

Phillips County, Colorado

Financial Statements

December 31, 2012

**Phillips County, Colorado
Annual Financial Report
December 31, 2012**

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rfarmer, llc
a certified public accounting and consulting firm

Independent Auditor's Report

The Governing Body
Phillips County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Phillips County, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Phillips County, Colorado's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

Opinion

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 activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phillips County, Colorado, as of December 31, 2012, and the respective changes in financial position for

the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Phillips County, Colorado's financial statements. The combining and individual nonmajor fund financial statements including budgetary to actual information, the local highway finance report and schedule of due to due from and the Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information as identified above and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 other 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 supplementary information as identified above and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2013 on our consideration of Phillips 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.

rfarmer, llc

July 11, 2013

Phillips County, Colorado Management's Discussion and Analysis

December 31, 2012

As management of Phillips County, Colorado (the "County"), we offer 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, 2012.

County Profile

Phillips County is a small, agriculturally based county in the northeast corner of Colorado. It was established in 1889 and encompasses 680 square miles. The 2010 Census showed a countywide population of 4442 people. The county has three incorporated municipalities – Paoli – 34; Haxtun – 946; and Holyoke, the County Seat – 2313. The County also has a small unincorporated community of Amherst. The total unincorporated population is 1149.

Financial Highlights

- The assets of Phillips County exceeded existing liabilities at the close of 2012 by \$9,780,243. \$1,962,257 may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the 2012 fiscal year, Phillips County's governmental funds reported combining end of year fund balances of \$2,086,713. This decreased \$300,766 from 2011.
- Phillips County entered into one new lease-purchase agreement in 2012. The County lease-purchased one (1) 2011 Caterpillar 950H wheel loader. The lease-purchase amount was \$150,000 and runs until 2017. The County has two (2) other outstanding lease-purchase agreements. One is on the Phillips County Event Center. The current amount due is \$115,129 and runs through 2015. The other lease-purchase agreement is for three (3) 2011 Caterpillar 140M motor graders. The current balance is \$286,365 and also runs through 2015.

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 are comprised of three components. 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also provides other supplementary information in addition to the financial statements themselves.

Basic 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 Financial Position 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's finances, in a manner similar to a private-sector business.

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 distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, judicial, public safety, health and welfare, highways and streets, sanitation, economic development, and culture and recreation.

The government-wide fund financial statements can be found on pages 3 and 4 of this report.

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. All of the funds of the County can be divided into two categories: 1) governmental funds; and 2) 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. The County's major governmental funds include the General Fund, Road and Bridge Fund, Social Services Fund, and Capital Expenditure Fund. The County also reports a number of minor governmental funds.

General Fund: Administration of general County operations is accomplished through various departments within the General Fund. At the beginning of 2012, the fund balance was \$1,184,798 and at the end of 2012 the fund balance decreased by \$105,699, resulting in a fund balance of \$1,079,099. \$100,000 of sales tax revenue which normally goes to General Fund was again diverted to the Road and Bridge Fund because of its low fund balance.

Special Revenue Funds: The County's special revenue funds account for specific revenues that are legally restricted to expenditure for a particular purpose. The County's Special Revenue funds include the Road and Bridge Fund, Social Services Fund, Contingent Fund, Conservation Trust Fund, Capital Expenditure Fund, Economic Development Fund, and Fair Fund. The special

revenue fund created in 2009, known as the Community Building Construction Fund, has been phased out.

The special revenue funds contained a fund balance of \$1,002,882 at the beginning of 2012 and ended the year with a fund balance of \$798,825, a decrease of \$204,057.

Fiduciary Funds:

Agency Funds: The County has assets held by the County as an agent for other governments and/or other funds. Agency funds held by the County Treasurer, on behalf of other governments, are the highest dollar amount \$1,597,255. The Sheriff's Seizure Fund and the Unemployment Fund are held by the Treasurer. The Ambulance Replacement Fund, the Jr. Livestock Sale Fund, the E911 Fund, are all held and budgeted by the County, but expenditures are made by an independent board.

Schedules and Notes to the 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. The Notes to the Financial Statements can be found on pages 10 through 22 of this report.

Schedules:

- The *Annual Statement of Receipts and Expenditures for Roads, Bridges and Streets* is part of the Local Highway Finance Report sent to the State of Colorado (the "State").
- Schedule of County Department of Social Services Programs shows individual program costs, delineated between County and State share.

Financial Analysis: The County uses fund accounting to ensure compliance with finance-related legal requirements. The County adopts an annual appropriated budget for each department within its funds. Budgetary comparison statements have been provided to demonstrate compliance.

Government wide Financial Analysis: As previously mentioned, the government-wide financial statements are designed to provide readers with a broad overview and long-term analysis of the county's finances, in a manner similar to a private-sector business. The following chart shows the county's net assets for 2011 and 2012.

Phillips County's Net Assets:

	Governmental Activities		Total	
	2012	2011	2012	2011
Assets:				
Current and other assets	3,933,568	4,249,138	3,933,568	4,249,138
Capital Assets (minus depr)	8,363,450	8,038,858	8,363,450	8,038,858
Total Assets	12,297,018	12,287,996	12,297,018	12,287,996
Liabilities:				
	2012	2011	2012	2011
Other liabilities	1,846,855	1,982,559	1,846,855	1,982,559
Long-term liabilities	669,920	634,312	669,920	634,312
Total Liabilities	2,516,775	2,618,882	2,516,775	2,618,882
Net Assets:				
Invested in capital assets, net of related debt	7,817,986	7,075,160	7,817,986	7,075,160
Restricted for other purposes	264,392	264,929	264,392	264,929
Unrestricted	1,697,865	2,331,036	1,697,865	2,331,036
Total Net Assets	9,780,243	9,671,125¹	9,780,243	9,671,125¹

Traditionally, the largest portion of any county investments is in its capital assets: land, building, equipment, machinery, and specialized tools are necessary to deliver and/or provide services to the residents of Phillips County. Capital assets of the county account for 68.0% of its total assets; these assets are not an available source of payment of future spending.

The County's net assets increased \$9,012 during the current fiscal year. This increase can be attributed to additional equipment purchases.

As of the end of the current fiscal year, the County's net assets reported total fund equity of \$9,780,243. Restricted net assets totaling \$264,392, or approximately 3% of budgeted fiscal spending, has been reserved for emergencies in accordance with the Taxpayer's Bill of Rights ("TABOR") requirements for local governments and by other enabling legislation.

¹ 2011 Balance should be adjusted to 9,671,430

Phillips County's Governmental Activities

	Governmental Activities		Total	
	2012	2011	2012	2011
Revenues:				
Program Revenues:				
Charges for services	575,248	531,095	575,248	531,095
Grants & contributions	2,083,160	2,015,075	2,083,160	2,015,075
General Revenues:				
Property taxes	1,557,585	1,447,563	1,557,585	1,447,563
Specific ownership taxes	233,524	222,496	233,524	222,496
Interest & other revenue	839,322	1,085,232	839,322	1,085,232
Total Revenues	5,288,839	5,301,461	5,288,839	5,301,461
Expenses:				
General government	1,375,394	1,182,182	1,375,394	1,182,182
Public safety	727,621	714,458	727,621	714,458
Highway & Streets	1,568,606	1,586,230	1,568,606	1,586,230
Health and human services	631,745	608,941	631,745	608,941
Culture and recreation	485,978	424,352	485,978	424,352
Sanitation	315,803	274,581	315,803	274,581
Economic Development	25,500	21,000	25,500	21,000
Judicial	75,562	78,837	75,562	78,837
Interest on Long Term Debt	21,817	16,275	21,817	16,275
Total Expenses	5,228,026	4,906,856	5,228,026	4,906,856
Change in net assets	60,813	394,605	60,813	394,605
Net Assets, January 1	9,671,430²	9,276,520	9,671,430²	9,276,520
Net Assets, December 31	9,780,243	9,671,125³	9,780,243	9,671,125³

Fund Financial Analysis:

Fund Balances					
	2008	2009	2010	2011	2012
General	\$908,924	\$1,015,320	\$1,168,334	\$1,184,798	1,079,099
Road & Bridge	\$535,184	\$601,478	\$555,804	\$545,760	462,346
Social Services	\$103,515	\$86,510	\$71,619	\$50,859	40,032
Capital Expenditures	\$633,020	\$457,248	\$74,566	\$208,659	99,823
Other	<u>\$384,602</u>	<u>\$452,222</u>	<u>\$360,549</u>	<u>\$397,401</u>	<u>405,413</u>
	\$2,565,245	\$2,612,778	\$2,230,872	\$2,387,477	\$2,086,713

² Adjusted from 2011

³ Should be adjusted to 9,671,430

The fund balance comparison shows a decrease overall. Part of that decrease was planned when the new Event Center was put in place. The Capital Expenditure fund was spent down in that process. The current funds of most concern are Social Services and Road and Bridge. Both need to be closely monitored. The Social Service fund balance needs to be increased. Expenses continue to raise in road maintenance efforts while the revenue has been declining. This low fund balance is greatly affecting the purchases of new equipment. The Capital Expenditure Fund has decreased over time as anticipated during construction of large projects.

The county's economy is substantially dependent on agriculture. The county's assessed value, as shown, generally indicates stability. The assessed value increased \$3,825,232 between 2011 and 2012, a 6.7% increase.

2008	2009	2010	2011	2012
\$48,975,446	\$58,329,710	\$52,397,200	\$56,488,770	\$60,314,002

Most classifications remained fairly stable. Natural gas values increased 62.5%, primarily because of the number of new wells drilled.

Next Year's Budget and Rates: The County's General Fund balance at the end of fiscal year 2012 was \$1,079,099. A reserve is necessary to start the year and provide basic services to the residents and visitors of Phillips County. An adequate reserve at the year-end on which to operate a minimum of three months or 25% is considered necessary, for the majority of the property tax revenue is received in April of each year. The County had a General Fund balance of 38.3% of the 2013 budgeted expenditures.

Budget Variances: The County is required to amend the budgets of various funds for the current fiscal year. General Fund departments received a budgetary increase totaling \$46,047 to cover general operating expenditures over the budget amount. Departments receiving budgetary increases were: Other Administrative Expenses, Communications Center, Local Victims' Assistance, District Attorney, County Fair donation, Event Center, Fairgrounds Capital Improvements, and Health and Regional Organizations. These increases were covered by fund carryovers which were higher than anticipated from 2011.

The Community Building Construction Project Fund was amended by an additional \$115,000 to cover unanticipated revenue and expense. The revenue increased by \$115,400.

The Fair Fund budget was amended by an additional \$52,300 to cover unanticipated expenditures. The Fair Fund received \$49,210 in unanticipated revenues.

The Social Services Fund budget was amended by an additional \$47,872 to cover unanticipated expenses. The fund received \$53,828 in unanticipated revenue.

Capital Assets and Debt Administration:

The County's major purchases for capital assets in 2012 were:

Courthouse steps	General	\$6,000
Carport/Parking Lots	General	\$78,292
Air Conditioner System	General	\$2,240
Xerox WC7545P Copiers (2)	General	\$20,726
2012 MTGHSA Walker Mower – 48" deck	General	\$7,542
2006 Chev C1500 Pickup	Maintenance	\$10,700
Xerox MFP6180D Copier	Sheriff/Comm	\$2092
NICE Recording System	Comm Center	\$23,439
Event Center Security Camera System	Event Center	\$4721
2006 JLG scissor lift	Event Center	\$5,500
201 Walker MTGHSA Mower – 52" deck	Fairgrounds	\$10,525
Homesteaders' Playground Equipment	Fairgrounds	\$146,768
2012 CDOT Enhancement Project	Fairgrounds	\$140,313
1999 GMC Roll-off truck w/boxes	Landfill	\$55,000
1991 C615 Scraper Repair	Landfill	\$4,699
1991 C615 Scraper Repair	Road & Bridge	\$14,098
Amherst Community Building	Road & Bridge	\$18,000
Quik Attach for Walk n' Roller	Road & Bridge	\$2,246
1680 gal tank w/accessories	Road & Bridge	\$3,500
10,000 gal fuel tank project – Dist 1	Road & Bridge	\$39,092
Air Compressor w/ accessories – Dist 1	Road & Bridge	\$4,928
2002 Kenworth Injector repair	Road & Bridge	\$4,584
2013 Rhino FN 240 mower	Road & Bridge	\$20,260
Air Compressor – Dist 2	Road & Bridge	\$2,185
10,000 gal fuel tank project – Dist 2	Road & Bridge	\$29,159
New Holland Skid Steer	Road & Bridge	\$2,800
2011 Cat 950H Wheel Loader	Road & Bridge	\$180,745
	Total	\$840,154

The County has three (3) lease-purchase agreements in 2012 as referenced in the Financial Highlights section.

Request for information: This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Phillips County Administration Office, 221 S. Interocean Ave., Holyoke, CO 80734.

Phillips County, Colorado
Statement of Net Position
December 31, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
ASSETS		
Cash and Equivalents	\$ 1,991,013	\$ 1,991,013
Receivables	1,826,513	1,826,513
Due from Other Governmental Agencies	27,131	27,131
Inventories	88,911	88,911
Capital Assets		
Land	137,203	137,203
Infrastructure	2,063,724	2,063,724
Buildings	6,708,813	6,708,813
Equipment and Furniture	5,048,869	5,048,869
Vehicles	1,304,885	1,304,885
Less: Accumulated Depreciation	(6,900,044)	(6,900,044)
Total Capital Assets	<u>8,363,450</u>	<u>8,363,450</u>
Total Assets	<u>12,297,018</u>	<u>12,297,018</u>
LIABILITIES		
Accounts payable and accrued expenses	125,859	125,859
Due to other governmental agencies	15,317	15,317
Deferred Revenues	1,705,679	1,705,679
Long-term liabilities		
Due within one year		
Bonds, capital leases and contracts	208,912	208,912
Due in more than one year		
Bonds, capital leases and contracts	336,552	336,552
Compensated absences	124,456	124,456
Total liabilities	<u>2,516,775</u>	<u>2,516,775</u>
NET POSITION		
Net investment in capital assets	7,817,986	7,817,986
Restricted for:		
TABOR and enabling legislation	264,392	264,392
Unrestricted	1,697,865	1,697,865
Total net position	<u>\$ 9,780,243</u>	<u>\$ 9,780,243</u>

The accompanying notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs Primary government	Net (Expense) Revenue and Changes in Net Position				
	Primary Government				Total
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	\$ 1,375,394	\$ 306,873	\$ 116,786	\$ -	\$ (951,735)
Public Safety	727,621	95,199	72,375	54,514	(505,533)
Highways and Streets	1,568,606	10,387	1,140,918	-	(417,301)
Health & Welfare	631,745	(3,724)	565,307	8,000	(62,162)
Culture and Recreation	485,978	17,603	11,591	113,669	(343,115)
Sanitation	315,803	148,910	-	-	(166,893)
Interest on Long-term debt	21,817	-	-	-	(21,817)
Economic Development	25,500	-	-	-	(25,500)
Judicial	75,562	-	-	-	(75,562)
Total governmental activities	5,228,026	575,248	1,906,977	176,183	(2,569,618)
Total primary government	5,228,026	575,248	1,906,977	176,183	(2,569,618)
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 1,557,585	\$ 1,557,585
Sales & use taxes				564,300	564,300
Specific Ownership taxes				233,524	233,524
Grants and contributions not restricted to specific programs				5,288	5,288
Unrestricted investment earnings				13,510	13,510
Miscellaneous				304,224	304,224
Total general revenues, special items, and transfers				2,678,431	2,678,431
Change in net position				108,813	108,813
Net position - beginning				9,671,430	9,671,430
Net position - ending				\$ 9,780,243	\$ 9,780,243

The accompanying notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Balance Sheet
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Road & Bridge</u>	<u>Human Services</u>	<u>Capital Expenditures</u>	<u>Fairground Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,061,355	\$ 396,583	\$ 23,954	\$ 82,474	\$ (7)	\$ 426,654	\$ 1,991,013
Taxes receivable, net	1,293,735	255,128	96,502	60,314	-	-	1,705,679
Due from State	-	-	27,131	-	-	-	27,131
Other receivables	62,830	28,911	4,264	17,609	7	7,213	120,834
Inventories	7,403	81,508	-	-	-	-	88,911
Total assets	<u>2,425,323</u>	<u>762,130</u>	<u>151,851</u>	<u>160,397</u>	<u>-</u>	<u>433,867</u>	<u>3,933,568</u>

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	52,481	44,656	-	260	-	28,454	125,851
Payable to other governments	-	-	15,317	-	-	-	15,317
Deferred revenue	1,293,735	255,128	96,502	60,314	-	-	1,705,679
Other payables	8	-	-	-	-	-	8
Total liabilities	<u>1,346,224</u>	<u>299,784</u>	<u>111,819</u>	<u>60,574</u>	<u>-</u>	<u>28,454</u>	<u>1,846,855</u>

Fund balances:							
Restricted for:							
TABOR and enabling legislation	112,564	-	3,139	-	-	148,689	264,392
Committed	7,403	81,508	-	-	-	-	88,911
Unassigned	959,132	-	-	-	-	-	959,132
Assigned, reported in:							
Special revenue funds	-	380,838	36,893	99,823	-	256,724	774,278
Total fund balances	<u>1,079,099</u>	<u>462,346</u>	<u>40,032</u>	<u>99,823</u>	<u>-</u>	<u>405,413</u>	<u>2,086,713</u>
Total liabilities and fund balances	<u>\$ 2,425,323</u>	<u>\$ 762,130</u>	<u>\$ 151,851</u>	<u>\$ 160,397</u>	<u>\$ -</u>	<u>\$ 433,867</u>	<u>\$ 3,933,568</u>

The accompanying notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total fund balance, governmental funds	\$ 2,086,713
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	8,363,450
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(669,920)
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Net Assets of Governmental Activities in the Statement of Net Position	<u>\$ 9,780,243</u>
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The accompanying notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>Road & Bridge</u>	<u>Human Services</u>	<u>Capital Expenditures</u>	<u>Fairground Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property Taxes	\$ 1,214,441	\$ 196,008	\$ 90,547	\$ 56,589	\$ -	\$ -	\$ 1,557,585
SO Tax	177,125	34,930	13,212	8,258	-	-	233,525
Sales, Use and miscellaneous taxes	464,300	112,563	-	-	-	-	576,863
Fees and fines	2,012	-	-	-	-	-	2,012
Licenses and permits	2,175	10,179	-	-	-	-	12,354
Intergovernmental	72,524	1,128,355	413,935	333,871	-	11,591	1,960,276
Charges for services	271,505	90	-	133,740	-	83,809	489,144
Investment earnings	12,050	-	-	-	55	1,405	13,510
Miscellaneous	89,845	31,839	-	12,968	-	190,807	325,459
Rent and Contributions	47,546	-	-	-	118,957	-	166,503
Total revenues	<u>2,353,523</u>	<u>1,513,964</u>	<u>517,694</u>	<u>545,426</u>	<u>119,012</u>	<u>287,612</u>	<u>5,337,231</u>
EXPENDITURES							
Current:							
General government	1,048,928	7,135	-	193,755	-	-	1,249,818
Public Safety	598,961	-	-	-	-	67,281	666,242
Streets & Highways	-	1,319,600	-	-	-	-	1,319,600
Health and Welfare	61,581	-	558,521	-	-	-	620,102
Culture and recreation	241,355	-	-	-	-	149,348	390,703
Judicial	75,562	-	-	-	-	-	75,562
Sanitation	271,037	-	-	-	-	-	271,037
Economic Development	-	-	-	-	-	56,473	56,473
Debt Service:							
Principal	-	88,504	-	80,187	107,736	-	276,427
Interest and other charges	-	10,541	-	-	11,276	-	21,817
Capital Outlay	98,298	321,598	-	380,321	-	39,999	840,216
Total Expenditures	<u>2,395,722</u>	<u>1,747,378</u>	<u>558,521</u>	<u>654,263</u>	<u>119,012</u>	<u>313,101</u>	<u>5,787,997</u>
Excess (deficiency) of revenues over expenditures	<u>(42,199)</u>	<u>(233,414)</u>	<u>(40,827)</u>	<u>(108,837)</u>	<u>-</u>	<u>(25,489)</u>	<u>(450,766)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from capital leases	-	150,000	-	-	-	-	150,000
Transfers in	-	-	30,000	-	-	33,500	63,500
Transfers out	(63,500)	-	-	-	-	-	(63,500)
Total other financing sources and uses	<u>(63,500)</u>	<u>150,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>33,500</u>	<u>150,000</u>
Net change in fund balances	<u>(105,699)</u>	<u>(83,414)</u>	<u>(10,827)</u>	<u>(108,837)</u>	<u>-</u>	<u>8,011</u>	<u>(300,766)</u>
Fund balances - beginning	<u>1,184,798</u>	<u>545,760</u>	<u>50,859</u>	<u>208,660</u>	<u>-</u>	<u>397,402</u>	<u>2,387,479</u>
Fund balances - ending	<u>\$ 1,079,099</u>	<u>\$ 462,346</u>	<u>\$ 40,032</u>	<u>\$ 99,823</u>	<u>\$ -</u>	<u>\$ 405,413</u>	<u>\$ 2,086,713</u>

The accompanying notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds:	\$	(300,766)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$840,216 exceeded depreciation of \$515,623 in the current period.		324,593
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Governmental funds report capital lease payments as current financial resources. In contrast, the Statement of Activities treats such debt as a liability. Governmental funds report repayment of capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

126,427

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in Compensated Absences		(41,135)
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Adjustment		(306)
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Change in net position of governmental activities	\$	<u>108,813</u>
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The notes to the financial statements
are an integral part of these statements.

Phillips County, Colorado
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2012

	TOTAL AGENCY FUNDS
ASSETS:	
Cash and cash equivalents	<u>\$ 1,597,255</u>
Total assets	<u>1,597,255</u>
 LIABILITIES:	
Due to other governmental units	<u>1,597,255</u>
Total Liabilities	<u>\$ 1,597,255</u>

The accompanying notes to financial statements
are an integral part of these statements.

Phillips County, Colorado
Notes to Financial Statements
December 31, 2012

Note 1 - Reporting Entity

Phillips County is a political subdivision of the State of Colorado, governed by an elected three-member Board of County Commissioners. There are also six other elected officials of Phillips County (Assessor, Clerk and Recorder, Sheriff, Treasurer, Coroner, and Surveyor).

All financial transactions of the offices of elected officials of Phillips County are included in the General Fund of the County's financial statements. The Board of County Commissioners has budgetary authority over the elected officials and is accountable for all fiscal matters. County property taxes fund a significant portion of the costs of operating the elected officials' offices. Services provided by the elected officials are of the benefit of Phillips County residents and are conducted within the boundaries of the County.

The basic financial statements present the financial statements of Phillips County (the primary government) and its component units in accordance with Statements of the Governmental Accounting Standards Board, "The Financial Reporting Entity", as amended.

Phillips County, Colorado has examined other entities and there are no other entities that should be included with the exception of the E911 Authority.

The E911 Authority is included in the County's financial statements as a component unit. The E911 Authority is dependent on Phillips County. The County appoints the governing board. The County significantly influences the operations of the Authority, and the Authority is accountable to the County for financial matters.

The E911 Authority will be treated as a Special Revenue Fund and blended with the County's other funds. Phillips County E911 Authority will use the modified accrual basis of accounting to report its financial transactions.

The County is within the 13th Judicial District and participates with other counties in receiving services from the District Attorney. The District Attorney - 13th Judicial District is not a component unit of Phillips County.

Note 2 - Summary of Significant Accounting Policies

The accounting and reporting policies of Phillips County, Colorado (the County) conform to accounting principles generally accepted in the United States of America (USGAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the County's financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide and Fund Financial Statements The County government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the County accompanied by the total column. Fiduciary activities of the County are not included in these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customer or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segments and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead of *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets when capitalized, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual

basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and 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 sixty 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.

The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund This is the County's primary operating fund. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Road & Bridge Fund This fund accounts for maintenance of all County roads and bridges.

Department of Human Services (Public Welfare) This fund accounts for public welfare costs paid to qualifying clients. The majority of federal funds expended are expenses through this fund.

Capital Expenditure Fund This fund accounts for the majority of capital expenditures not budgeted by the General and Road & Bridge funds.

Fairground Project Fund This fund accounts for the revenues and expenditures of building a new fairgrounds building.

The County has one Fiduciary Fund which consists of the cash with county treasurer. The fund is not included with any other fund.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All

internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated however; those transactions between governmental and business-type activities have not been eliminated.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

The County follows the policy of capitalizing all assets, other than infrastructure, that cost more than \$2,000 with an estimated useful life of more than one year. Infrastructure assets that cost more than the following amounts will be capitalized:

Gravel roads	\$ 500,000
Bridges	\$ 75,000
Other Infrastructure	\$ 250,000

The useful lives of the assets are:

Buildings & Improvements	50-75 years
Furniture & Fixtures	7-10 years
Machinery, Equipment, & Vehicles	5-10 years
Infrastructure	75 years

The County has capitalized infrastructure purchased after July 1, 1980, that have exceeded the above costs.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. The statement of activities reports separately three categories of program revenues: (a) charges for services, (b) program-specific *operating* grants and contributions, and (c) program-specific *capital* grants and contributions.

Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients.

Program-specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes- to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government. Multipurpose grants (those that provide financing for more than one program) are reported as program revenue if the amounts restricted to each program are specifically identified in either the grant award or the grant application. Multipurpose grants that do not provide for specific identification of the programs and amounts are reported as general revenues.

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction of improvements of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposed for which both restricted and unrestricted net assets are available.

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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or

expended in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. At year-end, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Budgets and budgetary accounting

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year.

The budget calendar is as follows:

August 25 Assessors must submit abstract of assessments, reflecting all assessed values of property in the County by class and subclass to the Division of Property Taxation.

Assessors must certify to all taxing entities and the Division of Local Government of the new total assessed valuation and the amounts for the various factors needed to compute the statutory property tax revenue limits.

October 15 Statutory deadline for submission of proposed budget to the local governing body. "Notice of Budget" to be published when budget received.

December 15 Statutory deadline for certification of mill levies to the Board of County Commissioners. Local government levying a property tax must adopt their budget before certifying the levy to the County. Local Governing Body shall enact an ordinance or resolution making appropriations for the ensuing fiscal period.

December 22 Statutory deadline for Board of County Commissioners to certify levies and revenues to assessor and the Division of Property Taxation.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons in this report are presented on the GAAP basis.

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end.

Supplemental budgets were adopted for various funds due to unanticipated revenues and expenditures.

Property taxes

Annual property taxes are levied and assessed on January 1, and are certified by the County by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits collections on a monthly basis to the County. County property tax revenues are recognized, as they become current receivables from the County Treasurer. One-half of the property taxes are due by February 28 and one-half due by June 15 or all may be paid by April 30 to avoid penalties and interest.

Taxes receivable represent 2012 assessed tax to be collected in 2013. This receivable has been offset with a charge to Deferred Revenue.

Vacation days and sick leave

All full-time County employees are entitled to ten working days of paid vacation per year after one year of full employment. After the tenth year of employment, an additional five days of vacation are allowed per calendar year. Vacation time accrues for one year, and any amounts not used by December 31, of the following year are lost, except amounts approved by the Commissioners to carry to the subsequent year.

Every employee may accrue sick leave at a rate of one day per month of service. Such leave is allowed only to the extent of actual illness or death of an immediate family member. Employees hired after November 1, 2005, with 10 years or more of service may be compensated for a portion of unused sick leave upon leaving the County.

Employees hired prior to November 1, 2005, upon retirement after the age of 62 or upon becoming disabled, shall be compensated based on regular pay for a maximum of ninety days of accrued sick leave. The accrual amount as of year end is \$124,456.

Contraband

Per Colorado Contraband Forfeiture Act (CRS 16-13-501 to 511), proceeds received from the seizure of contraband must be used for the specific purpose of law enforcement activities. These proceeds are exempt from the appropriation process. Phillips County received no material proceeds from contraband during 2012.

Inventories

Inventory of construction and maintenance supplies and weed control chemicals are reflected in the Road and Bridge Fund and General Fund, respectively, as an asset. Inventory is recorded at cost using the first-in, first-out (FIFO) method.

Note 3 - Deposits and Investments

Deposits

Colorado State Statutes, specifically the Public Deposit Protection Act of 1989, require all public monies to be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge eligible collateral, as promulgated by the State banking board, having a market value in excess of 102% of the aggregate uninsured public deposits. Eligible collateral must be held in the custody of any federal reserve bank or any branch thereof or of any depository trust company which is a member of the Federal Reserve System, and which is supervised by the State banking board. The Statutes further restrict such deposits to eligible public depositories having their principal offices within the State of Colorado.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

As of year-end, the County was not exposed to custodial risk in that all funds held by the county are deposited in various financial institutions that are covered by FDIC insurance or meet the requirements of the Public Deposit Protection Act as amended per Colorado Revised Statutes. The county is not exposed to any other risk as defined by GASB 40.

Note 4 - Changes in Fixed Assets

Capital asset activity for the year ended December 31, 2012 is shown below:

	Beginning Balance	Additions	Deletions	Ending Balances
Governmental Activities:				
Land	\$ 137,203	\$ -	\$ -	\$ 137,203
Total Capital Assets, Not Being Depreciated	137,203	-	-	137,203
Capital Assets Being Depreciated:				
Infrastructure	2,063,724	-	-	2,063,724
Buildings	6,702,813	6,000	-	6,708,813
Equipment	4,214,654	834,215	-	5,048,869
Vehicles	1,304,885	-	-	1,304,885
Total Capital Assets Being Depreciated	14,286,076	840,215	-	15,126,291
Less Accumulated Depreciation	(6,384,421)	\$ (515,623)	-	(6,900,044)
Total Capital Assets Being Depreciated, Net	7,901,655			8,226,247
Governmental Activities Capital Assets, Net	<u>\$ 8,038,858</u>			<u>\$ 8,363,450</u>

Depreciation expense was charged to functions/programs of the primary government as shown on the following page:

Governmental activities:	
General government	\$ 53,165
Public safety	61,379
Public Works	249,006
Sanitation	47,526
Health & Welfare	8,882
Culture & Recreation	95,665
Total depreciation expense-governmental activities	<u>\$ 515,623</u>

Note 5 - Joint Ventures

The County participates in the County Technical Services, Inc. (CTSI) Insurance Pool. This joint venture does not meet the criteria for inclusion within the reporting entity because the County Health Pool has the following characteristics:

- is financially independent and responsible for its own financial deficits and entitled to its own surpluses,
- is a separate governing board from that of the County, which is comprised of 1 voting member from each participating County/entity.
- the governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and

- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

Financial information is available from CTSI.

Note 6 - Pension Plan

Defined Contribution Plan

The County is participating in a Defined Contribution Pension Plan through Colorado Counties Officials and Employees Retirement Association (CCOERA). The Plan is funded by employee's contributions at 4 percent of gross salary with the County matching another 4 percent. After one year of service participation by County employees is mandatory. The amount paid into CCOERA by the County in 2012 was \$66,274 regarding eligible salaries of \$1,656,850 and total salaries of \$1,868,101. Mandatory employee contributions in 2012 were \$66,274. The County employees are also covered by social security benefits.

Note 7 - Leases

The County has various operating leases and maintenance contracts for copiers, faxes, and computer equipment that are entered into during the normal course of business. These costs are charged to expense as incurred based on terms and renewals.

Note 8 - Transfers

The transfers made during 2012 were from the General Fund to the Economic Development Fund, Ambulance Replacement Fund and Department of Human Services in the amounts of \$25,500, \$8,000, and \$30,000, respectively.

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Non-recurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of Governmental Funds. Transfers of equity to Proprietary Funds are treated as contributed capital and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are

included in the results of operations of both Governmental and Proprietary Funds.

Note 9 - Risk management

County Workers' Compensation Pool

The County is exposed to various risks of loss related to injuries of employees while on the job. The County joined together with other Counties in the State of Colorado to form the County Workers' Compensations Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to property and casualty losses. The County joined together with other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

The County, in their opinion, has obtained adequate coverage as required by Colorado Revised Statutes to settle claims in the ordinary course of business. However, due to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the County would be financially responsible. Claims have not exceeded coverages during the past three years.

Note 10 - Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the

requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

On November 7, 1995, the voters of Phillips County approved a ballot initiative allowing the County to retain funds over the limitations imposed by the amendment in 1995 and all subsequent years. It is the opinion of the County that the revenue and spending limitation imposed by the amendment no longer applies to the County.

Note 11 - Reserved and Designated Fund Balances

With the passage of Amendment One to the Colorado State Constitution, the County has reserved at least 3 percent of its spending limitation for emergencies. For 2012, \$261,253 has been reflected as the emergency reserve.

Note 12 - Landfill

State and federal laws and regulations require the County to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. At December 31, 2012, the County has closed 25.3% of the estimated capacity of the landfill. The County expects the closure and post-closure liability to be \$329,738 to cover the last cell open at the time of closure. The amount is based on what it would cost to perform all closure and post-closure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County expects to close the landfill in the year 2061. The County has completed the financial assurance report, however no contributions have been made to a trust to finance closure and post-closure care. As of year-end, the county has not restricted any assets for the payment of the closure and post-closure care costs.

Note 13 - Lease Purchase

During 2010, the County entered into a lease purchase on a building. The agreement calls for annual payments of \$100,000 which includes principal and interest. There is a stated interest rate of 3.65%.

Due Date	Interest	Principal
December 31, 2013	\$ 4,178	\$ 89,216
December 31, 2014	923	25,276
	<u>\$ 5,101</u>	<u>\$ 114,492</u>

During 2011, the County entered into a lease purchase of motor graders. The lease calls for annual payments beginning April 30, 2012, of \$99,045. There is a stated interest rate of 2.85%.

Due Date	Interest	Principal
April 30, 2013	\$ 8,008	\$ 91,037
April 30, 2014	5,413	93,632
April 30, 2015	2,745	96,300
	<u>\$ 16,166</u>	<u>\$ 280,969</u>

During 2012, the County entered into a lease purchase of \$182,000. The lease calls for a down payment and annual payments beginning February 2013 of \$32,093. There is a stated interest rate of 2.29%.

Due Date	Interest	Principal
February 21, 2013	\$ 3,435	\$ 28,658
February 21, 2014	2,779	29,314
February 21, 2015	2,107	29,986
February 21, 2016	1,421	30,672
February 21, 2017	723	31,370
	<u>\$ 10,465</u>	<u>\$ 150,000</u>

Changes in long term debt:

	Beginning Balance	Additions	Deletions	Ending Balances	Current Portion
Building Lease	\$ 302,416	\$ -	\$ (187,924)	\$ 114,492	\$ 89,216
Equipment Lease	369,474	-	(88,505)	280,969	91,037
Equipment Lease	-	150,000	-	150,000	28,658
Compensated Absences	83,321	41,135	-	124,456	-
	<u>\$ 755,211</u>	<u>\$ 191,135</u>	<u>\$ (276,429)</u>	<u>\$ 669,917</u>	<u>\$ 208,911</u>

Note 14 - Fund Balance

Beginning in 2011 the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." In the fund financial statements the following classifications describe the relative strength of spending constraints.

- *Non-spendable balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaid amounts) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as

grantors or bondholders), constitutional provisions or enabling legislation.

- *Committed fund balance* – The portion of fund balance constrained for specific purposes according to the limitations imposed by the County's highest level of decision making authority, the County Commissioners, or other individuals authorized to assign funds to be used for a specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- *Assigned fund balance* – The portion of fund balance set aside for planned or intended purposes but are neither restricted nor committed. The intended use may be expressed by the County Commissioners or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria. The County will only report a positive unassigned fund balance in the General Fund.

The County considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Note 15 - Schedule of EBT Authorizations

Refer to the following page for EBT authorizations during 2012.

Note 15 -

Phillips County Department of Social Services
Human Services Fund

Schedule of EBT Authorizations, Warrant Expenditures and Total Expenditures
For the Year Ended December 31, 2012

Program	County EBT Authorizations	County Share of Authorizations	Expenditures By County Warrant	County EBT Authorizations and Expenditures by County Warrant	Total Expenditures
Regular County Administration	\$ -	\$ -	\$ 134,196	\$ 134,196	\$ 134,196
HCA EBT	3,440	172	-	3,440	172
LEAP EBT Admin.	59,493	-	6,396	65,889	6,396
AND EBT	756	151	-	756	151
Child Support - Admin	-	-	65,534	65,534	65,534
Colo Works - Administration	-	-	31,693	31,693	31,693
Colo Works - EBT	46,655	7,617	-	46,655	7,617
General Assistance	-	-	1,472	1,472	1,472
Old Age Pension - EBT & Admin	101,005	-	1,885	102,890	1,885
Child Care - Admin	-	-	13,289	13,289	13,289
Child Care - EBT	26,810	4,813	-	26,810	4,813
Child Care - TANF Transfer	-	-	-	-	-
Child Welfare - 100% Admin	-	-	23,853	23,853	23,853
Child Welfare - 80% Admin	-	-	173,551	173,551	173,551
Child Welfare - Rel Child Care Admin	-	-	401	401	401
Child Welfare - Res Mental Health	31,205	6,241	-	31,205	6,241
Child Welfare - Sub Adopt	12,199	2,440	-	12,199	2,440
Child Welfare - Case Services	1,903	381	-	1,903	381
Child Welfare - OOH	166,158	32,981	-	166,158	32,981
Child Welfare - Rel Child Care EBT	576	115	415	991	530
Child Welfare - Transfer	-	-	73,470	73,470	73,470
Core Services - Admin	8,577	-	29,044	37,621	29,044
County Only	-	-	978	978	978
Sub-Total	458,777	54,911	556,177	1,014,954	611,088
Food Assistance	609,746	-	(983)	608,763	(983)
Grand Total	\$ 1,068,523	\$ 54,911	\$ 555,194	\$ 1,623,717	\$ 610,105

Phillips County, Colorado
Budget and Actual (with Variances)
General
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,212,183	\$ 1,212,183	\$ 1,214,441	\$ 2,258
SO Tax	160,000	160,000	177,125	17,125
Sales and miscellaneous taxes	280,000	280,000	464,300	184,300
Fees and fines	1,400	1,400	2,012	612
Licenses and permits	1,075	1,075	2,175	1,100
Intergovernmental	64,997	64,997	72,524	7,527
Charges for services	174,400	174,400	271,505	97,105
Investment earnings	25,000	25,000	12,050	(12,950)
Rent	43,000	43,000	47,546	4,546
Miscellaneous	31,200	31,200	89,845	58,645
Total revenues	<u>1,993,255</u>	<u>1,993,255</u>	<u>2,353,523</u>	<u>360,268</u>
EXPENDITURES				
Current:				
General Government	1,132,037	1,135,587	1,048,928	86,659
Public Safety	729,734	742,635	598,961	143,674
Health and sanitation	362,989	363,187	332,618	30,569
Culture and recreation	242,461	259,212	241,355	17,857
Judicial	75,562	75,562	75,562	-
Capital Outlay	92,329	104,976	98,298	6,678
Total Expenditures	<u>2,635,112</u>	<u>2,681,159</u>	<u>2,395,722</u>	<u>285,437</u>
Excess (deficiency) of revenues over expenditures	<u>(641,857)</u>	<u>(687,904)</u>	<u>(42,199)</u>	<u>645,705</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(48,500)	(48,500)	(63,500)	(15,000)
Total other financing sources and uses	<u>(48,500)</u>	<u>(48,500)</u>	<u>(63,500)</u>	<u>(15,000)</u>
Net change in fund balances	(690,357)	(736,404)	(105,699)	630,705
Fund balances - beginning	936,005	936,005	1,184,798	248,793
Fund balances - ending	<u>\$ 245,648</u>	<u>\$ 199,601</u>	<u>\$ 1,079,099</u>	<u>\$ 879,498</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Road & Bridge
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 238,947	\$ 238,947	\$ 196,008	\$ (42,939)
SO Taxes	27,500	27,500	34,930	7,430
Sales and miscellaneous taxes	110,200	110,200	112,563	2,363
Licenses and permits	-	-	10,179	10,179
Intergovernmental	1,145,824	1,145,824	1,128,355	(17,469)
Charges for services	-	-	90	90
Miscellaneous	-	-	31,839	31,839
Total revenues	<u>1,522,471</u>	<u>1,522,471</u>	<u>1,513,964</u>	<u>(8,507)</u>
EXPENDITURES				
Current:				
General government	6,100	6,100	7,135	(1,035)
Highways and roads	1,451,600	1,451,600	1,319,600	132,000
Debt Service:	-	-		
Principal	87,873	87,873	88,504	(631)
Interest and other charges	10,542	10,542	10,541	1
Capital Outlay	<u>300,000</u>	<u>300,000</u>	<u>321,598</u>	<u>(21,598)</u>
Total Expenditures	<u>1,856,115</u>	<u>1,856,115</u>	<u>1,747,378</u>	<u>108,737</u>
Excess (deficiency) of revenues over expenditures	<u>(333,644)</u>	<u>(333,644)</u>	<u>(233,414)</u>	<u>100,230</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	150,000	150,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Net change in fund balances	(333,644)	(333,644)	(83,414)	250,230
Fund balances - beginning	<u>507,401</u>	<u>507,401</u>	<u>545,760</u>	<u>38,359</u>
Fund balances - ending	<u>\$ 173,757</u>	<u>\$ 173,757</u>	<u>\$ 462,346</u>	<u>\$ 288,589</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Human Services
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 89,705	\$ 89,705	\$ 90,547	\$ 842
SO Taxes	12,000	12,000	13,212	1,212
Intergovernmental	588,482	642,301	413,935	(228,366)
Total revenues	<u>690,187</u>	<u>744,006</u>	<u>517,694</u>	<u>(226,312)</u>
EXPENDITURES				
Current:				
Health and human services	<u>741,178</u>	<u>789,050</u>	<u>558,521</u>	<u>230,529</u>
Total Expenditures	<u>741,178</u>	<u>789,050</u>	<u>558,521</u>	<u>230,529</u>
Excess (deficiency) of revenues over expenditures	<u>(50,991)</u>	<u>(45,044)</u>	<u>(40,827)</u>	<u>4,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing sources and uses	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(20,991)	(15,044)	(10,827)	4,217
Fund balances - beginning	73,743	71,010	50,860	(20,150)
Fund balances - ending	<u>\$ 52,752</u>	<u>\$ 55,966</u>	<u>\$ 40,033</u>	<u>\$ (15,933)</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Capital Expenditures
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 56,488	\$ 56,488	\$ 56,589	\$ 101
SO Taxes	5,700	5,700	8,258	2,558
Intergovernmental	2,354,494	2,354,494	333,871	(2,020,623)
Charges for services	88,000	88,000	133,740	45,740
Miscellaneous	20,000	20,000	12,968	(7,032)
Total revenues	<u>2,524,682</u>	<u>2,524,682</u>	<u>545,426</u>	<u>(1,979,256)</u>
EXPENDITURES				
Current:				
General government	2,003,000	2,003,000	193,755	1,809,245
Debt Service:	-	-		
Principal	81,974	81,974	80,187	1,787
Interest and other charges	14,000	14,000	-	14,000
Capital Outlay	445,617	445,617	380,321	65,296
Total Expenditures	<u>2,544,591</u>	<u>2,544,591</u>	<u>654,263</u>	<u>1,890,328</u>
Excess (deficiency) of revenues over expenditures	<u>(19,909)</u>	<u>(19,909)</u>	<u>(108,837)</u>	<u>(88,928)</u>
Net change in fund balances	(19,909)	(19,909)	(108,837)	(88,928)
Fund balances - beginning	90,391	90,391	208,660	118,269
Fund balances - ending	<u>\$ 70,482</u>	<u>\$ 70,482</u>	<u>\$ 99,823</u>	<u>\$ 29,341</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Fairground Project
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 56	\$ 56
Contributions	4,100	119,500	118,958	(542)
Total revenues	<u>4,100</u>	<u>119,500</u>	<u>119,014</u>	<u>(486)</u>
EXPENDITURES				
Debt Service:				
Principal	-	107,750	107,736	14
Interest and other charges	-	7,250	11,276	(4,026)
Capital Outlay	4,100	4,100	-	4,100
Total Expenditures	<u>4,100</u>	<u>119,100</u>	<u>119,012</u>	<u>88</u>
Excess (deficiency) of revenues over expenditures	-	400	2	(398)
Net change in fund balances	-	400	2	398
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 2</u>	<u>\$ 398</u>

Phillips County, Colorado
Balance Sheet
Other Governmental Funds
December 31, 2012

	<u>Ambulance Replacement</u>	<u>Conservation Trust</u>	<u>Contingent</u>	<u>E911</u>	<u>Fair</u>	<u>Jr. Livestock Sale</u>	<u>Economic Development</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ 45,281	\$ 18,544	\$ 165,466	\$ 179,614	\$ 4,069	\$ 5,135	\$ 8,545	\$ 426,654
Other receivables	-	-	-	7,213	-	-	-	7,213
Total assets	<u>45,281</u>	<u>18,544</u>	<u>165,466</u>	<u>186,827</u>	<u>4,069</u>	<u>5,135</u>	<u>8,545</u>	<u>433,867</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	28,454	-	-	-	28,454
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,454</u>
Fund balances:								
Restricted for:								
TABOR	-	-	148,689	-	-	-	-	148,689
Unassigned	45,281	18,544	16,777	158,373	4,069	5,135	8,545	256,724
Total fund balances	<u>45,281</u>	<u>18,544</u>	<u>165,466</u>	<u>158,373</u>	<u>4,069</u>	<u>5,135</u>	<u>8,545</u>	<u>405,413</u>
Total liabilities and fund balances	<u>\$ 45,281</u>	<u>\$ 18,544</u>	<u>\$ 165,466</u>	<u>\$ 186,827</u>	<u>\$ 4,069</u>	<u>\$ 5,135</u>	<u>\$ 8,545</u>	<u>\$ 433,867</u>

Phillips County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>Ambulance Replacement</u>	<u>Conservation Trust</u>	<u>Contingent</u>	<u>E911</u>	<u>Fair</u>	<u>Jr. Livestock Sale</u>	<u>Economic Development</u>	<u>Total-Other Governmental Funds</u>
REVENUES								
Intergovernmental	\$ -	\$ 11,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,591
Charges for services	-	-	-	83,586	223	-	-	83,809
Investment earnings	90	60	1,219	-	-	36	-	1,405
Miscellaneous	8,000	390	-	-	151,479	-	30,938	190,807
Total revenues	<u>8,090</u>	<u>12,041</u>	<u>1,219</u>	<u>83,586</u>	<u>151,702</u>	<u>36</u>	<u>30,938</u>	<u>287,612</u>
EXPENDITURES								
Current:								
Public Safety	-	-	-	67,281	-	-	-	67,281
Culture and recreation	-	-	-	-	149,348	-	-	149,348
Economic Development	-	-	-	-	-	-	56,473	56,473
Capital Outlay	-	16,560	-	23,439	-	-	-	39,999
Total Expenditures	<u>-</u>	<u>16,560</u>	<u>-</u>	<u>90,720</u>	<u>149,348</u>	<u>-</u>	<u>56,473</u>	<u>313,101</u>
Excess (deficiency) of revenues over expenditures	<u>8,090</u>	<u>(4,519)</u>	<u>1,219</u>	<u>(7,134)</u>	<u>2,354</u>	<u>36</u>	<u>(25,535)</u>	<u>(25,489)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	8,000	-	-	-	-	-	25,500	33,500
Total other financing sources and uses	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,500</u>	<u>33,500</u>
Net change in fund balances	16,090	(4,519)	1,219	(7,134)	2,354	36	(35)	8,011
Fund balances - beginning	29,191	23,063	164,247	165,507	1,715	5,099	8,580	397,402
Fund balances - ending	<u>\$ 45,281</u>	<u>\$ 18,544</u>	<u>\$ 165,466</u>	<u>\$ 158,373</u>	<u>\$ 4,069</u>	<u>\$ 5,135</u>	<u>\$ 8,545</u>	<u>\$ 405,413</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Ambulance Replacement
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 40	\$ 40	\$ 90	50
Miscellaneous	8,000	8,000	8,000	-
Total revenues	8,040	8,040	8,090	50
EXPENDITURES				
Current:				
Capital Outlay	45,187	45,187	-	45,187
Total Expenditures	45,187	45,187	-	45,187
Excess (deficiency) of revenues over expenditures	(37,147)	(37,147)	8,090	45,237
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	8,000	8,000	-
Total other financing sources and uses	8,000	8,000	8,000	-
Net change in fund balances	(29,147)	(29,147)	16,090	45,237
Fund balances - beginning	29,147	29,147	29,191	44
Fund balances - ending	\$ -	\$ -	\$ 45,281	\$ 45,281

Phillips County, Colorado
Budget and Actual (with Variances)
Conservation Trust
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 11,500	\$ 11,500	\$ 11,591	\$ 91
Investment earnings	50	50	60	10
Miscellaneous	-	-	390	390
Total revenues	<u>11,550</u>	<u>11,550</u>	<u>12,041</u>	<u>491</u>
EXPENDITURES				
Current:				
Culture and recreation	35,246	35,246	-	35,246
Capital Outlay	-	-	16,560	(16,560)
Total Expenditures	<u>35,246</u>	<u>35,246</u>	<u>16,560</u>	<u>18,686</u>
Excess (deficiency) of revenues over expenditures	<u>(23,696)</u>	<u>(23,696)</u>	<u>(4,519)</u>	<u>19,177</u>
Net change in fund balances	(23,696)	(23,696)	(4,519)	19,177
Fund balances - beginning	23,696	23,696	23,063	(633)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,544</u>	<u>\$ 18,544</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Contingent
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final</u> <u>Budget - Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 1,600	\$ 1,600	\$ 1,219	\$ (381)
Total revenues	<u>1,600</u>	<u>1,600</u>	<u>1,219</u>	<u>(381)</u>
EXPENDITURES				
Current:				
Contingency	<u>165,769</u>	<u>165,769</u>	<u>-</u>	<u>165,769</u>
Total Expenditures	<u>165,769</u>	<u>165,769</u>	<u>-</u>	<u>165,769</u>
Excess (deficiency) of revenues over expenditures	<u>(164,169)</u>	<u>(164,169)</u>	<u>1,219</u>	<u>165,388</u>
Net change in fund balances	(164,169)	(164,169)	1,219	165,388
Fund balances - beginning	<u>164,169</u>	<u>164,169</u>	<u>164,247</u>	<u>78</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,466</u>	<u>\$ 165,466</u>

Phillips County, Colorado
Budget and Actual (with Variances)
E911
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 73,750	\$ 73,750	\$ 83,586	\$ 9,836
Total revenues	<u>73,750</u>	<u>73,750</u>	<u>83,586</u>	<u>9,836</u>
EXPENDITURES				
Current:				
Public Safety	87,050	87,050	67,281	19,769
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>23,439</u>	<u>16,561</u>
Total Expenditures	<u>127,050</u>	<u>127,050</u>	<u>90,720</u>	<u>36,330</u>
Excess (deficiency) of revenues over expenditures	<u>(53,300)</u>	<u>(53,300)</u>	<u>(7,134)</u>	<u>46,166</u>
Net change in fund balances	(53,300)	(53,300)	(7,134)	46,166
Fund balances - beginning	<u>164,961</u>	<u>164,961</u>	<u>165,507</u>	<u>546</u>
Fund balances - ending	<u>\$ 111,661</u>	<u>\$ 111,661</u>	<u>\$ 158,373</u>	<u>\$ 46,712</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Fair
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,500	\$ 1,500	\$ 223	\$ (1,277)
Miscellaneous	87,000	139,300	151,479	12,179
Total revenues	<u>88,500</u>	<u>140,800</u>	<u>151,702</u>	<u>10,902</u>
EXPENDITURES				
Current:				
Culture and recreation	97,050	149,350	149,348	2
Total Expenditures	<u>97,050</u>	<u>149,350</u>	<u>149,348</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>(8,550)</u>	<u>(8,550)</u>	<u>2,354</u>	<u>10,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	-	(15,000)
Total other financing sources and uses	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balances	6,450	6,450	2,354	(4,096)
Fund balances - beginning	2,000	2,000	1,715	(285)
Fund balances - ending	<u>\$ 8,450</u>	<u>\$ 8,450</u>	<u>\$ 4,069</u>	<u>\$ (4,381)</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Jr. Livestock Sale
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 150	\$ 150	\$ 36	\$ (114)
Total revenues	150	150	36	(114)
EXPENDITURES				
Current:				
Culture and recreation	5,100	5,100	-	5,100
Total Expenditures	5,100	5,100	-	5,100
Excess (deficiency) of revenues over expenditures	(4,950)	(4,950)	36	4,986
Net change in fund balances	(4,950)	(4,950)	36	4,986
Fund balances - beginning	5,103	5,103	5,099	4
Fund balances - ending	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 5,135</u>	<u>\$ 4,990</u>

Phillips County, Colorado
Budget and Actual (with Variances)
Economic Development
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 37,556	\$ 37,556	\$ 30,938	\$ (6,618)
Total revenues	<u>37,556</u>	<u>37,556</u>	<u>30,938</u>	<u>(6,618)</u>
EXPENDITURES				
Current:				
Economic Development	<u>63,056</u>	<u>63,056</u>	<u>56,473</u>	<u>6,583</u>
Total Expenditures	<u>63,056</u>	<u>63,056</u>	<u>56,473</u>	<u>6,583</u>
Excess (deficiency) of revenues over expenditures	<u>(25,500)</u>	<u>(25,500)</u>	<u>(25,535)</u>	<u>(35)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>25,500</u>	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Total other financing sources and uses	<u>25,500</u>	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Net change in fund balances	-	-	(35)	35
Fund balances - beginning	<u>8,570</u>	<u>8,580</u>	<u>8,580</u>	<u>-</u>
Fund balances - ending	<u>\$ 8,570</u>	<u>\$ 8,580</u>	<u>\$ 8,545</u>	<u>\$ 35</u>

LOCAL HIGHWAY FINANCE REPORT		City or County: Phillips County, Colorado	
		YEAR ENDING : Dec-12	
This Information From The Records Of Phillips County, Colorado:		Prepared By: Randy Schafer Phone: 970-854-3778	

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE				
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	321,598
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,319,600
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations		b. Snow and ice removal	0
3. Other local imposts (from page 2)	341,117	c. Other	
4. Miscellaneous local receipts (from page 2)	31,919	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	7,135
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,648,333
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes	150,000	1. Bonds:	
d. Total (a. + b. + c.)	150,000	a. Interest	
7. Total (1 through 6)	523,036	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,140,918	2. Notes:	
D. Receipts from Federal Government (from page 2)	9	a. Interest	10,541
E. Total receipts (A.7 + B + C + D)	1,663,963	b. Redemption	88,504
		c. Total (a. + b.)	99,045
		3. Total (1.c + 2.c)	99,045
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,747,378

IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)			
	Opening Debt	Amount Issued	Closing Debt
A. Bonds (Total)			0
1. Bonds (Refunding Portion)			
B. Notes (Total)	0	150,000	150,000

V. LOCAL ROAD AND STREET FUND BALANCE				
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance
	545,760	1,663,963	1,747,378	462,345
				0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:

Colorado

YEAR ENDING (mm/yy):

Dec-12

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	196,008	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	100,000	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	11,939
4. Licenses	10,179	f. Charges for Services	90
5. Specific Ownership &/or Other	34,930	g. Other Misc. Receipts	19,890
6. Total (1. through 5.)	145,109	h. Other	0
c. Total (a. + b.)	341,117	i. Total (a. through h.)	31,919
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	1,128,355	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	12,563	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)	0	f. Other Federal	9
f. Total (a. through e.)	12,563	g. Total (a. through f.)	9
4. Total (1. + 2. + 3.f)	1,140,918	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		321,598	321,598
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	321,598	321,598
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	321,598	321,598
		(Carry forward to page 1)	

Notes and Comments:

Phillips County, Colorado
Schedule of Due From/ Due to the State of Colorado
Human Services Fund
December 31, 2012

	<u>Due From</u>	<u>Due To</u>
County Administration- State	\$ 7,498	\$ -
County Administration- HCPF	2,990	-
Child Support	2,784	-
Child Care	550	-
Child Welfare- State	6,651	-
Child Welfare- HCPF	60	-
Colorado Works	2,046	-
LEAP	1,132	-
AND	-	70
HCA	-	14
OAP	243	-
TANF	40	-
State Incentives	489	-
Federal Incentives	36	-
CORE- State	2,643	-
CORE- HCPF	53	-
	<u>\$ 27,215</u>	<u>\$ 84</u>
 Due From (Net)	 <u>\$ 27,131</u>	

Phillips County, Colorado
Schedule of Findings and Questioned Costs
For the year ended December 31, 2012

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified?	xx_ No
Are any significant deficiencies identified not considered to be material weaknesses?	xx_ None Reported
Is any noncompliance material to financial statements noted?	xx_ No

Federal Awards

Type of auditor's report issued on compliance for major programs: The auditor's report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	xx_ No
Are any significant deficiencies identified not considered to be material weaknesses?	xx_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	xx_ No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster

16.575	Division of Criminal Justice
81.087	Department of Energy
20.205	Colorado Department of Transportation

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Is the auditee qualified as a low-risk auditee?	xx_ Yes

Section II: Financial Statement Findings

There were not any material weaknesses, fraud or illegal acts, or violations of provisions of contracts or grants agreements or abuse that could have a material effect on the financial statements.

Section III: Federal Awards Findings

There are not any findings that are required to be reported.

Phillips County, Colorado
Schedule of Expenditures of Federal Awards
For Year Ended December 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF HEALTH & HUMAN SERVICES			
TANF - Colo Works	93.558	Dept. of Human Svcs.	\$ 85,055
Child Support Enforcement	93.563	Dept. of Human Svcs.	45,213
LEAP	93.568	Dept. of Human Svcs.	65,889
CCDF	93.596	Dept. of Human Svcs.	24,135
Title IV-B Child Care	93.645	Dept. of Human Svcs.	8,404
Title IV-E - Foster Care	93.658	Dept. of Human Svcs.	47,375
Adoption IV - E	93.659	Dept. of Human Svcs.	2,429
CCDF Discretion	93.575	Dept. of Human Svcs.	(1,246)
Title XX Block Grant	93.667	Dept. of Human Svcs.	35,381
TANF ARRA	93.714	Dept. of Human Svcs.	1,690
Title XIX Medicaid	93.778	Dept. of Human Svcs.	26,374
Subtotal Department of Health & Human Services			<u>340,699</u>
DEPARTMENT OF JUSTICE			
Crime Victim Assistance	16.575	Div. Of Criminal Justice	23,240 *
Subtotal Department of Justice			<u>23,240</u>
DEPARTMENT OF AGRICULTURE			
TEFAP Commodities	10.569	Dept. of Human Svcs.	3,623
Food Stamp Administration	10.561	Dept. of Human Svcs.	46,636
TEFAP Administration	10.568	Dept. of Human Svcs.	321
Subtotal Department of Agriculture			<u>50,580</u>
DEPARTMENT OF ENERGY			
Dept of Energy	81.087	Dept of Energy	58,185 *
Subtotal Department of Energy			<u>58,185</u>
DEPARTMENT OF TRANSPORTATION			
Colorado Dept of Transportation	20.205	Colo. Dept of Transportation	<u>71,000 *</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 543,704</u>

* Major Programs

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Phillips County, Colorado and is presented on the 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*.

**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**

Independent Auditor's Report

The Governing Body
Phillips County, Colorado

We have audited the basic financial statements of Phillips County, Colorado as of and for the year ended December 31, 2012, and have issued our report thereon dated July 11, 2013. 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 Phillips County, Colorado is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Phillips County, Colorado's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Phillips County, Colorado's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Phillips County, Colorado'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 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 the 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 above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Phillips County, 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*.

Restricted Use

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

rfarmer, llc

July 11, 2013

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

Independent Auditor's Report

The Governing Body
Phillips County, Colorado

Compliance

We have audited the compliance of Phillips County, Colorado with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. Phillips County, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Phillips County, Colorado's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance 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. A compliance audit includes examining, on a test basis, evidence about Phillips County, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Phillips County, Colorado's compliance with those requirements.

Opinion on Major Programs

In our opinion, Phillips County, Colorado complied, in all material respects, with the compliance 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, 2012.

Internal Control over Compliance

The management of Phillips County, Colorado 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 compliance audit, we considered Phillips County, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Phillips County, Colorado'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, Material weaknesses may exist that have not been identified.

Restricted Use

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

rfarmer, llc

July 11, 2013