



**ELBERT COUNTY, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2006**



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**Independent Auditor's Report**

Board of County Commissioners  
Elbert County, Colorado

I have audited the accompanying financial statements of the governmental activities, aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Elbert County, Colorado, as of and for the year ended December 31, 2006, which collectively comprise Elbert County, Colorado's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elbert County, Colorado's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Elbert County Emergency Telephone Service Authority, which represents .5%, .5%, and .6%, respectively, of the assets, net assets and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Elbert County Emergency Telephone Service Authority, is based on the report of the other auditors.

I conducted my 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 of the United States. Those standards require that I 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the report of other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, 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 unit, each major fund, and the aggregate remaining fund information of Elbert County, Colorado, as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, the Elbert County has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of January 1, 2006.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 20, 2007 on my consideration of Elbert County, Colorado's internal control over financial reporting and on 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 my 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 my audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages III through VIII and 35 through 41 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elbert County, Colorado's basic financial statements. The supplemental information and other schedules as listed in the table of contents are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DAWN A. SCHILUNG, LLC

September 26, 2007

## 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, 2006.

### **Financial Highlights**

- Assets exceeded liabilities by \$100,600,188 (net assets) at the close of the fiscal year. Of this amount, \$2,914,875 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 \$9,958,198.
- Total net assets increased by \$14,645,593.
- Total cash and investments increased by \$9,069 as compared to the prior year.
- Property tax revenue increased by \$594,895 as compared to the prior year.
- General fund expenditures increased by \$2,055,028 as compared to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,039,290.
- Total debt decreased by \$712,068 during the current fiscal year.

### **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. The government-wide financial statements also include the activity of County's component unit.

**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 16 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, Social Services special revenue fund, the Impact Assistance special revenue fund, and the Building Authority capital projects fund, each of which are considered to be major funds. Data for the other eleven 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 major and nonmajor governmental funds. 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 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 \$100,600,188 at the close of the most recent fiscal year.

**Net Assets**

	<u>2006</u>	<u>2005</u> (Restated)
Current assets	\$ 18,089,694	\$ 17,694,405
Other assets	624,460	566,006
Capital assets	<u>98,125,277</u>	<u>84,053,624</u>
Total assets	<u>116,839,431</u>	<u>102,314,035</u>
Current liabilities	9,534,203	9,002,576
Long-term liabilities	<u>6,705,040</u>	<u>7,356,864</u>
Total liabilities	<u>16,239,243</u>	<u>16,359,440</u>
Net assets invested in capital assets, net of debt	96,530,792	81,957,170
Restricted net assets	1,154,521	1,043,476
Unrestricted net assets	<u>2,914,875</u>	<u>2,953,949</u>
Total net assets	<u>\$ 100,600,188</u>	<u>\$ 85,954,595</u>

The largest portion of the County's net assets (96%) 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. 2005 has been restated to reflect the recognition of all infrastructure assets the County owns.

An additional portion of the County's net assets (3%) 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 \$2,914,875 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**

	<u>2006</u>	<u>2005</u> (Restated)
Revenue		
Program revenue		
Charges for services	\$ 4,083,061	\$ 3,221,300
Operating grants and contributions	2,892,513	574,740
Capital grants and contributions	18,292,983	2,367,191
General revenue		
Taxes	8,407,636	7,775,741
Intergovernmental	2,542,230	2,484,759
Investment and interest income	395,179	210,837
Transfer of capital assets	-	179,498
Other	735,014	979,655
Total revenue	<u>37,348,616</u>	<u>17,793,721</u>
Expenses		
General government	5,259,006	4,074,587
Public safety	3,776,044	3,179,881
Public works	9,021,561	6,006,322
Public health and welfare	3,666,206	1,173,324
Culture and recreation	209,880	178,177
Auxiliary services	123,976	95,813
Interest on long-term debt	646,350	421,111
Total expenses	<u>22,703,023</u>	<u>15,129,215</u>
Change in net assets	14,645,593	2,664,506
Net assets - Beginning (restated)	<u>85,954,595</u>	<u>83,290,089</u>
Net assets - Ending	<u>\$ 100,600,188</u>	<u>\$ 85,954,595</u>

The County's net assets increased by \$14,645,593 during the current fiscal year.

**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 \$9,958,198. \$4,151,266 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 \$1,039,290.

The Road and Bridge special revenue fund had a total fund balance of \$625,022 as of December 31, 2006, of which \$344,891 is restricted for inventory. The Road and Bridge special revenue fund fund balance increased by \$337,841 from the previous year.

The Social Services special revenue fund's fund balance was \$389,440 at the end of the current fiscal year. The Social Services special revenue fund fund balance decreased \$75,482 from the previous year.

The Impact Assistance special revenue fund's fund balance was \$2,397,857 at the end of the current year.

The Building Authority capital projects fund had a fund balance of \$3,728,671 at the end of the current fiscal year, all of which is reserved for future capital projects.

### **General Fund Budgetary Highlights**

The County's total expenditures for 2006 exceeded the original budgeted appropriations in the General Fund by approximately \$775,088. The increase in expenditures was offset by a transfer from another fund to cover eligible expenditures. The budget was amended to increase total appropriations from \$8,873,438 to \$9,775,000.

### **Capital Assets**

The County invested \$826,499 in capital assets for its governmental-type activities for the year ended December 31, 2006. This investment in capital assets consists primarily of equipment and vehicles. Additionally, road improvements valued at \$18,292,983 were contributed to the County during 2006.

### **Next Year's Budgets**

The County has appropriated \$26,235,148 for spending in the 2007 fiscal year budget. Budgeted 2007 revenue of \$21,477,788 and the use of accumulated fund balances will be sufficient to cover the appropriated expenditures in 2007.

## **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.

**BASIC FINANCIAL STATEMENTS**

