

TOWN OF SAGUACHE
Board of Trustees
Special Session
October 7, 2013

The Town of Saguache Board of Trustees met for a Special Session on October 7, 2013, with Trustees being present as follows:

Kate Vasha, Mayor	Present
Greg Terrell, Mayor Pro-Tem	Present
May Engquist, Trustee	Present
Ruth Horn, Trustee	Present
Joel Johnson, Trustee	Absent
Carla Quintana, Trustee	Present
Tony Sandoval, Trustee	Absent

Town of Saguache employees present as follows:

Therese Garcia, Town Clerk	Present
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Citizens in Attendance: No citizens were present.

Call to Order: Mayor Pro-Tem Terrell called the meeting to order at 5:14 p.m.

Review/Discuss/Approve 2012 Audit, New GASB Requirements: The Trustees reviewed the 2012 Audit with Auditor Pete Blair. The Auditor gave the Trustees a letter on what was done on the audit, and if there are any disagreements, but there were no disagreements on the audit report. Mr. Blair mentioned that there are two new pronouncements GASB [Governmental Auditing Standards Board] 63 & 65 require that a section be placed in the audit mentioning responsibilities of management and auditors. Also another subtle change was to the wording, it was called before “net assets” now it is called “net positions”. They are trying to get more in line with the clarity project, the clarity project; this project is trying to be able to make the financial statements GAP basis and bring up to international levels. The only estimated cost on the audit is depreciation cost; this is an estimate cost due to the uncertainty of how long the life of the asset will be. Eleven journal entries were made to the books to bring it back to a GAP basis. Town’s books are made on a cash basis except in the water and sewer fund it is a semi-accrual, the auditors needed to bring everything back to accrual basis. In the audit report there are two statements, one is statement of net position and statement of activities, these two statements are on a full accrual basis, the Governmental Statements are on a modified basis, there is a difference, so reconciliation must be made. Eleven journal entries are not very much for a small town like Saguache. Basically the town’s responsibility is the financial statements, and this is understood by the Town. Eleven journal entries made are pretty close to the town books.

Pages 3-10 is the MD & A report, this summarizes everything. The first four bullets, \$2.8 million of assets, the second bullet states how the Government Funds are, Mr. Blair looked at all the governmental funds, all went up except for the Saguache Recreation Fund. The General Fund expenses are around \$140,000 annually. The town has 2 ½ years of reserves in the General Fund. Most small towns are at one year of reserve, the standards are at six months. Most of town revenue comes from property taxes and sales taxes. Due to the re-assessment that Saguache County is doing, the Town may receive more property tax not sure yet what that will mean to the town. Trustee Quintana asked Mr. Blair how does TABOR effect grants. Mr. Blair stated that federal grants are not subject to TABOR, State grants may be subject to TBAOR. If from an

enterprise fund these are not subject to TABOR. Page five gives a summary of 2012 compared to 2011 2.5 million went up to 2.8 million in assets. The restricted is TABOR and unrestricted is what can be spent.

On page 6 table 2012 compared to 2011, there is not much difference except for capital grants- this was in the General Improvement Fund 4th Street project in 2011. Sales tax increased some of the other taxes went down but it all evens out. Total expenditures went down about \$25,000 and that is why the town did so well in 2012. The Town is very fiscal conservative as what the town spends. Page 8 water and sewer fund is combined and this shows an increase.

Page 12 and 13 shows a full accrual system but assets through the general fund (vehicles, street project) depreciation cost are in there.

Page 14 and page 16 are the governmental funds, other governmental funds column are the Conservation Trust and Recreation Funds, these funds are healthy balances in these funds. On page 14 GASB 54 states that if there are assigned or restricted this must be stated on what they are. Some of the fund balances are restricted such as TABOR requirements and lottery money can only be used for certain expenditures. Assigned items as in the General Improvement Fund this can only be used for capital/construction street projects – this was assigned by the voters. Parks and recreation is assigned as the remaining balances of the Recreation Fund. The unassigned amount of \$303, 000 is in the general fund. Page 16 breaks down the revenues and expenditures.

On page 18 the water and sewer combined there was an increase of \$29,000, after depreciation cost and everything else, on page 19 the cash basis increased by \$13,000, the town did buy some assets and these depreciated. The cash balance at the end of 2012 the water and sewer fund was close to \$500,000. Trustee Horn asked Clerk Garcia what was the difference of the increase from. Clerk Garcia stated that this could be due to the fact more tap fees were paid and late fee charges. Mr. Blair stated that taps fees were at \$8,100 and miscellaneous charges \$3,600. Trustee Quintana asked Clerk Garcia equipment lease and sewer work, Clerk Garcia mentioned that a supplemental budget may need to be done, Mr. Blair stated that you budget by fund amount, if you do not exceed the fund amount then a supplemental needs to be done. When a budget is done the town estimates expenditures, sometimes you spend more than what is proposed.

On page 27, the town a total of \$931,000 in checking, savings, MMD, and CD's, \$500,000 is FDIC secured, the rest of the amount \$431,428 was collateralized under PDPA. \$108,000 is in COLOTRUST this has AAA rating, the reason for the AAA rating is because they deal with treasury bills. Clerk Garcia how to consolidate some of the Town bank accounts. Mr. Blair suggested having one checking account for each fund, along with a MMD or savings accounts for other funds. Also check in to see what the interest rates are. The Town may choose to put some more account in COLOTRUST and they will separate the accounts. The town should be cautious on what type of investments they buy, the State requirements only allows certain types of investments local governments can do.

On pages 31 – 37, this shows everything on a budget basis, gives an idea where everything is at. Mr. Blair stated that so overall the town did a great job staying within the budget and increasing the funds, Clerk Garcia does a good job with this and should be commended. Blair and Associates does many other entities you always know that if the entity cannot stay within the budget and the books are so bad you do not where you are at, then you know you have a problem. It's those entities that then have a problem.

Discuss other Board questions: Mayor Pro – Tem Terrell asked what happen to municipalities that over spend or on the verge of bankruptcy. Mr. Blair mentioned to the Trustee how bad they are, the State can forgive what is owed, some municipalities can barely make payroll, the auditors can tell them what they need to do, but ultimately it is a board decision. If an entity is in trouble, the state can borrow money and give to the entity to help them, arrangements will be made with the entity to pay back the loan. Mr. Blair looked at the Saguache County audit, the School District was overpaid, but this would not if happened if the county was collecting the correct property taxes. The Trustees asked what can the General Improvement Fund can be used for. Mayor

Vasha mentioned that the General Improvement Fund money is set by ordinance, Mr. Blair stated that is correct. Mayor Vasha mentioned that the Town has some law enforcement and code enforcement issues and could this fund be used to pay for that type of expense. Clerk Garcia stated that the when it went to the voters is it was stated in the ordinance. Vehicles can be purchased from the General Improvement Fund, but no salaries can be paid out of this fund. Mr. Blair stated that the town could have a checking account for each of the funds, and go down to 7 of 8 accounts.

Mayor Pro – Tem Terrell asked Mr. Blair about the unassigned fund balance of \$300,000 and this could be appropriated at the Town’s discretion, what is a good rule of thumb the town should do to remain healthy. Mr. Blair stated that the Town should continue what they have been doing, because it is working. The reason you have that money is in case of an emergency.

MOTION by Trustee Engquist; Second by Trustee Quintana

Trustee Engquist moved to approve the 2012 Audit as presented.

Vote as follows: Trustee Quintana – aye; Trustee Engquist – aye; Trustee Horn – aye; Mayor Pro – Tem Terrell – aye; Mayor Vasha – aye

VOTE: 5 – Aye; 0 – No; 0 – Abstain *Let the minutes reflect the Vote was unanimous.*

Adjournment: The meeting was adjourned by Mayor Pro – Tem Terrell at 6:05 p.m.

TOWN OF SAGUACHE BOARD OF TRUSTEES
SAGUACHE, COLORADO

Kate Vasha, Mayor

ATTEST:

Therese Garcia, Town Clerk