at	4.0%
Cost-of-living adjustments	None

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

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, 2009	\$ 5,037,032	67.1%	\$ 3,807,309
December 31, 2010	4,430,428	73.2%	4,994,832
December 31, 2011	5,490,246	60.8%	7,147,598

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>
12/31/09	\$106,828,017	\$ 142,020,463	\$ 35,192,446	75.2%	\$ 43,267,756	81.3%
12/31/10	108,986,419	154,754,412	45,767,993	70.4%	44,432,064	103.0%
12/31/11	108,705,463	162,914,206	54,208,743	66.7%	45,180,565	120.0%

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, 2011, the County contributed \$164,264 to the plan.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

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	\$ 561,934
Interest on net OPEB obligation	45,590
Adjustment to annual required contribution	<u>(63,376)</u>
Annual OPEB cost (expense)	544,148
Contributions made	<u>(164,264)</u>
Increase in net OPEB obligation	379,884
Net OPEB obligation beginning of year	<u>1,139,739</u>
Net OPEB obligation end of year	<u><u>\$ 1,519,623</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years 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	\$ 601,687	\$ 197,850	32.9%	\$ 811,003
December 31, 2010	450,279	121,543	27.0%	1,139,739
December 31, 2011	544,148	164,264	30.2%	1,519,623

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,070,544, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,070,544. The covered payroll (annual payroll of active employees covered by the plan) was \$43,819,301, and the ratio of the UAAL to the covered payroll was 11.57 percent.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE B – EMPLOYEE BENEFITS, continued

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 multi-year 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, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 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 9.4 percent in the initial year, 8.9 percent for the second year, and reduced by decrements to an ultimate rate of 6.1 percent in 2017. The actuarial value of assets was determined using the fair value of assets. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE C – OTHER REPORTING ENTITY DISCLOSURES

Condensed Financial Statements – Discretely Presented Component Units

A. Statement of Net Assets

	<u>Pueblo County Community Development Corporation</u>	<u>Pueblo County Emergency Telephone Service Authority</u>	<u>Runyon Sports Complex Commission, Inc.</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 780,245	\$ 1,197,750	\$ 226,253	\$ 2,204,248
Investments	-	-	50,528	50,528
Receivables (net)	302,205	68,236	-	370,441
Capital Assets:				
Works of art	-	-	24,467	24,467
Machinery and equipment	-	222,569	179,793	402,362
Less accumulated depreciation	-	(127,443)	(31,350)	(158,793)
Total Capital Assets, net	-	95,126	172,910	268,036
TOTAL ASSETS	<u>1,082,450</u>	<u>1,361,112</u>	<u>449,691</u>	<u>2,893,253</u>
<u>LIABILITIES</u>				
Accounts payable and and accrued expenses	900	69,410	1,279	71,589
Due to other entities	-	23,838	-	23,838
TOTAL LIABILITIES	<u>900</u>	<u>93,248</u>	<u>1,279</u>	<u>95,427</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	95,126	172,910	268,036
Unrestricted	1,081,550	1,172,738	275,502	2,529,790
TOTAL NET ASSETS	<u>\$ 1,081,550</u>	<u>\$ 1,267,864</u>	<u>\$ 448,412</u>	<u>\$ 2,797,826</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	\$ 3,823	\$ -	\$ -	\$ 3,823
Economic development grants and loans	(3,024)	-	-	(3,024)
Public Safety:				
Administration	-	551,910	-	551,910
Depreciation	-	41,660	-	41,660
Culture and recreation:				
Baseball park operations:				
Personnel services	-	-	253,080	253,080
Supplies	-	-	136,054	136,054
Professional services	-	-	16,621	16,621
Insurance	-	-	15,413	15,413
Depreciation	-	-	13,559	13,559
Capital outlay	-	-	19,768	19,768
TOTAL EXPENSES	799	593,570	454,495	1,048,864
PROGRAM REVENUES:				
Charges for services	21,822	513,532	439,051	974,405
Operating grants and contributions	-	-	124,676	124,676
TOTAL PROGRAM REVENUES	21,822	513,532	563,727	1,099,081
NET (EXPENSE) REVENUE	21,023	(80,038)	109,232	50,217
GENERAL REVENUES				
Interest income	650	1,234	963	2,847
TOTAL GENERAL REVENUES	650	1,234	963	2,847
CHANGE IN NET ASSETS	21,673	(78,804)	110,195	53,064
NET ASSETS, beginning of year	1,059,877	1,346,668	338,217	2,744,762
NET ASSETS, end of year	\$ 1,081,550	\$ 1,267,864	\$ 448,412	\$ 2,797,826

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	\$ 21,822	\$ 508,668	\$ 439,051	\$ 969,541
Payment to suppliers for goods and services	(3,046)	(497,634)	(189,041)	(689,721)
Payments to employees	-	(2,817)	(253,080)	(255,897)
Net cash provided (used) by operating activities	<u>18,776</u>	<u>8,217</u>	<u>(3,070)</u>	<u>23,923</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and grants	-	-	124,676	124,676
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>124,676</u>	<u>124,676</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advances on new notes	(73,000)	-	-	(73,000)
Principal payments on notes	215,526	-	-	215,526
Purchases of capital assets	-	(11,144)	(63,740)	(74,884)
Net cash provided (used) by capital and related financing activities	<u>142,526</u>	<u>(11,144)</u>	<u>(63,740)</u>	<u>67,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(304)	(304)
Interest received	650	1,234	963	2,847
Net cash provided by investing activities	<u>650</u>	<u>1,234</u>	<u>659</u>	<u>2,543</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	161,952	(1,693)	58,525	218,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>618,293</u>	<u>1,199,443</u>	<u>167,728</u>	<u>1,985,464</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 780,245</u>	<u>\$ 1,197,750</u>	<u>\$ 226,253</u>	<u>\$ 2,204,248</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 21,023	\$ (80,038)	\$ (15,444)	\$ (74,459)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	41,660	13,559	55,219
Bad debt expense	(3,024)	-	-	(3,024)
Change in assets and liabilities -				
Accounts receivable	-	(4,864)	-	(4,864)
Accounts payable and accrued expenses	777	51,459	(1,185)	51,051
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 18,776</u>	<u>\$ 8,217</u>	<u>\$ (3,070)</u>	<u>\$ 23,923</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 (the City) 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 830 N. Main Street, 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. A portion of the Department's revenues are composed of subsidies from the City and County of Pueblo, with the County's totaling \$944,228 for 2011. 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 Urban Renewal Authority (PURA), 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, 2011

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 2011, the County appropriated \$200,000 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 2011, the County appropriated \$41,610 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 was 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. During the year ended December 31, 2010, the County continued the clean-up and incurred costs totaling \$479,533. These costs were offset by a reduction in the accounts payable due to the contractor providing the asbestos mitigation services of \$744,163 that was determined not to be due as a result of the final arbitration settlement. During the year ended December 31, 2011, the County completed the cleanup and incurred costs totaling \$26,429 which were not capitalized. No additional costs are anticipated.

In addition, the County's arbitration case with the contractor providing the asbestos mitigation services was settled during the year ended December 31, 2010 resulting in a judgment in favor of the County in the amount of \$5,400,000. As of December 31, 2011, no recoveries have been realized.

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV – OTHER NOTE DISCLOSURES, continued

NOTE D – COMMITMENTS AND CONTINGENCIES, continued

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 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, 2011.

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, 2011:

Program	A		B		C		D		E		F	
	County EBT/EFT		County Share of		Expenditures by		County EBT/EFT		Total		Expenditures	
	Authorizations	Refunds	Authorizations	County Warrant	County Warrant	Authorizations plus Expenditures by County Warrant	(Col. A + Col. B + Col. D)	(Col. C + Col. D)				
Old Age Pension	\$ 2,272,190	\$ (17,725)	\$ 11,714	\$ 65,853	\$ 2,320,318	\$ 77,567						
Low-income energy assistance program	3,768,023	(4,826)	-	221,143	3,984,340	221,143						
Temporary assistance for needy families	8,304,800	-	1,223,435	1,453,718	9,758,518	2,677,153						
Regular administration *	-	-	-	5,525,191	5,525,191	5,525,191						
Special child welfare	-	-	-	1,274,734	1,274,734	1,274,734						
Child welfare	6,807,575	(405,855)	1,342,661	5,608,345	12,010,065	6,951,006						
Core services	409,365	-	28,156	954,498	1,363,863	982,654						
Aid to the needy disabled	2,521,136	(682,275)	297,024	-	1,838,861	297,024						
Child care	2,950,607	(1,385)	316,677	283,490	3,232,712	600,167						
Medicaid transportation	-	-	-	59,131	59,131	59,131						
Aid to the blind	4,293	-	237	-	4,293	237						
Single entry point	-	-	-	1,570,189	1,570,189	1,570,189						
Child support enforcement	-	-	-	1,911,973	1,911,973	1,911,973						
Special IV-E funds	-	-	-	(5)	(5)	(5)						
General assistance	-	-	-	2,357	2,357	2,357						
Collaborative Mgmt HB 1451	-	-	-	86,954	86,954	86,954						
County only	-	-	-	121,529	121,529	121,529						
Subtotal	27,037,989	(1,112,066)	3,219,904	19,139,100	45,065,023	22,359,004						
Food assistance	54,210,687	(919,398)	-	-	53,291,289	-						
Grand Total	\$ 81,248,676	\$ (2,031,464)	\$ 3,219,904	\$ 19,139,100	\$ 98,356,312	\$ 22,359,004						

*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, 2011

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, 2011, totaled \$7,620,000. Pursuant to Colorado state statutes (C.R.S 24-90-112.5), the general obligation library bonds (Pueblo Library District Project) series 2005 are not subject to such limitation. Therefore, at December 31, 2011, the County's debt limit was \$323,339,143 and the debt margin was \$323,339,143.

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, 2011, there were several series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$28,105,246.

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. Expenditures incurred in 2011 for operating leases were \$294,466 in the governmental funds and \$2,739 in the proprietary fund.

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

<u>Year Ended December 31,</u>	<u>Lease Payments</u>
2012	\$ 261,631
2013	156,880
2014	151,463
2015	50,983
	<u>\$ 620,957</u>

PUEBLO COUNTY, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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. This five-year period ended in November 2011.

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, 2011, the remaining commitment was \$1,200,000.

9. Subsequent events. Subsequent to December 31, 2011, 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 \$4,324,000.

On March 15, 2012, the County issued \$55,000,000 of Certificates of Participation, Series 2012 to provide funding for the County Judicial Complex Project. The interest rate ranges from 2.0% to 5.0% and require annual installments of principal and interest ranging from \$1,276,412 to \$5,617,500 through September 15, 2042.

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, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings relating to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-1:

Federal Agency: U.S. Department of Health and Human Services
CFDA #: 93.563 – Title IV-D, Child Support Enforcement
Pass-through entity: Colorado Department of Human Services

Criteria or specific requirement: The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 45 CFR sections 309.100 and 309.105).

Condition: Based upon our review of documentation provided to us and inquiries of County personnel, it was determined that the County initiated a tracking and follow-up system in June 2011 but prior to this implementation, the County did not maintain a system sufficient to insure and document compliance with the special test of providing paternity and support obligation services for referred cases. Specifically, we found the County failed to track and properly follow-up on five referrals of the sixty files selected for testing. Three of the referrals were not initiated within the prescribed time frame. The referral date on these three individuals was prior to the initiation of the tracking and follow-up system in June 2011. Two of the referrals, received after June 2011, did not provide a notice of non-cooperation in a timely basis.

Questioned costs: We were unable to determine an amount of questioned costs for benefits received by these five individuals during 2011 since the benefits they received were paid from the Child Care Cluster (Child Care) and Temporary Assistance to Needy Families (TANF) programs.

Effect: The County is unable to support compliance with the special test of providing paternity and support obligation services for referred cases identified above for five individuals which were referred during 2011.

Cause: The County did not follow established procedures for tracking case referrals due to inadequate staffing, inadequate staff training, and manual processing requirements for tracking case referrals.

Recommendation: We recommend the County develop and train staff on procedures that will ensure that the tracking of case referrals is completed as they are received from Child Care and TANF departments and a notice of non-cooperation is sent in a timely basis.

Views of responsible officials and planned corrective actions: A tracking and follow-up system was initiated in June 2011. The three exception cases noted above were prior to that implementation. The Pueblo County Department of Social Services Data Processing Division is currently developing a tracking program for the Child Support Division to track not only TANF referrals and Child Care referrals, but all non-public assistance applications coming into the Child Support Enforcement Division.

PUEBLO COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

Finding 2010-1 Internal Control Over Grant Accounting

Criteria: The County receives multiple federal and state grants which are monitored by various County departments. During the year ended December 31, 2010, the County established written procedures for grant accounting and monitoring. The procedures included changes to the County's accounting software system to enhance grant accounting and monitoring. The procedures also included periodic review of each grant by the grants monitoring specialist in the County's Budget and Finance Department. These procedures were partially implemented at December 31, 2010. The procedures did not include a review of grant accounting to ensure proper revenue recognition. 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 following year. Grant revenue received is not matched to grant expenditures at year-end to determine if additional grant receivables or deferred revenue should be recognized.

Condition: We noted the following misstatements of the County's basic fund statements, related to the County's grant accounting and revenue recognition issues under generally accepted accounting principles.

- ❖ \$162,779 of Build America Bond interest credits were not recognized as revenue even though the payment was received in February 2011 and thus, met the measurable and available criteria under generally accepted accounting principles.
- ❖ \$218,051 of federal grant revenue for several grants was not recognized as revenue although the revenue had been earned.

Views of responsible officials and planned corrective actions: We agree with the above findings and will assess our grant accounting and monitoring procedures to include review for proper revenue recognition.

Current Status: The recommendation was implemented during 2011. The finding does not warrant further action.

Finding 2010-2 Internal Control Over Capital Asset Accounting

Criteria: As a result of changes in job duties in the County's Budget and Finance Department, accounting for capital assets was not accurate and timely. The County's implementation of GASB 51, Accounting and Financial Reporting for Intangible Assets, was also delayed until field work had begun.

Condition: Capital asset purchases in the business-type activity and component units were not properly recorded and several adjustments were proposed to correct these errors. Also, capital assets purchased under a capital lease in the business-type activity were not properly recorded and adjustments were proposed to correct the capital lease accounting. 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.

Views of responsible officials and planned corrective actions: We agree with the above findings and will change our capital asset accounting to ensure accurate and timely completion.

Current Status: The recommendation was implemented during 2011. The finding does not warrant further action.

PUEBLO COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

Finding 2010-3:

Federal Agency: U.S. Department of Health and Human Services
CFDA #: 93.563 – Title IV-D, Child Support Enforcement
93.563 – Title IV-D, Child Support Enforcement – ARRA
Pass-through entity: Colorado Department of Human Services

Criteria or specific requirement: The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 45 CFR sections 309.100 and 309.105).

Condition: Based upon our review of documentation provided to us and inquiries of County personnel, it was determined that the County did not maintain a system sufficient to insure and document compliance with the special test of providing paternity and support obligation services for referred cases. Specifically, we found the County failed to track and follow-up on nine referrals of the sixty files selected for testing.

Questioned costs: We were unable to determine an amount of questioned costs for benefits received by these nine individuals during 2010 since the benefits they received were paid from the Child Care Cluster (Child Care) and Temporary Assistance to Needy Families (TANF) programs.

Effect: The County is unable to support compliance with the special test of providing paternity and support obligation services for referred cases identified above for nine individuals which were referred during 2010.

Cause: The County did not follow established procedures for tracking case referrals due to inadequate staffing, inadequate staff training, and manual processing requirements for tracking case referrals.

Recommendation: We recommended the County develop and train staff on procedures that will ensure that the tracking of case referrals is completed as they are received from Child Care and TANF departments.

Views of responsible officials and planned corrective actions: Tracking and follow-up was initiated in June 2011 for the nine exception cases noted above. The Pueblo County Department of Social Services Data Processing Division is currently developing a tracking program for the Child Support Division to track not only TANF referrals and Child Care referrals, but all non-public assistance applications coming into the Child Support Enforcement Division.

Current Status: The recommendation was partially implemented during 2011. Finding 2011-1 includes the items that were not implemented.



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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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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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*.

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.

MacPherson, Rayfogh, Darling & Goodrich, PC

June 21, 2012

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

Board of County Commissioners
Pueblo County, Colorado
Pueblo, Colorado

Compliance

We have audited Pueblo County, Colorado's (the County) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

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Internal Control Over Compliance

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

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

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

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, 2011, and have issued our report thereon dated June 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

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America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 the responses.

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.

Mr. Pherson, Ruyfogh, Durbin & Goodrich, PC

June 21, 2012 with respect to the section entitled Schedule of Expenditures of Federal Awards and September 13, 2012 with respect to the sections entitled Compliance and Internal Control over Compliance

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PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

<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 - Supplemental Nutrition Assistance Program Cluster - State Administrative Matching Grants for			
Supplemental Nutrition Assistance Program	10.561	-	1,486,159
State Administrative Matching Grants for Supplemental Nutrition Assistance Program-ARRA	10.561	-	27,610
Supplemental Nutrition Assistance Enhanced Workfare	10.561	-	46,985
Commodity Supplemental Food Program (Admin)	10.565	-	114,505
Commodity Supplemental Food Program (Commodities)	10.565	7520Z4	376,955
Emergency Food Assistance Program (Administrative Costs)	10.568	-	21,613
Emergency Food Assistance Program-ARRA (Admin Costs)	10.568	-	3,768
Emergency Food Assistance Program (Food Commodities)	10.569	-	683,579
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,761,174</u>

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

Passed through Colorado Department of Local Affairs -			
Emergency Shelter Grants Program	14.231	H1ESG10932 & H2ESG11932	69,096
Passed through City of Pueblo, Colorado -			
Community Development Block Grant	14.218	ERESP	62,943
Home Investment Partnership Program	14.239	-	16,229
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>148,268</u>

U.S. DEPARTMENT OF JUSTICE

Direct Assistance -			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0069	57,846
Bulletproof Vest Partnership Program	16.607	-	12,428

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2011

<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 (Cont'd)</u>			
Passed through Colorado Department of Public Safety Division of Criminal Justice -			
		29-JB-L-10-05; 10-JB-L-10-05; 29-JB-S-10-423 & 10-JB-S-10-423	
Juvenile Accountability Incentive Block Grant	16.523		43,447
Supervised Visitation, Safe Havens for Children	16.527	2009-CW-AX-K001 10-VA-10-48 & 10-VA-10-49	77,649
Crime Victim Assistance	16.575	29-VW-10-46 29-CP-04-9-3 & 10-CP-04-9-4	98,858
Violence Against Women Formula Grants	16.588		42,968
Community Prosecution and Project Safe Neighborhoods	16.609		33,332
Passed through City of Pueblo, Colorado -			
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2539	49,336
Edward Byrne Memorial Justice Assistance Grant-ARRA	16.738	2011-DJ-BX-2539	16,268
Passed through City of Colorado Springs, Colorado -			
Internet Crimes Against Children	16.541	2009-MC-CX-K011	2,998
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>435,130</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Colorado Department of Transportation -			
Highway Planning and Construction	20.205	SHE C 020-034 & BRO C 020-035	314,863
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>314,863</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through Colorado Office of Energy Conservation -			
Weatherization Assistance for Low-Income Persons	81.042	C900708	99,846
Weatherization Assistance for Low-Income Persons-ARRA	81.042	C900720	3,354,408
TOTAL U.S. DEPARTMENT OF ENERGY			<u>3,454,254</u>

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2011

<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 Colorado Department of Human Services -			
Special Programs for the Aging -			
Title VII - Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	-	2,875
Title VII - Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	-	9,293
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	-	24,576
Aging Cluster -			
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	-	257,786
Title III, Part C - Nutrition Services	93.045	-	357,083
Nutrition Services Incentive Program	93.053	-	151,200
Title III, Part E - National Family Caregiver Support	93.052	-	65,377
Affordable Care Act-Aging & Disability Resource Ctr	93.517	-	21,316
Affordable Care Act-MIPPA	93.518	-	24,703
Temporary Assistance to Needy Families	93.558	-	9,249,726
Title IV-D, Child Support Enforcement	93.563	-	1,081,149
Low-Income Home Energy Assistance	93.568	-	4,277,671
Child Care Cluster -			
Child Care & Development Block Grant	93.575	-	624,750
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	1,620,961
Child Welfare Services-State Grants Title IV-B	93.645	-	140,661
Foster Care - Title IV-E	93.658	-	2,278,094
Foster Care - Title IV-E - ARRA	93.658	-	39,706
Adoption Assistance	93.659	-	1,106,232
Adoption Assistance - ARRA	93.659	-	40,366
Social Services Block Grant - Title XX	93.667	-	1,101,493
Chafee Foster Care Independence Program	93.674	-	206,048
Title XIX, Medicaid Medical Assistance Program	93.778	-	777,979
Title XIX, Medicaid Medical Assistance Program-ARRA	93.778	-	167,061
CMS Research, Demonstrations and Evaluations	93.779	-	18,015

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2011

<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 -			
Children's Health Insurance Program	93.767	-	25,777
Medical Assistance Program (Healthy Communities Outreach and Case Management Program)	93.778	-	79,313
Single Entry Point, Medical Assistance Program	93.778	-	785,095
Passed through Colorado Department of Local Affairs -			
Community Services Block Grant	93.569	L10CSBG37 & L11CSBG37	272,437
Community Services Block Grant - ARRA	93.710	-	177
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>24,806,920</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Colorado Department of Local Affairs -			
Emergency Management Performance Grants	97.042	12EM1L52	65,400
Passed through Colorado Department of Emergency Management -			
Chemical Stockpile Emergency Preparedness	97.040	12EM72252; 11EM71B52; 10EM71252; 9EM78352 & 8EM78252	1,983,954
Interoperable Emergency Communications	97.055	-	14,148
Homeland Security Grant Program	97.067	10SHS11SR; 9SH10SR; 98HS78352; 9CCP11SR; 10CCP11SR	836,594
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>2,900,096</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 34,820,705</u>

PUEBLO COUNTY, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

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, 2011 totaled \$1,060,534, 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 2011 was \$75,000. 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 are not recorded in Pueblo County's accounting system. They are noted, however, in order to satisfy the State of Colorado reporting requirements.

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