

GILPIN COUNTY, COLORADO

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

December 31, 2002

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FINANCIAL SECTION



Board of Commissioners
Gilpin County
Central City, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of Gilpin County, Colorado, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Gilpin County, Colorado, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules and state compliance listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Gilpin County, Colorado. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 23, 2003, on our consideration of Gilpin County, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

May 23, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

GILPIN COUNTY, COLORADO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2002

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	AGENCY FUNDS
ASSETS			
Cash and Investments	\$ 2,202,828	\$ 1,174,810	\$ 447,007
Accounts Receivable	66,603	27,090	-
Taxes Receivable	1,850,572	836,897	-
Due from Other Governments	-	22,219	-
Due from Other Funds	549,929	-	-
Advance to Other Funds	20,000	-	-
Fixed Assets	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-
TOTAL ASSETS	\$ 4,689,932	\$ 2,061,016	\$ 447,007
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 358,656	\$ 236,890	\$ -
Accrued Salaries	80,915	27,211	-
Due to Other Governments	-	-	209,884
Due to Other Funds	-	549,929	-
Advance from Other Funds	-	20,000	-
Deferred Revenue	1,871,278	843,219	237,123
Compensated Absences	-	-	-
General Obligation Bonds Payable	-	-	-
TOTAL LIABILITIES	2,310,849	1,677,249	447,007
FUND EQUITY			
Investment in General Fixed Assets	-	-	-
Fund Balance			
Reserved for Emergencies	-	163,048	-
Unreserved, Undesignated	2,379,083	220,719	-
TOTAL FUND EQUITY	2,379,083	383,767	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,689,932	\$ 2,061,016	\$ 447,007

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

ACCOUNT GROUPS

GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS (MEMO ONLY)
\$ -	\$ -	\$ 3,824,645
-	-	93,693
-	-	2,687,469
-	-	22,219
-	-	549,929
-	-	20,000
25,939,807	-	25,939,807
-	514,369	514,369
\$ <u>25,939,807</u>	\$ <u>514,369</u>	\$ <u>33,652,131</u>
\$ -	\$ -	\$ 595,546
-	-	108,126
-	-	209,884
-	-	549,929
-	-	20,000
-	-	2,951,620
-	159,369	159,369
-	355,000	355,000
-	514,369	4,949,474
25,939,807	-	25,939,807
-	-	163,048
-	-	2,599,802
25,939,807	-	28,702,657
\$ <u>25,939,807</u>	\$ <u>514,369</u>	\$ <u>33,652,131</u>

GILPIN COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
 Year Ended December 31, 2002

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMO ONLY)</u>
REVENUES			
Taxes	\$ 1,921,519	\$ 813,878	\$ 2,735,397
Gaming Taxes	8,622,677	-	8,622,677
Licenses and Permits	138,387	-	138,387
Intergovernmental	648,916	1,469,984	2,118,900
Charges for Services	434,525	149,332	583,857
Fines and Forfeitures	2,598	-	2,598
Interest	73,262	3,317	76,579
Miscellaneous	76,385	66,486	142,871
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	11,918,269	2,502,997	14,421,266
EXPENDITURES			
Current			
General Government	3,285,669	270,660	3,556,329
Public Safety	2,188,471	121,196	2,309,667
Highways and Streets	-	1,455,958	1,455,958
Sanitation	-	195,201	195,201
Health and Welfare	116,184	1,150,001	1,266,185
Culture and Recreation	120,488	435,486	555,974
Community Development	184,617	-	184,617
Capital Outlay	512,806	7,963,352	8,476,158
Debt Service			
Principal	-	35,000	35,000
Interest and Fiscal Charges	-	26,330	26,330
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	6,408,235	11,653,184	18,061,419
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<hr/>	<hr/>	<hr/>
	5,510,034	(9,150,187)	(3,640,153)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	9,826,000	9,826,000
Operating Transfers Out	(9,726,000)	(100,000)	(9,826,000)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(9,726,000)	9,726,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<hr/>	<hr/>	<hr/>
	(4,215,966)	575,813	(3,640,153)
FUND BALANCE, Beginning	6,589,434	(222,121)	6,367,313
Prior Period Adjustment	5,615	30,075	35,690
	<hr/>	<hr/>	<hr/>
FUND BALANCE, Ending	\$ 2,379,083	\$ 383,767	\$ 2,762,850

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

GILPIN COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
ALL GOVERNMENTAL FUND TYPES
 Year Ended December 31, 2002

	GENERAL		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 1,877,429	\$ 1,921,519	\$ 44,090
Gaming Taxes	8,622,677	8,622,677	-
Licenses and Permits	122,800	138,387	15,587
Intergovernmental	570,453	648,916	78,463
Charges for Services	273,030	434,525	161,495
Fines and Forfeitures	1,500	2,598	1,098
Interest	200,000	73,262	(126,738)
Miscellaneous	16,500	76,385	59,885
TOTAL REVENUES	11,684,389	11,918,269	233,880
EXPENDITURES			
Current			
General Government	3,822,974	3,285,669	537,305
Public Safety	2,186,168	2,188,471	(2,303)
Highways and Streets	-	-	-
Sanitation	-	-	-
Health and Welfare	98,253	116,184	(17,931)
Culture and Recreation	102,397	120,488	(18,091)
Community Development	207,122	184,617	22,505
Capital Outlay	-	512,806	(512,806)
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	6,416,914	6,408,235	8,679
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,267,475	5,510,034	242,559
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers Out	(9,673,000)	(9,726,000)	(53,000)
TOTAL OTHER FINANCING SOURCES (USES)	(9,673,000)	(9,726,000)	(53,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,405,525)	(4,215,966)	189,559
FUND BALANCE, Beginning	6,210,208	6,589,434	379,226
Prior Period Adjustment	-	5,615	5,615
FUND BALANCE, Ending	\$ 1,804,683	\$ 2,379,083	\$ 574,400

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

SPECIAL REVENUE

BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 819,457	\$ 813,878	\$ (5,579)
-	-	-
-	-	-
1,435,213	1,469,984	34,771
136,683	149,332	12,649
-	-	-
6,000	3,317	(2,683)
104,175	66,486	(37,689)
<u>2,501,528</u>	<u>2,502,997</u>	<u>1,469</u>
1,209,011	270,660	938,351
69,963	121,196	(51,233)
1,650,542	1,455,958	194,584
200,388	195,201	5,187
178,850	1,150,001	(971,151)
484,894	435,486	49,408
-	-	-
7,213,904	7,963,352	(749,448)
35,000	35,000	-
26,330	26,330	-
<u>11,068,882</u>	<u>11,653,184</u>	<u>(584,302)</u>
<u>(8,567,354)</u>	<u>(9,150,187)</u>	<u>(582,833)</u>
9,773,000	9,826,000	53,000
(110,000)	(100,000)	10,000
<u>9,663,000</u>	<u>9,726,000</u>	<u>63,000</u>
1,095,646	575,813	(519,833)
698,689	(222,121)	(920,810)
-	30,075	30,075
<u>\$ 1,794,335</u>	<u>\$ 383,767</u>	<u>\$ (1,410,568)</u>

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gilpin County, Colorado (the “County”) conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

REPORTING ENTITY

In accordance with governmental accounting standards, the County has considered the possibility of inclusion of additional entities in its general purpose financial statements.

The definition of the reporting entity is based primarily on financial accountability. The County is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if County officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the County. The County may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Blended Component Unit

The County has included the Gilpin County 911 Authority in its financial statements. The Authority has a separate Board appointed by the County Commissioners. However, since the Authority’s services primarily benefit the County, is blended as a special revenue fund in the financial statements.

FUNDS AND ACCOUNT GROUPS

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to, and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into fund types and broad fund categories as follows:

Governmental Funds

All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNDS AND ACCOUNT GROUPS (Continued)

General Fund -- The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the collection and disbursement of specific revenue sources.

Fiduciary Funds

Agency Funds -- Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Account Groups

General Fixed Asset Account Group -- Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in the governmental funds. No depreciation has been provided on general fixed assets.

General Long-Term Debt Account Group -- Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

The modified accrual basis of accounting is used by all governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay the liabilities of the current period, not to exceed sixty days. Expenditures are generally recognized when the related fund liability is incurred.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Those revenues susceptible to accrual are property taxes, franchise taxes, and grants. Fines and permits revenues are not susceptible to accrual as they generally are not measurable until received in cash.

Agency Funds are custodial in nature and do not involve measurement of the results of operations.

Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

BUDGETS

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- o In October, the Finance Officer submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- o Public hearings are conducted to obtain taxpayer comments.
- o Prior to December 31, the budget is legally enacted through passage of a resolution.
- o The County Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of County Commissioners.
- o Budgets are legally adopted for all funds of the County except the Fiduciary Fund Types. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- o Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of County Commissioners. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations by fund.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND INVESTMENTS

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

FIXED ASSETS

Property and equipment acquisitions made by the governmental funds are accounted for as expenditures of the fund, and are then capitalized in the general fixed assets account group. All purchased property and equipment are valued at cost, while donated assets are valued at their estimated fair market value as of the date received as a donation.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the County.

No depreciation is provided on the general fixed assets.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as “due from other funds” and “due to other funds” because they are short-term in nature. Non-current portions of interfund receivables and payables are reported as “advances to other funds” and “advances from other funds”.

COMPENSATED ABSENCES

Employees of the County are allowed to accumulate unused vacation time up to 208 hours. Upon termination of employment from the County, an employee will be compensated for all accrued vacation time at their current pay rate.

Accumulated unpaid vacation pay is accrued when earned. Because the accumulated pay is not expected to be paid from available resources, the liability is reported in the General Long-Term Account Group.

LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY TAXES

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits them on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

CONTRABAND FORFEITURES

The Colorado Contraband Forfeiture Act allows law enforcement agencies to retain proceeds from the seizure of contraband. These proceeds are not subject to appropriation in the budget process. Cash proceeds are recorded in the Sheriff Forfeiture Agency Fund. Property and equipment seized are recorded in the General Fixed Assets Account Group.

ENCUMBRANCES

The County does not utilize encumbrance accounting.

TOTAL COLUMNS IN COMBINED STATEMENTS

Total columns in the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments as of December 31, 2002 follows:

Petty Cash	\$ 723
Cash Deposits	1,252,951
Investments	<u>2,570,971</u>
Total	<u>\$ 3,824,645</u>

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Deposits are categorized to give an indication of risk assumed by the County at the end of the year. Category 1 includes deposits that are insured, Category 2 includes collateralized deposits with securities held by the pledging institution's trust department or agent in the County's name, and Category 3 includes uncollateralized, uninsured deposits.

At December 31, 2002, the County's cash deposits had a carrying amount of \$1,252,951, and a corresponding bank balance as follows:

Insured (Category 1)	\$ 100,000
Deposits Collateralized in Single Institution Pools (Category 2)	<u>1,211,313</u>
Total Cash Deposits	<u>\$ 1,311,313</u>

Investments

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The County's investments are categorized below to give an indication of the level of security assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or by its agent, but not in the County's name.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

At December 31, 2002, the County had invested \$2,570,971 in the Colorado Government Liquid Asset Trust (Colotrust), Colorado Surplus Asset Fund Trust (CSAFE), and Colorado Diversified Trust. These are investment trusts established for local government entities in Colorado to pool surplus funds, and are registered with the State Securities Commissioner. The Trusts operate similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities and commercial paper.

A designated custodial bank provides safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trusts. Substantially all securities owned by the Trusts are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodians' internal records identify the investments owned by the County. These investments are not categorized because they are not evidenced by specific securities.

NOTE 3: FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balances 12/31/01	Additions	Deletions	Balances 12/31/02
Land	\$ 398,610	\$ -	\$ -	\$ 398,610
Buildings	11,758,300	126,596	-	11,884,896
Improvements	368,546	481,675	58,392	791,829
Equipment	3,851,242	926,418	548,511	4,229,149
Construction in Progress	<u>1,558,391</u>	<u>7,076,932</u>	<u>-</u>	<u>8,635,323</u>
Total General Fixed Assets	<u>\$ 17,935,089</u>	<u>\$ 8,611,621</u>	<u>\$ 606,903</u>	<u>\$ 25,939,807</u>

NOTE 4: LONG-TERM DEBT

General Long-Term Debt Account Group

Following is a summary of General Long-Term Debt Account Group transactions for the year ended December 31, 2002.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 4: LONG-TERM DEBT (Continued)

General Long-Term Debt Account Group (Continued)

	<u>Balance</u> <u>12/31/01</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/02</u>
1994 General Obligation Bonds	\$ 390,000	\$ -	\$ 35,000	\$ 355,000
Compensated Absences	<u>135,278</u>	<u>24,091</u>	<u>-</u>	<u>159,369</u>
Total Long-Term Debt	<u>\$ 525,278</u>	<u>\$ 24,091</u>	<u>\$ 35,000</u>	<u>\$ 514,369</u>

1994 General Obligation Library Bonds were issued to construct, install and acquire certain library improvements and facilities authorized by the electors. Principal and interest payments are due semi-annually on June 1 and December 1, through December 1, 2010. Interest accrues at rates ranging from 5.8% to 7%.

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2002 are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 40,000	\$ 24,230	\$ 64,230
2004	40,000	21,770	61,770
2005	45,000	19,250	64,250
2006	45,000	16,100	61,100
2007	50,000	12,950	62,950
Thereafter	<u>135,000</u>	<u>16,800</u>	<u>151,800</u>
Total Debt Service Requirements	<u>\$ 355,000</u>	<u>\$ 111,100</u>	<u>\$ 466,100</u>

NOTE 5: PUBLIC ENTITY RISK POOL

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County is involved with the Colorado Counties Casualty and Property Pool and the County Workers' Compensation Pool. These are public entity risk pools that operate as common risk management and insurance programs for member counties.

The purposes of the pools are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of the Pools, their employees and officers.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 5: PUBLIC ENTITY RISK POOL (Continued)

The County pays an annual contribution to each of these pools. The intergovernmental agreement of formation for each pool 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 year.

NOTE 6: RETIREMENT COMMITMENTS

Retirement Plan

The County is a member of the Colorado County Officials and Employees Retirement Association (CCOERA), which operates a defined contribution retirement plan. Substantially all County employees are required to participate immediately upon being hired. Both the County and the employees are required to contribute 5% of the employee's base salary. The contribution rate is determined by CCOERA. Contributions made by the County and employees for the year ended December 31, 2002 were \$166,692.

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all County employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7: DEFICIT FUND BALANCE

The Capital Improvement Special Revenue Fund had a deficit fund balance of \$616,737 at December 31, 2002. Future revenues are expected to cover this deficit, which was caused because the County is constructing a new recreation center.

NOTE 8: EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS

The Human Services, Solid Waste, Ambulance, PILT, Capital Improvement and 911 Funds had expenditures in excess of budgeted amounts of \$49,079, \$15,681, \$44,982, \$9,709, \$740,229, and \$3,757, respectively. These may be violations of State statute.

GILPIN COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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 government. In November 1993, the voters of the County elected to allow an increase in spending and revenues, to the extent of distributions to the County of its share of monies from the limited gaming fund, notwithstanding the provisions of the Amendment.

The County has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2002, the emergency reserve of \$163,048 was recorded as a reservation of fund balance in the Reserve Special Revenue Fund.

Litigation

The County is involved in various lawsuits. The outcome of this litigation cannot be determined at this time.

NOTE 10: PRIOR PERIOD ADJUSTMENTS

The fund balances or deferred revenue in the following funds were adjusted to account for prior period effects related to the salary accrual, accrued compensated absences and the reclassification of the sheriff forfeiture balances and transactions from the General Fund to an Agency Fund.

	<u>As Originally Stated</u>	<u>Adjustment</u>	<u>Adjusted Balance</u>
General	\$ 6,589,434	\$ 5,615	\$ 6,595,049
Road and Bridge	205,412	14,892	220,304
Human Services	95,343	7,402	102,745
Library	135,174	5,920	141,094
Parks and Recreation	144,803	1,861	146,664
Agency	160,325	25,052	185,377

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

GILPIN COUNTY, COLORADO

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

December 31, 2002

	<u>ROAD AND BRIDGE</u>	<u>HUMAN SERVICES</u>	<u>EMPLOYEES' RETIREMENT</u>	<u>FIRE PREVENTION</u>	<u>SOLID WASTE</u>	<u>AMBULANCE</u>	<u>COMMUNI- CATIONS</u>
ASSETS							
Cash and Investments	\$ 557,147	\$ 84,778	\$ 104,584	\$ 2,212	\$ 36,172	\$ 3,070	\$ 10,291
Accounts Receivable	21,787	30	48	-	69	30	-
Taxes Receivable	219,016	113,958	183,401	-	72,879	115,064	-
Due from Other Governments	-	22,219	-	-	-	-	-
TOTAL ASSETS	\$ 797,950	\$ 220,985	\$ 288,033	\$ 2,212	\$ 109,120	\$ 118,164	\$ 10,291
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts Payable	\$ 103,597	\$ 18,015	\$ 13,247	\$ -	\$ 11,945	\$ -	\$ -
Accrued Salaries	16,412	5,039	-	-	121	-	-
Due to Other Funds	-	-	-	-	-	-	-
Advance from Other Funds	-	-	-	-	-	-	-
Deferred Revenue	219,016	120,280	183,401	-	72,879	115,064	-
TOTAL LIABILITIES	339,025	143,334	196,648	-	84,945	115,064	-
FUND EQUITY							
Fund Balance							
Reserved for Emergencies	-	-	-	-	-	-	-
Unreserved, Undesignated	458,925	77,651	91,385	2,212	24,175	3,100	10,291
TOTAL FUND EQUITY	458,925	77,651	91,385	2,212	24,175	3,100	10,291
TOTAL LIABILITIES AND FUND EQUITY	\$ 797,950	\$ 220,985	\$ 288,033	\$ 2,212	\$ 109,120	\$ 118,164	\$ 10,291

See the accompanying Independent Auditors' Report.

	PILT	CONSERVATION TRUST	LIBRARY	CAPITAL IMPROVEMENT	RESERVE	PARKS AND RECREATION	911	FAIR	CEMETERY	TOTAL
\$	4,765	\$ 62,155	\$ 69,054	\$ -	\$ 163,048	\$ 36,970	\$ 34,819	\$ 1,104	\$ 4,641	\$ 1,174,810
	-	-	77	-	-	1,055	3,994	-	-	27,090
	-	-	132,579	-	-	-	-	-	-	836,897
	-	-	-	-	-	-	-	-	-	22,219
\$	<u>4,765</u>	<u>\$ 62,155</u>	<u>\$ 201,710</u>	<u>\$ -</u>	<u>\$ 163,048</u>	<u>\$ 38,025</u>	<u>\$ 38,813</u>	<u>\$ 1,104</u>	<u>\$ 4,641</u>	<u>\$ 2,061,016</u>
\$	150	\$ 12,968	\$ 3,664	\$ 66,808	\$ -	\$ 5,104	\$ 828	\$ 564	\$ -	\$ 236,890
	-	-	2,966	-	-	2,673	-	-	-	27,211
	-	-	-	549,929	-	-	-	-	-	549,929
	-	-	-	-	-	-	20,000	-	-	20,000
	-	-	132,579	-	-	-	-	-	-	843,219
	<u>150</u>	<u>12,968</u>	<u>139,209</u>	<u>616,737</u>	<u>-</u>	<u>7,777</u>	<u>20,828</u>	<u>564</u>	<u>-</u>	<u>1,677,249</u>
	-	-	-	-	163,048	-	-	-	-	163,048
	<u>4,615</u>	<u>49,187</u>	<u>62,501</u>	<u>(616,737)</u>	<u>-</u>	<u>30,248</u>	<u>17,985</u>	<u>540</u>	<u>4,641</u>	<u>220,719</u>
	<u>4,615</u>	<u>49,187</u>	<u>62,501</u>	<u>(616,737)</u>	<u>163,048</u>	<u>30,248</u>	<u>17,985</u>	<u>540</u>	<u>4,641</u>	<u>383,767</u>
\$	<u>4,765</u>	<u>\$ 62,155</u>	<u>\$ 201,710</u>	<u>\$ -</u>	<u>\$ 163,048</u>	<u>\$ 38,025</u>	<u>\$ 38,813</u>	<u>\$ 1,104</u>	<u>\$ 4,641</u>	<u>\$ 2,061,016</u>

GILPIN COUNTY, COLORADO

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2002

	<u>ROAD AND BRIDGE</u>	<u>HUMAN SERVICES</u>	<u>EMPLOYEES' RETIREMENT</u>	<u>FIRE PREVENTION</u>	<u>SOLID WASTE</u>	<u>AMBULANCE</u>	<u>COMMUNI- CATIONS</u>
REVENUES							
Taxes	\$ 228,446	\$ 118,715	\$ 190,858	\$ -	\$ 75,400	\$ 58,205	\$ -
Intergovernmental	537,825	814,114	-	-	-	-	-
Charges for Services	35,343	-	-	-	55,432	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	39,935	3,519	-	-	-	-	-
TOTAL REVENUES	<u>841,549</u>	<u>936,348</u>	<u>190,858</u>	<u>-</u>	<u>130,832</u>	<u>58,205</u>	<u>-</u>
EXPENDITURES							
Current							
General Government	47,102	-	163,822	-	-	-	264
Public Safety	-	-	-	2,343	-	106,602	-
Highways and Streets	1,455,958	-	-	-	-	-	-
Sanitation	-	-	-	-	195,201	-	-
Health and Welfare	-	961,442	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Capital Outlay	599,868	-	5,253	-	20,868	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,102,928</u>	<u>961,442</u>	<u>169,075</u>	<u>2,343</u>	<u>216,069</u>	<u>106,602</u>	<u>264</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,261,379)</u>	<u>(25,094)</u>	<u>21,783</u>	<u>(2,343)</u>	<u>(85,237)</u>	<u>(48,397)</u>	<u>(264)</u>
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	1,500,000	-	-	-	53,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>238,621</u>	<u>(25,094)</u>	<u>21,783</u>	<u>(2,343)</u>	<u>(32,237)</u>	<u>(48,397)</u>	<u>(264)</u>
FUND BALANCE, Beginning	205,412	95,343	69,602	4,555	56,412	51,497	10,555
Prior Period Adjustment	14,892	7,402	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ 458,925</u>	<u>\$ 77,651</u>	<u>\$ 91,385</u>	<u>\$ 2,212</u>	<u>\$ 24,175</u>	<u>\$ 3,100</u>	<u>\$ 10,291</u>

See the accompanying Independent Auditors' Report.

	PILT	CONSERVATION TRUST	LIBRARY	CAPITAL IMPROVEMENT	RESERVE	PARKS AND RECREATION	911	FAIR	CEMETERY	TOTAL
\$	-	\$ -	\$ 142,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 813,878
	39,875	40,465	3,090	-	-	29,615	-	5,000	-	1,469,984
	-	-	-	-	-	27,012	31,545	-	-	149,332
	-	2,302	1,015	-	-	-	-	-	-	3,317
	-	-	-	-	-	7,358	5,006	10,658	10	66,486
	<u>39,875</u>	<u>42,767</u>	<u>146,359</u>	<u>-</u>	<u>-</u>	<u>63,985</u>	<u>36,551</u>	<u>15,658</u>	<u>10</u>	<u>2,502,997</u>
	-	-	-	59,472	-	-	-	-	-	270,660
	-	-	-	-	-	-	12,251	-	-	121,196
	-	-	-	-	-	-	-	-	-	1,455,958
	-	-	-	-	-	-	-	-	-	195,201
	188,559	-	-	-	-	-	-	-	-	1,150,001
	-	9,221	178,622	-	-	180,401	-	67,242	-	435,486
	-	-	-	7,332,357	-	-	5,006	-	-	7,963,352
	-	-	35,000	-	-	-	-	-	-	35,000
	-	-	26,330	-	-	-	-	-	-	26,330
	<u>188,559</u>	<u>9,221</u>	<u>239,952</u>	<u>7,391,829</u>	<u>-</u>	<u>180,401</u>	<u>17,257</u>	<u>67,242</u>	<u>-</u>	<u>11,653,184</u>
	<u>(148,684)</u>	<u>33,546</u>	<u>(93,593)</u>	<u>(7,391,829)</u>	<u>-</u>	<u>(116,416)</u>	<u>19,294</u>	<u>(51,584)</u>	<u>10</u>	<u>(9,150,187)</u>
	135,000	-	15,000	8,075,000	-	-	-	48,000	-	9,826,000
	-	(100,000)	-	-	-	-	-	-	-	(100,000)
	<u>135,000</u>	<u>(100,000)</u>	<u>15,000</u>	<u>8,075,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>-</u>	<u>9,726,000</u>
	(13,684)	(66,454)	(78,593)	683,171	-	(116,416)	19,294	(3,584)	10	575,813
	18,299	115,641	135,174	(1,299,908)	163,048	144,803	(1,309)	4,124	4,631	(222,121)
	-	-	5,920	-	-	1,861	-	-	-	30,075
\$	<u>4,615</u>	<u>49,187</u>	<u>62,501</u>	<u>(616,737)</u>	<u>163,048</u>	<u>30,248</u>	<u>17,985</u>	<u>540</u>	<u>4,641</u>	<u>383,767</u>

GILPIN COUNTY, COLORADO

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 234,598	\$ 228,446	\$ (6,152)
Intergovernmental	541,267	537,825	(3,442)
Charges for Services	25,000	35,343	10,343
Miscellaneous	40,000	39,935	(65)
TOTAL REVENUES	<u>840,865</u>	<u>841,549</u>	<u>684</u>
EXPENDITURES			
General Government	50,908	47,102	3,806
Highway and Streets	1,650,542	1,455,958	194,584
Capital Outlay	603,000	599,868	3,132
TOTAL EXPENDITURES	<u>2,304,450</u>	<u>2,102,928</u>	<u>201,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,463,585)</u>	<u>(1,261,379)</u>	<u>202,206</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	36,415	238,621	202,206
FUND BALANCE, Beginning	89,232	205,412	116,180
Prior Period Adjustment	<u>-</u>	<u>14,892</u>	<u>14,892</u>
FUND BALANCE, Ending	<u>\$ 125,647</u>	<u>\$ 458,925</u>	<u>\$ 333,278</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

HUMAN SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 117,417	\$ 118,715	\$ 1,298
Intergovernmental	794,946	814,114	19,168
Miscellaneous	<u>-</u>	<u>3,519</u>	<u>3,519</u>
TOTAL REVENUES	<u>912,363</u>	<u>936,348</u>	<u>23,985</u>
EXPENDITURES			
Health and Welfare	<u>912,363</u>	<u>961,442</u>	<u>(49,079)</u>
TOTAL EXPENDITURES	<u>912,363</u>	<u>961,442</u>	<u>(49,079)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(25,094)	(25,094)
FUND BALANCE, Beginning	147,088	95,343	(51,745)
Prior Period Adjustment	<u>-</u>	<u>7,402</u>	<u>7,402</u>
FUND BALANCE, Ending	<u>\$ 147,088</u>	<u>\$ 77,651</u>	<u>\$ (69,437)</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

EMPLOYEES' RETIREMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 190,140	\$ 190,858	\$ 718
TOTAL REVENUES	<u>190,140</u>	<u>190,858</u>	<u>718</u>
EXPENDITURES			
General Government			
Pension Contribution	190,140	163,822	26,318
Capital Outlay	<u>5,404</u>	<u>5,253</u>	<u>151</u>
TOTAL EXPENDITURES	<u>195,544</u>	<u>169,075</u>	<u>26,469</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,404)	21,783	27,187
FUND BALANCE, Beginning	<u>58,641</u>	<u>69,602</u>	<u>10,961</u>
FUND BALANCE, Ending	<u>\$ 53,237</u>	<u>\$ 91,385</u>	<u>\$ 38,148</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

FIRE PREVENTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
Public Safety	\$ <u>2,343</u>	\$ <u>2,343</u>	\$ <u>-</u>
TOTAL EXPENDITURES	<u>2,343</u>	<u>2,343</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,343)	(2,343)	-
FUND BALANCE, Beginning	<u>4,555</u>	<u>4,555</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,212</u>	<u>\$ 2,212</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 72,280	\$ 75,400	\$ 3,120
Charges for Services	<u>60,000</u>	<u>55,432</u>	<u>(4,568)</u>
TOTAL REVENUES	<u>132,280</u>	<u>130,832</u>	<u>(1,448)</u>
EXPENDITURES			
Sanitation	200,388	195,201	5,187
Capital Outlay	<u>-</u>	<u>20,868</u>	<u>(20,868)</u>
TOTAL EXPENDITURES	<u>200,388</u>	<u>216,069</u>	<u>(15,681)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(68,108)</u>	<u>(85,237)</u>	<u>(17,129)</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>50,000</u>	<u>53,000</u>	<u>3,000</u>
TOTAL OTHER FINANCING SOURCES	<u>50,000</u>	<u>53,000</u>	<u>3,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(18,108)	(32,237)	(14,129)
FUND BALANCE, Beginning	<u>63,122</u>	<u>56,412</u>	<u>(6,710)</u>
FUND BALANCE, Ending	<u>\$ 45,014</u>	<u>\$ 24,175</u>	<u>\$ (20,839)</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

AMBULANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ <u>60,000</u>	\$ <u>58,205</u>	\$ <u>(1,795)</u>
TOTAL REVENUES	<u>60,000</u>	<u>58,205</u>	<u>(1,795)</u>
EXPENDITURES			
Public Safety	<u>61,620</u>	<u>106,602</u>	<u>(44,982)</u>
TOTAL EXPENDITURES	<u>61,620</u>	<u>106,602</u>	<u>(44,982)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,620)	(48,397)	(46,777)
FUND BALANCE, Beginning	<u>52,842</u>	<u>51,497</u>	<u>(1,345)</u>
FUND BALANCE, Ending	\$ <u><u>51,222</u></u>	\$ <u><u>3,100</u></u>	\$ <u><u>(48,122)</u></u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

COMMUNICATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
General Government	\$ <u>2,000</u>	\$ <u>264</u>	\$ <u>1,736</u>
TOTAL EXPENDITURES	<u>2,000</u>	<u>264</u>	<u>1,736</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000)</u>	<u>(264)</u>	<u>1,736</u>
FUND BALANCE, Beginning	<u>10,554</u>	<u>10,555</u>	<u>1</u>
FUND BALANCE, Ending	<u>\$ 8,554</u>	<u>\$ 10,291</u>	<u>\$ 1,737</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

PILT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Intergovernmental	\$ 39,875	\$ 39,875	\$ -
TOTAL REVENUES	<u>39,875</u>	<u>39,875</u>	<u>-</u>
EXPENDITURES			
Health and Welfare			
Childcare	110,000	121,351	(11,351)
Health	28,100	27,450	650
Community	40,750	39,758	992
TOTAL EXPENDITURES	<u>178,850</u>	<u>188,559</u>	<u>(9,709)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(138,975)</u>	<u>(148,684)</u>	<u>(9,709)</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>125,000</u>	<u>135,000</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES	<u>125,000</u>	<u>135,000</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(13,975)	(13,684)	291
FUND BALANCE, Beginning	<u>17,274</u>	<u>18,299</u>	<u>1,025</u>
FUND BALANCE, Ending	<u>\$ 3,299</u>	<u>\$ 4,615</u>	<u>\$ 1,316</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

CONSERVATION TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Intergovernmental	\$ 24,000	\$ 40,465	\$ 16,465
Interest	<u>2,000</u>	<u>2,302</u>	<u>302</u>
TOTAL REVENUES	<u>26,000</u>	<u>42,767</u>	<u>16,767</u>
EXPENDITURES			
Culture and Recreation	<u>13,500</u>	<u>9,221</u>	<u>4,279</u>
TOTAL EXPENDITURES	<u>13,500</u>	<u>9,221</u>	<u>4,279</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,500</u>	<u>33,546</u>	<u>21,046</u>
OTHER FINANCING USES			
Operating Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(87,500)	(66,454)	21,046
FUND BALANCE, Beginning	<u>115,761</u>	<u>115,641</u>	<u>(120)</u>
FUND BALANCE, Ending	<u>\$ 28,261</u>	<u>\$ 49,187</u>	<u>\$ 20,926</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 145,022	\$ 142,254	\$ (2,768)
Intergovernmental	10,000	3,090	(6,910)
Interest	4,000	1,015	(2,985)
Miscellaneous	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
TOTAL REVENUES	<u>161,522</u>	<u>146,359</u>	<u>(12,663)</u>
EXPENDITURES			
Culture and Recreation	194,667	178,622	16,045
Debt Service			
Principal	35,000	35,000	-
Interest and Fiscal Charges	<u>26,330</u>	<u>26,330</u>	<u>-</u>
TOTAL EXPENDITURES	<u>255,997</u>	<u>239,952</u>	<u>16,045</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(94,475)</u>	<u>(93,593)</u>	<u>882</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>-</u>	<u>15,000</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>15,000</u>	<u>15,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(94,475)	(78,593)	15,882
FUND BALANCE, Beginning	124,189	135,174	10,985
Prior Period Adjustment	<u>-</u>	<u>5,920</u>	<u>5,920</u>
FUND BALANCE, Ending	<u>\$ 29,714</u>	<u>\$ 62,501</u>	<u>\$ 32,787</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
General Government	\$ 53,600	\$ 59,472	\$ (5,872)
Capital Outlay	<u>6,598,000</u>	<u>7,332,357</u>	<u>(734,357)</u>
TOTAL EXPENDITURES	<u>6,651,600</u>	<u>7,391,829</u>	<u>(740,229)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,651,600)</u>	<u>(7,391,829)</u>	<u>(740,229)</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>8,050,000</u>	<u>8,075,000</u>	<u>25,000</u>
TOTAL OTHER FINANCING SOURCES	<u>8,050,000</u>	<u>8,075,000</u>	<u>25,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,398,400	683,171	(715,229)
FUND BALANCE, Beginning	<u>(351,635)</u>	<u>(1,299,908)</u>	<u>(948,273)</u>
FUND BALANCE, Ending	<u>\$ 1,046,765</u>	<u>\$ (616,737)</u>	<u>\$ (1,663,502)</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
FUND BALANCE, Beginning	\$ <u>163,048</u>	\$ <u>163,048</u>	\$ -
FUND BALANCE, Ending	\$ <u><u>163,048</u></u>	\$ <u><u>163,048</u></u>	\$ -

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

PARKS AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Intergovernmental	\$ 60,000	\$ 29,615	\$ (30,385)
Charges for Service	20,000	27,012	7,012
Miscellaneous	<u>12,500</u>	<u>7,358</u>	<u>(5,142)</u>
TOTAL REVENUES	<u>92,500</u>	<u>63,985</u>	<u>(28,515)</u>
EXPENDITURES			
Culture and Recreation	<u>207,917</u>	<u>180,401</u>	<u>27,516</u>
TOTAL EXPENDITURES	<u>207,917</u>	<u>180,401</u>	<u>27,516</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(115,417)	(116,416)	(999)
FUND BALANCE, Beginning	139,050	144,803	5,753
Prior Period Adjustment	<u>-</u>	<u>1,861</u>	<u>1,861</u>
FUND BALANCE, Ending	<u>\$ 23,633</u>	<u>\$ 30,248</u>	<u>\$ 6,615</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

911 FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Charges for Services	\$ 31,683	\$ 31,545	\$ (138)
Miscellaneous	<u>-</u>	<u>5,006</u>	<u>5,006</u>
TOTAL REVENUES	<u>31,683</u>	<u>36,551</u>	<u>4,868</u>
EXPENDITURES			
Public Safety	6,000	12,251	(6,251)
Capital Outlay	<u>7,500</u>	<u>5,006</u>	<u>2,494</u>
TOTAL EXPENDITURES	<u>13,500</u>	<u>17,257</u>	<u>(3,757)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,183	19,294	1,111
OTHER FINANCING USES			
Operating Transfers Out	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
TOTAL OTHER FINANCING USES	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,183	19,294	11,111
FUND BALANCE, Beginning	<u>56,213</u>	<u>(1,309)</u>	<u>(57,522)</u>
FUND BALANCE, Ending	<u>\$ 64,396</u>	<u>\$ 17,985</u>	<u>\$ (46,411)</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

FAIR FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Intergovernmental	\$ 5,000	\$ 5,000	\$ -
Miscellaneous	<u>9,300</u>	<u>10,658</u>	<u>1,358</u>
TOTAL REVENUES	<u>14,300</u>	<u>15,658</u>	<u>1,358</u>
EXPENDITURES			
Culture and Recreation	<u>68,810</u>	<u>67,242</u>	<u>1,568</u>
TOTAL EXPENDITURES	<u>68,810</u>	<u>67,242</u>	<u>1,568</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(54,510)</u>	<u>(51,584)</u>	<u>2,926</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>48,000</u>	<u>48,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>48,000</u>	<u>48,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(6,510)</u>	<u>(3,584)</u>	<u>2,926</u>
FUND BALANCE, Beginning	<u>4,124</u>	<u>4,124</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ (2,386)</u>	<u>\$ 540</u>	<u>\$ 2,926</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 Year Ended December 31, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Miscellaneous	\$ <u> -</u>	\$ <u> 10</u>	\$ <u> 10</u>
TOTAL REVENUES	<u> -</u>	<u> 10</u>	<u> 10</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u> -</u>	<u> 10</u>	<u> 10</u>
FUND BALANCE, Beginning	<u> 4,631</u>	<u> 4,631</u>	<u> -</u>
FUND BALANCE, Ending	<u>\$ 4,631</u>	<u>\$ 4,641</u>	<u>\$ 10</u>

See the accompanying Independent Auditors' Report.

AGENCY FUNDS

GILPIN COUNTY, COLORADO

AGENCY FUNDS
COMBINING BALANCE SHEET

December 31, 2002

	<u>COUNTY TREASURER</u>	<u>PUBLIC TRUSTEE</u>	<u>SHERIFF FORFEITURE</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ <u>163,857</u>	\$ <u>46,027</u>	\$ <u>237,123</u>	\$ <u>447,007</u>
TOTAL ASSETS	\$ <u>163,857</u>	\$ <u>46,027</u>	\$ <u>237,123</u>	\$ <u>447,007</u>
LIABILITIES				
Due to Other Governments	\$ 163,857	\$ 46,027	\$ -	\$ 209,884
Deferred for Sheriff Expenditures	<u>-</u>	<u>-</u>	<u>237,123</u>	<u>237,123</u>
TOTAL LIABILITIES	\$ <u>163,857</u>	\$ <u>46,027</u>	\$ <u>237,123</u>	\$ <u>447,007</u>

See the accompanying Independent Auditors' Report.

GILPIN COUNTY, COLORADO

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2002

	BALANCE DECEMBER 31, 2001	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2002
ASSETS				
Cash and Investments				
Treasurer	\$ 151,713	\$ 9,015,120	\$ 9,002,976	\$ 163,857
Public Trustee	8,612	588,798	551,383	46,027
Sheriff Forfeiture	<u>25,052</u>	<u>213,323</u>	<u>1,252</u>	<u>237,123</u>
TOTAL ASSETS	<u>\$ 185,377</u>	<u>\$ 9,817,241</u>	<u>\$ 9,555,611</u>	<u>\$ 447,007</u>
LIABILITIES				
Due to Other Governments	\$ 160,325	\$ 9,603,918	\$ 9,554,359	\$ 209,884
Deferred for Sheriff Expenditures	<u>25,052</u>	<u>213,323</u>	<u>1,252</u>	<u>237,123</u>
TOTAL LIABILITIES	<u>\$ 185,377</u>	<u>\$ 9,817,241</u>	<u>\$ 9,555,611</u>	<u>\$ 447,007</u>

See the accompanying Independent Auditors' Report.

FEDERAL FINANCIAL ASSISTANCE

Board of County Commissioners
Gilpin County
Central City, Colorado

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

We have audited the general purpose financial statements of Gilpin County, as of and for the year ended December 31, 2002, and have issued our report thereon dated May 23, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Gilpin County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gilpin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 23, 2003

Board of County Commissioners
Gilpin County
Central City, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Gilpin County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. Gilpin County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Gilpin County's management. Our responsibility is to express an opinion on Gilpin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gilpin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gilpin County's compliance with those requirements.

In our opinion, Gilpin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Gilpin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gilpin County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the County Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 23, 2003

GILPIN COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2002

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes no

• Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

• Material weaknesses identified? _____ yes no

• Reportable conditions identified that are not considered to be material weaknesses? _____ yes none reported

Type of auditors' report issued on compliance for major programs: unqualified

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

Identification of major programs:

10.551 Food Stamps
93.778 Medical Assistance Program (Medicaid; Title XIX)

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

Auditee qualified as low-risk auditee? yes _____ no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any reportable conditions in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any reportable conditions in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

GILPIN COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2002

01-1 LEAP (Low Income Home Energy Assistance Program)

Allowable Costs/Eligibility

Corrective action has been taken regarding this prior year finding.

Board of Commissioners
Gilpin County
Central City, Colorado

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

We have audited the general purpose financial statements of Gilpin County, as of and for the year ended December 31, 2002, and have issued our report thereon dated May 23, 2003. These general purpose financial statements are the responsibility of Gilpin County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Gilpin County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

May 23, 2003

STATE COMPLIANCE

May 23, 2003

Board of County Commissioners
Gilpin County
Central City, Colorado

We have audited the general purpose financial statements of Gilpin County for the year ended December 31, 2002, and have issued our report thereon dated May 23, 2003. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the general purpose financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the County that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We provided management with a schedule of these adjustments and they believe the effects of these uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the general purpose financial statements taken as a whole. We proposed no audit adjustments that could, in our judgement, either individually or in the aggregate, have a significant effect on the the County's reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's general purpose financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing our audit.

Considerations for Future Improvements

Allocation of Interest Income

Currently, the Treasurer is allocating interest income to the General and Conservation Trust Funds only. According to generally accepted accounting principles, interest income should be allocated to all funds that hold cash during the year. The County may want to investigate if interest income can be allocated to all funds in the future.

Budgeting

For the year ended December 31, 2002, six of the County's funds had actual expenditures in excess of budgeted expenditures. The County should implement a procedure to monitor budgets compared to actual expenditures throughout the year. Supplemental budgets should be used to approve any unanticipated expenditures, to keep the County in compliance with State statutes.

Cash Registers

The County has several cash registers that are used at various cash collection sites. While these registers have several functions, not all of the functions are being utilized uniformly throughout the County. We recommend that the County adopt a uniform cash register policy and that the registers be used to their fullest capabilities.

Insurance Company Stock

When an insurance vendor of the County changed their structure, stock was issued to the County. This stock is likely not an allowable investment for the County based on State statute. The County should consider selling this stock as soon as possible.

Excess Public Trustee Fees

State statute allows the Public Trustee to retain cash in the amount of the preceding year's operating costs. At December 31, 2002, the Public Trustee had exceeded this statutory limit. The excess should be transferred to the County's General Fund.

Conclusion

We would like to thank Clorinda Smith and the entire County staff for making the audit process efficient and enjoyable. Everyone was very helpful and cooperative.

This information is intended solely for the use of the Board of County Commissioners and management of Gilpin County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Swanhorst & Cutler LLC

July 18, 2003

Clorinda Smith
Gilpin County
P.O. Box 366
Central City, CO 80427

Dear Clorinda:

Enclosed are twenty-seven bound copies and one unbound copy of the audit report for Gilpin County, CO as of December 31, 2002.

Please distribute a copy of the audit to each of your Board members. After they have approved acceptance of the audit, mail two copies of the audit (do not include the management letter) to:

Colorado State Auditor
Legislative Services Building
200 East 14th Avenue
Denver, CO 80203

Sign and date the form SF-SAC in the lower left hand corner. Mail the form and one copy of the audit to:

Single Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

If you intend to reprint this report or any portion thereof with which our name is to be associated, we request that proofs be submitted to us for approval before distribution.

Sincerely,

Swanhorst & Cutler LLC