

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.

FINANCIAL STATEMENTS

March 31, 2014 and 2013



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
TABLE OF CONTENTS
March 31, 2014

	<u>Page</u>
Independent Auditors' Report	1
Statement s of Financial Position	3
Statement s of Activities and Changes in Net Assets	4
Statement s of Cash Flows	5
Notes to the Financial Statements	6
Statement of Grant Revenues and Expenses - Budget and Actual Head Start Grant 08CH0010/46	9
Statement of Functional Expenses	10
Schedule of Expenditures of Federal Awards	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	15
Schedule of Findings and Questioned Costs	17

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Saguache County Community Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saguache County Community Council, Inc. as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison information and the statement of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of Saguache County Community Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saguache County Community Council, Inc.'s internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 12, 2014

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,833	\$ 75,571
Grants receivable	15,745	28,093
Food reimbursement receivable	11,087	5,364
Total Current Assets	29,665	109,028
NONCURRENT ASSETS		
Property and Equipment		
Equipment	273,565	273,565
Buildings	852,000	852,000
Leasehold improvements	132,101	87,855
Less: Accumulated depreciation	(236,516)	(197,234)
Total NonCurrent Assets	1,021,150	1,016,186
TOTAL ASSETS	\$ 1,050,815	\$ 1,125,214
 LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 13,613	\$ 15,837
Deferred revenue	6,599	18,018
Payroll liabilities payable	-	21,755
Total Current Liabilities	20,212	55,610
TOTAL LIABILITIES	20,212	55,610
NET ASSETS		
Unrestricted	1,030,603	547,723
Temporarily Restricted	-	521,881
TOTAL NET ASSETS	1,030,603	1,069,604
TOTAL LIABILITIES AND NET ASSETS	\$ 1,050,815	\$ 1,125,214

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

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended March 31, 2014 and 2013

	<u>2014</u>			<u>2013</u>
	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Total</u>	<u>Total</u>
Changes in unrestricted net assets:				
REVENUES				
Federal grant revenues	\$ 784,645	\$ -	\$ 784,645	\$ 1,063,853
Food reimbursement revenue	59,893	-	59,893	53,887
Interest income	12	-	12	24
Donated commodities	1,002	-	1,002	1,306
In-kind contributions	185,159	-	185,159	173,505
Other revenues	9,307	-	9,307	62,020
Net assets released from restrictions	521,881	(521,881)	-	-
TOTAL REVENUES	<u>1,561,899</u>	<u>(521,881)</u>	<u>1,040,018</u>	<u>1,354,595</u>
EXPENSES				
Operating Expenses				
Program	944,561	-	944,561	948,320
Management and General	134,458	-	134,458	161,313
TOTAL EXPENSES	<u>1,079,019</u>	<u>-</u>	<u>1,079,019</u>	<u>1,109,633</u>
CHANGE IN NET ASSETS	482,880	(521,881)	(39,001)	244,962
NET ASSETS, BEGINNING OF YEAR	<u>547,723</u>	<u>521,881</u>	<u>1,069,604</u>	<u>824,642</u>
NET ASSETS, END OF YEAR	<u>\$ 1,030,603</u>	<u>\$ -</u>	<u>\$ 1,030,603</u>	<u>\$ 1,069,604</u>

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

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (39,001)	\$ 244,962
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	39,282	39,871
(Increase) Decrease In:		
Grants receivable	12,348	206,076
Food reimbursement receivable	(5,723)	1,510
Increase (Decrease) In:		
Accounts payable	(2,224)	(206,516)
Deferred revenue	(11,419)	(2,464)
Payroll liabilities payable	(21,755)	18,861
Retainage payable	-	(44,577)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(28,492)	257,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on sale of fixed assets	-	9,081
Additions to leasehold improvements	(44,246)	-
Additions to buildings	-	(217,403)
Additions to equipment	-	(70,973)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(44,246)	(279,295)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(72,738)	(21,572)
CASH, BEGINNING OF YEAR	75,571	97,143
CASH, END OF YEAR	\$ 2,833	\$ 75,571
SUPPLEMENTAL DISCLOSURES		
Noncash Noncapital Financing Activities		
USDA Donated Commodities	\$ 1,002	\$ 1,306

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

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended March 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saguache County Community Council, Inc. (Organization) is organized as a not-for-profit corporation under the statutes of the State of Colorado, and serves as grantee for federal funds to operate a Head Start program. The Head Start program provides comprehensive early childhood development including health, education, nutritional, social, and other services primarily to disadvantaged preschool children and their families.

Basis of Accounting

The financial statements of the Saguache County Community Council, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents may include cash held by banks in either demand deposits or temporary investments in highly liquid instruments with a maturity of three months or less. For fiscal years 2014 and 2013, there were no funds held other than in demand deposit bank accounts in banks.

Property and Equipment

Property and equipment acquisitions have been valued at cost or estimated cost if actual historical cost is not available. It is the Organization's policy to capitalize all acquisitions costing \$5,000 or more and having a useful life of greater than one year. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

In-Kind

The grant requires 20% matching for the Head Start program. A portion of this match is obtained through in-kind goods and services. These goods and services are valued and recorded at the prevailing wage rate for donated services and at the estimated fair market value for goods.

Advances from Federal Government

The Organization records grant revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. As of March 31, 2014 and 2013, there was \$6,599 and \$18,018, respectively, in deferred revenue balances recorded in advances from federal government, which represents amounts received under cost reimbursable contracts that will be expended in the next fiscal year in accordance with the grant document.

Temporary and Permanently Restricted Net Assets

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, per FASB ASC 958. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Grant awards received, are classified as deferred revenues until expended for the purposes of the grants, since they are conditional promises to give. There were no temporary or permanently restricted net assets at March 31, 2014, or permanently restricted net assets at March 31, 2013.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended March 31, 2014 and 2013

Use of Estimates

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

Compensated Absences

No provision or accrual of compensated absences has been made in these financial statements, as the Organization's personnel are not allowed to accumulate material compensated absences.

Income Taxes

Saguache County Community Council, Inc. is exempt from federal income taxes on income substantially related to the Organization's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any Organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

Saguache County Community Council, Inc. files federal income tax returns. The federal income tax returns prior to fiscal year 2011 are closed. Saguache County Community Council, Inc.'s policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, Saguache County Community Council, Inc. classifies interest and penalties as interest expense.

NOTE 2 EMPLOYEE BENEFIT PLAN

The Organization participates in a defined contribution retirement plan, pursuant to IRS Section 403(b), effective beginning in fiscal year 1992. The plan covers substantially all employees who have been employed for a minimum of one year. For the years ended March 31, 2014 and 2013, the Organization's contributions to the plan were \$16,575 and \$16,050, respectively.

NOTE 3 DETAIL OF NET ASSETS

	<u>2014</u>	<u>2013</u>
Total local revenue in net assets (SCCC funds and interest)	\$ 9,453	\$ 53,418
Net property and equipment in net assets	<u>1,021,150</u>	<u>1,016,186</u>
Total Net Assets	<u>\$ 1,030,603</u>	<u>\$ 1,069,604</u>

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following periods:

	<u>2014</u>	<u>2013</u>
New Child Care Facility costs paid by CDBG funds	\$ -	\$ 479,571
Future New Child Care Facility Construction Costs	<u>-</u>	<u>42,310</u>
Total Temporarity Restricted Net Assets, end of year	<u>\$ -</u>	<u>\$ 521,881</u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended March 31, 2014 and 2013

In September 2010, the Colorado Department of Local Affairs and Saguache County Board of Commissioners entered into a Community Development Block Grant (CDBG) agreement for \$500,000 to construct a second child care facility adjacent to the existing Head Start Center in Center, Colorado. The project continues to be administered by Saguache County Community Council, Inc. Saguache County will partially own the new child care facility for a period of five years, as stipulated in the grant agreement and then turn it over to Saguache County Community Council, Inc for continued Head Start use.

NOTE 5 RECONCILIATION OF AUTHORIZED GRANT TO AMOUNT EXPENDED

Below is a reconciliation of the authorized grant amount to the amount actually expended and earned.

Total outlays	\$ 843,324
Less: Recipient's share of outlays (In-kind)	<u>(185,159)</u>
Federal grant outlays	658,165
Federal grant authorized	<u>658,165</u>
Unobligated Balance	<u>\$ -</u>
Total funds drawn down	\$ 645,013
Add: Grant Receivable	<u>13,152</u>
Federal grant earned	<u>658,165</u>
Grant authorized	<u><u>\$ 658,165</u></u>

NOTE 6 CONCENTRATIONS

Virtually all of the Organization's support is provided by the Head Start grant. Lack of funding from the grantor would have a significant adverse impact on the Organization; however the Organization does not expect such a decrease in funding.

NOTE 7 COMMITMENTS AND CONTINGENCIES

The Organization participates in federal grant programs, which are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

NOTE 8 EVALUATION OF SUBSEQUENT EVENTS

Management has reviewed subsequent events through June 14, 2014, the financial statement issuance date. No events occurred during that period that should be recognized in the financial statements or disclosed in the footnotes as of March 31, 2014 in accordance with the requirements of *Subsequent Events (FASB ASC 855-10-50-1)*.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENT OF GRANT REVENUES AND EXPENSES - BUDGET AND ACTUAL (NON-GAAP)
HEAD START GRANT 08CH0010/46
For the Year Ended March 31, 2014

	<u>APPROVED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Federal grant revenue	\$ 658,165	\$ 658,165	\$ -
In-kind contributions	164,541	185,159	20,618
TOTAL REVENUES	<u>822,706</u>	<u>843,324</u>	<u>20,618</u>
EXPENSES			
Personnel	433,545	426,477	7,068
Fringe benefits	113,910	104,835	9,075
Travel	2,932	2,083	849
Training	-	290	(290)
Supplies	16,678	32,761	(16,083)
Contractual	29,309	31,232	(1,923)
Other	61,791	60,487	1,304
In-kind goods and services	164,541	185,159	(20,618)
TOTAL EXPENSES	<u>822,706</u>	<u>843,324</u>	<u>(20,618)</u>
NET CHANGE IN GRANT NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2014

	PROGRAM				TOTAL
	HEAD START	EARLY HEAD START	TEMPLE HOYNE BUELL	MANAGEMENT AND GENERAL	
Personnel	\$ 365,986	\$ 100,829	\$ -	\$ 64,606	\$ 531,421
Fringe benefits	96,577	15,319	-	8,883	120,779
Travel	1,986	77	-	97	2,160
Training	290	-	-	-	290
Supplies	25,763	2,983	-	6,998	35,744
Capital Outlay	-	-	44,246	-	44,246
Contractual	31,232	-	-	-	31,232
Other	41,155	6,529	7,703	14,592	69,979
In-kind goods and services	185,159	-	-	-	185,159
SUBTOTAL - Expenses	748,148	125,737	51,949	95,176	1,021,010
Food purchases	61,970	-	-	-	61,970
Donated food	1,003	-	-	-	1,003
Depreciation	-	-	-	39,282	39,282
TOTAL DISBURSEMENTS	811,121	125,737	51,949	134,458	1,123,265
Less: Capital Outlay	-	-	(44,246)	-	(44,246)
TOTAL EXPENSES	\$ 811,121	\$ 125,737	\$ 7,703	\$ 134,458	\$ 1,079,019

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
COLORADO DEPT. OF PUBLIC HEALTH & ENVIRONMENT			
Child and Adult Care Food Program	10.558		\$ 59,872
COLORADO DEPT. OF HUMAN SERVICES			
<i>Food Distribution Cluster</i>			
Commodity Supplemental Food Program	10.565		1,003
<i>Community Facilities Loans and Grants Cluster</i>			
ARRA- Community Facilities Loans and Grants	10.780		743
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600	08CH0010/46	658,165
EARLY CHILDHOOD COUNCIL OF THE SLV, INC.			
Head Start - Early Head Start	93.600	08CH0152/02	125,737
Total Head Start			<u>783,902</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 845,520</u></u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Saguache County Community Council, Inc. under programs of the federal government for the year ended March 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Saguache County Community Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Saguache County Community Council, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At March 31, 2014, the Saguache County Community Council, Inc. did not have any items remaining in the food inventory at year-end.

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



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

We have audited, in accordance with the 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, the financial statements of Saguache County Community Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2014, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Purpose of this Report

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



Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 12, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**



**Wall,
Smith,
Bateman Inc.**

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

Report on Compliance for Each Major Federal Program

We have audited Saguache County Community Council, Inc.'s (a nonprofit organization) 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 Organization's major federal programs for the year ended March 31, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion of Each Major Federal Program

In our opinion, Saguache County Community Council, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Certified Public Accountants

Report on Internal Control Over Compliance

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

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

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

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



Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 12, 2014

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2014

Section I – Summary of Auditor s’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

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

Auditee qualified as a low-risk auditee? _____yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV- Prior Year Audit Findings

None