



ELBERT COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2004





TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities.....	2
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	3
Reconciliation of the Balance Sheet to the Statement of Net	
Assets - Governmental Funds	5
Statement of Revenue, Expenditures and Changes in Fund	
Balances - Governmental Funds	6
Reconciliation of the Statement of Revenue, Expenditures and	
Changes in Fund Balances to the Statement of Activities -	
Governmental Funds.....	8
Statement of Fiduciary Net Assets - Fiduciary Funds	9
Notes to Financial Statements.....	10
REQUIRED SUPPLEMENTARY INFORMATION	31
General Fund	
Statement of Revenue, Expenditures and Changes in Fund	
Balances - Budget and Actual.....	32
Schedule of Revenue - Budget and Actual	34
Schedule of Expenditures - Budget and Actual	35
Road and Bridge Fund - Statement of Revenue, Expenditures and	
Changes in Fund Balances - Budget and Actual.....	36
Social Services Fund - Statement of Revenue, Expenditures and	
Changes in Fund Balances - Budget and Actual.....	37

(Continued)

TABLE OF CONTENTS

(Continued)

	PAGE
SUPPLEMENTAL INFORMATION	38
Nonmajor Governmental Funds	
Combining Balance Sheet.....	39
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	41
Nonmajor Governmental Funds - Special Revenue Funds	
Combining Balance Sheet.....	43
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	45
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	47
Nonmajor Governmental Funds - Debt Service Funds	
Combining Balance Sheet.....	51
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	52
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	53
Nonmajor Governmental Funds - Capital Projects Funds	
Combining Balance Sheet.....	55
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	56
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	57
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	58
Special Revenue Funds - Social Services Fund	
Schedule of Revenue and Expenditures.....	59
Schedule of EBT Authorizations, Warrant Expenditures and Total Expenditures.....	60
Agency Funds - Combining Statement of Changes in Assets and Liabilities - Fiduciary Funds.....	61
REPORTS REQUIRED BY THE SINGLE AUDIT ACT AMENDMENTS OF 1996	62
Schedule of Expenditures of Federal Awards.....	63
Notes to the Schedule of Expenditures of Federal Awards	64
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>Governmental Auditing Standards</i>	65

TABLE OF CONTENTS

(Continued)

	PAGE
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	67
Schedule of Findings and Questioned Costs.....	69
Schedule of Prior Audit Findings	72
OTHER SCHEDULES	73
Schedule of Debt Service Requirements to Maturity	74
Local Highway Finance Report	81

THIS PAGE INTENTIONALLY LEFT BLANK



BONDI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST
ENGLEWOOD, COLORADO 80112

www.bondico.com

(303) 799-6826 PHONE
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

Board of County Commissioners
Elbert County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Elbert County, Colorado, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elbert County, Colorado's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Emergency Telephone Service Authority (Authority) as of and for the year ended December 31, 2004. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to amounts included for the Authority, is based solely on the report of other auditors.

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 basic 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Elbert County, Colorado, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Affiliate Offices Worldwide

**Board of County Commissioners
Elbert County, Colorado**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2005 on our consideration of Elbert 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.

The Management's Discussion and Analysis and the budgetary comparison information on pages i through vii and 32 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elbert County, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the Local Highway Finance Report, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the Local Highway Finance Report, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 1, 2005


BONDI & Co. LLC

ELBERT COUNTY, COLORADO MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Elbert County (the County), the Board of County Commissioners offers readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004.

Financial Highlights

- Assets exceeded liabilities by \$11,002,816 (net assets) at the close of the fiscal year. Of this amount, \$2,526,612 in unrestricted net assets is available to meet ongoing and future obligations of the County.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,103,338.
- Total net assets increased by \$4,227,937.
- Total cash and investments increased by \$211,970 as compared to the prior year.
- Property tax revenue increased by \$410,489 as compared to the prior year.
- General fund expenditures decreased by \$52,799 as compared to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$58,122.
- Total debt decreased by \$116,977, or 4% during the current fiscal year. The key factor for this decrease was the repayment of claims to the Highway Users Trust Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information and schedules in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements identify functions of the County that are principally to be supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the County include general government, public safety, public works, public health and welfare, culture and recreation, auxiliary services, and debt service.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County include both governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, the Road and Bridge special revenue fund and the Social Services special revenue fund, each of which are considered to be major funds. Data for the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge special revenue fund and Social Services special revenue fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Fiduciary funds. Fiduciary funds are used to account for assets held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents in the form of required supplementary information, budgetary comparison statements for the major governmental funds.

The combining statements referred to earlier in connection with nonmajor governmental funds and certain Social Services special revenue fund schedules are presented immediately following the required supplementary information.

This report also contains reports required by the Single Audit Act Amendments of 1996 as well as schedules of debt service requirements to maturity and a local highway finance report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The County’s assets exceeded liabilities by \$11,002,816 at the close of the most recent fiscal year.

Net Assets

	<u>2004</u>	<u>2003</u> (Restated)
Current assets	\$ 10,919,380	\$ 10,719,524
Other assets	85,424	39,453
Capital assets	<u>9,528,236</u>	<u>6,541,255</u>
Total assets	<u>20,533,040</u>	<u>17,300,232</u>
Current liabilities	7,591,827	8,684,849
Long-term liabilities	<u>1,938,397</u>	<u>1,840,504</u>
Total liabilities	<u>9,530,224</u>	<u>10,525,353</u>
Net assets invested in capital assets, net of debt	6,913,794	5,334,757
Restricted net assets	1,562,410	1,164,285
Unrestricted net assets	<u>2,526,612</u>	<u>275,837</u>
Total net assets	<u>\$ 11,002,816</u>	<u>\$ 6,774,879</u>

The largest portion of the County’s net assets (63%) reflects its investment in capital assets. The County uses these capital assets to provide services to citizens; consequently, the assets are not available for future spending.

An additional portion of the County’s net assets (14%) represents resources that are subject to restrictions on how they can be used and/or are not currently available for the County’s ongoing obligations. The remaining balance of unrestricted net assets \$2,526,612 may be used to meet the government’s future expenditures.

At the end of the current fiscal year, the County was able to report positive balances in all three categories of net assets.

Change in Net Assets

	2004	2003
Revenue		
Program revenue		
Charges for services	\$ 2,001,107	\$ 2,207,725
Operating grants and contributions	536,057	-
Capital grants and contributions	3,784,243	1,324,400
General revenue		
Taxes	7,233,022	6,822,533
Intergovernmental	2,112,438	2,362,166
Investment and interest income	104,024	75,540
Transfer of capital assets	-	64,989
Other	1,090,741	1,491,711
Total revenue	16,861,632	14,349,064
Expenses		
General government	3,892,053	4,003,756
Public safety	1,989,365	2,150,961
Public works	5,385,267	5,986,275
Public health and welfare	1,098,138	1,118,746
Culture and recreation	173,312	308,224
Auxiliary services	95,560	97,245
Total expenses	12,633,695	13,665,207
Change in net assets	4,227,937	683,857
Net assets - Beginning (restated)	6,774,879	6,091,022
Net assets - Ending	\$ 11,002,816	\$ 6,774,879

The County's net assets increased by \$4,227,937 during the current fiscal year. Although the County's governmental activities exceeded program revenues by \$6,312,288, the major source of the County's revenue, general revenue, was able to more than offset this deficit.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,103,338. \$1,905,619 constitutes unreserved fund balance, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$58,122.

The Road and Bridge special revenue fund had a total fund balance of \$486,853 as of December 31, 2004, of which \$277,742 is restricted for inventory. The Road and Bridge special revenue fund decreased by \$200,950, from the previous year.

The Social Services special revenue fund's fund balance was \$583,068 at the end of the current fiscal year, of which \$265,631 is reserved. The Social Services special revenue fund increased \$76,786, from the previous year.

General Fund Budgetary Highlights

The County's total expenditures for 2004 exceeded the original budgeted appropriations in the General Fund by approximately \$65,311. The increase in expenditures was offset by actual revenue, which exceeded budgeted revenue by \$324,231. The budget was amended to increase total appropriations from \$6,195,871 to \$6,382,688.

Capital Assets

The County invested \$328,820 in capital assets for its governmental-type activities for the year ended December 31, 2004. This investment in capital assets consists primarily of equipment and vehicles. Additionally, road improvements valued at \$3,702,083 were contributed to the County during 2004.

Next Year's Budgets

The County has appropriated \$18,097,855 for spending in the 2005 fiscal year budget. Budgeted 2005 revenue of \$15,609,595 and the use of accumulated fund balances will be sufficient to cover the appropriated expenditures in 2005.

Requests for Information

This financial report is designed to provide a general overview of Elbert County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Elbert County, 221 Comanche Street, P.O. Box 597, Kiowa, Colorado 80117.