

# **Arapahoe County Public Trustee**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

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The Audit Committee  
Arapahoe County Public Trustee  
Littleton, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arapahoe County Public Trustee, an agency of Arapahoe County, Colorado, as of and for the year ended December 31, 2010, which collectively comprise the Public Trustee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arapahoe County Public Trustee's management. 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. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Trustee's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Arapahoe County Public Trustee, as of December 31, 2010, 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.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arapahoe County Public Trustee's basic financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Eide Bailly LLP*

Greenwood Village, Colorado  
April 7, 2011

Arapahoe County, Colorado  
Office of the Public Trustee

Management's Discussion & Analysis (MD&A)  
for the Fiscal Year Ended December 31, 2010

The Management's Discussion & Analysis (MD&A) section of this Audited Financial Statements Report is prepared to provide readers with a narrative overview and analysis of the financial activities of the Arapahoe County Public Trustee's Office (Public Trustee) for the fiscal year ending December 31, 2010. In addition to analyzing the financial activities of the current fiscal year, we will compare our current fiscal year information with comparable information from the previous year. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements, and the notes to the financial statements, that are also included in this report.

### **A. Overview of the Basic Financial Statements**

For governmental entities, the basic financial statements are comprised of three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

The Arapahoe County Public Trustee's Office is an agent of the Arapahoe County, Colorado financial reporting entity. This annual report therefore presents the Arapahoe County Public Trustee's Fund Financial Statements, notes to the financial statements, and other supplementary information.

### **Governmental Basic Financial Statements:**

These governmental basic financial statements are designed to provide readers with a long-term and broad overview of the governmental entity's finances as a whole in a manner similar to a private sector business. These governmental basic financial statements use an economic resource measurement focus and the full accrual basis of accounting to present this long-term and broad overview of financial position and

activities on the Statement of Net Assets column in the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Fiduciary fund's assets held by a governmental entity for other parties either as trustee or agent are not included in the Public Trustee's combined financial statements because they cannot be used to finance the governmental entity's own operating programs.

The Statement of Net Assets column on the Governmental Fund Balance Sheet/Statement of Net Assets, similar to a Balance Sheet, presents the financial position of the Public Trustee as a whole at the end of the fiscal year by presenting information on all of the Public Trustee's assets and liabilities. The difference between the assets and liabilities of the Public Trustee is reported as net assets. The amount of net assets held by the Public Trustee is set by Colorado state statute based on the amount of prior year expenditures. This is a reserve fund which the Public Trustee can use to pay expenses when the fees charged for services are not adequate to pay those expenses. The entire amount of the Public Trustee's net assets, other than those invested in capital assets, is restricted for this purpose. Amounts in excess of this statutory reserve must be remitted to Arapahoe County on a quarterly basis.

The Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities, similar to an Income Statement, shows why the financial position of the Public Trustee as a whole has changed since the beginning of the fiscal year by presenting information showing how the governmental entity's net assets have changed during the fiscal year. In the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities, all changes in net assets are reported as soon as the underlying economic event giving rise to the change occurs, regardless of the timing of the related cash flows.

### **Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to record cash and other financial resources and related liabilities and residual equities segregated for the purpose of carrying on specific activities or attaining certain objectives. The Public Trustee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related regulations, requirements, restrictions or limitations. All of the funds of the Public Trustee can be divided into the following two categories:

- Governmental Funds
- Fiduciary Funds

Governmental Funds - Governmental Fund Financial Statements focus on the near-term inflows and outflows of financial (spendable/appropriable) resources, as well as on the balances of the financial (spendable) resources available at the end of the fiscal year. The measurement focus is current financial resources and the basis of accounting is modified accrual.

In this annual report, the Public Trustee reports on one governmental fund, the General Fund. The Public Trustee's General Fund Balance Sheet column in the Governmental Fund Balance Sheet/Statement of Net Assets, as well as the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance column on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities are presented in this annual report.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not included in the combined (government-wide) Financial Statements because the resources of these funds are not available to support Public Trustee's own programs or operations. The measurement focus for fiduciary funds is economic resources and the basis of accounting for fiduciary funds is full accrual accounting.

The Public Trustee has one fiduciary fund, an Agency Fund. The Statement of Fiduciary Net Assets for the Public Trustee's Agency Fund is presented in the Financial Statements section of this annual report.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial information provided in the fund financial statements. The Notes to the Financial Statements can be found immediately after the Financial Statements section of this annual report.

### **Budgetary Comparisons**

The Public Trustee maintains a budget for management purposes. However, no formal budget is adopted by the Public Trustee or by Arapahoe County for the Public Trustee's office. Consequently, no budget to actual statement is presented in these financial statements.

### **B. Condensed Financial Information**

#### 1. Condensed Statement of Net Assets

The following table provides a condensed comparative presentation of the Public Trustee's Statement of Net Assets for the primary governmental entity for 2010 and 2009.

Condensed Statement of Net Assets  
As of December 31, 2010

	2010	2009
Assets		
Current Assets	\$ 1,448,733	\$ 1,469,332
Capital Assets	4,750	-
Total Assets	1,453,483	1,469,332
 Total Liabilities	 359,530	 409,391
 Net Assets		
Invested in Capital Assets	4,750	-
Restricted	1,089,203	1,059,941
	\$ 1,093,953	\$ 1,059,941

Total net assets increased from 2009 to 2010. The primary reason for the increase in net assets of \$34,012 is due to an increase in 2010 program expenses and the purchase of capital assets. The amounts expended became the basis for the statutory reserves in 2011.

2. Condensed Statement of Activities

The following table provides a condensed comparative presentation of the Public Trustee's Statement of Activities for the primary governmental entity for 2010 and 2009.

Condensed Statement of Activities  
As of December 31, 2010

	2010	2009
Revenues:		
Program revenues	\$ 1,943,820	\$ 2,085,950
General revenues	41,069	48,562
Total Revenues	1,984,889	2,134,512
Expenses:		
Program expenses	1,184,958	1,117,782
Fee payments to County	765,919	1,101,416
Total Expenses	1,950,877	2,219,198
 Change in Net Assets	 34,012	 (84,686)
 Net Assets – January 1	 1,059,941	 1,144,627
Net Assets – December 31	\$ 1,093,953	\$ 1,059,941

A review of the Statement of Activities for the primary governmental entity for 2010 and 2009 shows that Total Revenues exceeded Total Expenditures by \$34,012 in 2010. As a result, Total Net Assets also increased by \$34,012 from 2009 to 2010.

## **C. Analysis of Financial Position & Results of Operations**

### **1. Analysis of Financial Position**

As of December 31, 2010, the Public Trustee's net assets increased by \$34,012. This increase in net assets from 2009 to 2010 is the result of the increase in statutory reserves caused by an increase in prior year expenses and the purchase of capital assets. This is a change from prior years when expenses and statutory reserves both decreased. Based on the 2010 expenses, statutory reserves will again increase \$60,242.

### **2. Results of Operation**

For most governments, the primary indicator used to assess the health of a governmental entity's operations is whether revenues exceed expenses during the fiscal year. For a public trustee the primary indicator of its financial health is the amounts which are remitted to the County's General Fund in the form of excess fees in combination with the statutory increase in the Public Trustee's reserve funds.

The Public Trustee controls expenditures in the short-run through changes in the fiscal year budgets and the maintenance of sufficient fund balance reserves to enable the Public Trustee to weather periods of expenditure overruns and revenue shortfalls. However, revenues cannot be controlled through the budgetary process since the Public Trustee does not control the number of foreclosures or releases of deeds of trust submitted for processing in a given year. These year-to-year changes in revenues and expenditures are presented and discussed in the section immediately below.

## **D. Analysis of Balances of Fund Financial Statements**

### **1. Fund Financial Statements Overview**

Governmental Fund Financial Statements focus on the current financial resources, cash and near-cash assets and short-term debt that are available during the fiscal year and soon enough after the end of the fiscal year to financially support the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations that define the fund. This information is useful in assessing the Public Trustee's current financial resource requirements. In particular, the reserved fund balance may serve as a useful measure of the Public Trustee's net resources available for future spending at the end of the fiscal year.

### **2. Governmental Fund**

The Public Trustee's Office operates a single Governmental Fund – the General Fund for the purpose of operating the Public Trustee Office in processing, primarily releases of deeds of trust and foreclosures of deeds of trust, as well as certain legal and regulatory compliance activities associated with that processing. The Public Trustee's Office charges certain fees, determined by Colorado State Statutes, to reimburse the Public Trustee's Office for the costs related to that processing.

The General Fund is the primary operating fund of the Arapahoe County Public Trustee. This fund is used to account for all activities that are not required to be accounted for in another fund.

Total program expenditures (excluding fee payments to Arapahoe County) in the General Fund for 2010 increased to \$1,183,373 over the 2009 amount of \$1,123,131 for the same period, an increase of 5%. This increase in expenditures for 2010 is primarily the result of an increased operating costs. Those operating costs included an increase in employee benefits, as the health care reimbursement was provided for an entire year in 2010. In addition, professional fees increased as an attorney was used to ensure the health benefit program functioned in accordance with statute. Also accounting costs increased as the Public Trustee used an external accountant to perform quarterly internal control reviews. Equipment costs increased as the Public Trustee upgraded certain software licenses and also replaced its personal computers. Finally, the vendor used to electronically submit foreclosures raised the per foreclosure fee \$20. That increase was passed on to users in the form of an increase in electronic processing fees. Salary expense actually decreased as one employee terminated and was not replaced.

Revenues decreased as the number of foreclosures and the number of releases of deeds of trust both decreased. Total revenues decreased approximately \$143,000. The combination of the decrease in revenues and the increase in expenditures and the amount allowed to be retained by the Public Trustee under Colorado State Statute resulted in lower excess fees to be remitted to the County. Excess fees decreased by approximately \$335,000. These changes resulted in a Net Program Expense of \$5,472. As occurred in previous years, the Net Program Expense was offset by General Revenues, essentially Interest Income. Interest Income of \$41,069 was slightly less than the prior year amount of \$48,562. However, this continues a trend of lower investment earnings for the Public Trustee. The decrease is due to lower interest rates paid on amounts invested in government pools and certificates of deposit.

## **E. Analysis of Capital Asset and Long-Term Debt Activity**

### **1. Capital Assets**

The Public Trustee's Office has no tangible Capital Assets of their own. However, certain Capital Assets used by the Public Trustee in their operations, primarily technology related, are provided on a non-reimbursable basis by Arapahoe County. In addition, in conformance with GASB Statement 51 *Accounting and Reporting for Intangible Assets*, the Public Trustee has capitalized certain software upgrades completed during 2010 totaling \$5,000. During the year ended December 31, 2010, amortization of \$250 was recorded, leaving an asset balance of \$4,750.

### **2. Long-Term Debt**

The Public Trustee's Office has no Long-Term Debt other than for compensated absences not currently due. The balance of that Long-Term Debt is as follows:

Compensated Absences  
As of December 31, 2010

Balance, January 1, 2010	\$ 27,593
Additions	40,674
Deletions	<u>34,339</u>
Balance, December 31, 2010	<u>\$ 33,928</u>

**F. Description of Currently Known Facts**

The number of foreclosures begun and releases of deeds of trust completed in Arapahoe County during 2010 totaled 5,500 and 30,468 respectively (for 2009 they were 6,243 and 30,843, respectively). This represents a decrease in 2010 foreclosure transactions of 12% (the prior year's reduction, i.e. 2009, was 7%) and an decrease in release transactions of 1% (prior year's decrease was 14%) over the prior year. This continues a trend of decreases in releases which had been occurring for several years. Historically, the Public Trustee's Office has found that transactions related to foreclosures and the transactions related to releases are inversely related, that is, when foreclosures increase, releases generally decrease, although that did not happen in the current year.

**G. Additional Information:**

This financial report is designed to provide a general overview of the Public Trustee's finances. Questions concerning the information provided in this report or other financial information should be addressed to the Arapahoe County Office of the Public Trustee, 2329 West Main Street, Suite 100, Littleton, CO 80120 or via telephone at (303) 730-0071 or via e-mail at publictrustee@co.arapahoe.co.us.

**Arapahoe County Public Trustee**  
**Governmental Fund Balance Sheet/Statement of Net Assets**  
**December 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and investments	\$ 1,445,159	\$ -	\$ 1,445,159
Accrued interest receivable	375	-	375
Prepaid expenses	3,199	-	3,199
Capital assets, net of accumulated amortization		4,750	4,750
Total assets	\$ 1,448,733	4,750	\$ 1,453,483
 <b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Due to Arapahoe County	\$ 247,008	-	\$ 247,008
Accounts payable	58,181	-	58,181
Accrued payroll	20,413	-	20,413
Noncurrent Liabilities:			
Due in more than one year	-	33,928	33,928
Total liabilities	325,602	33,928	359,530
 <b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved	1,123,131	(1,123,131)	-
Total liabilities and fund balance	1,448,733		
 <b>Net Assets:</b>			
Invested in capital assets		4,750	4,750
Restricted		1,089,203	1,089,203
Total net assets		\$ 1,093,953	\$ 1,093,953

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

**Arapahoe County Public Trustee**  
**Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities**  
**For the Year Ended December 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures/expenses:</b>			
General Government			
Salary and wages	\$ 567,677	\$ 6,335	\$ 574,012
Employee benefits	143,202	-	143,202
Office expense	131,547	-	131,547
Rent	73,364	-	73,364
Arapahoe County - fees	765,919	-	765,919
Equipment expense	251,855	(5,000)	246,855
Insurance and other	15,728	-	15,728
Amortization	-	250	250
Total expenditures/expenses	1,949,292	1,585	1,950,877
<b>Program revenues:</b>			
Charges for service revenues:			
Fees			
Releases of Deeds of Trust	457,020	-	457,020
Foreclosures of Deeds of Trust	1,486,354	-	1,486,354
Miscellaneous income	446	-	446
Total charges for service revenues	1,943,820		1,943,820
Net program revenues/(expenses)	(5,472)	(1,585)	(7,057)
<b>General revenues:</b>			
Interest income	41,069	-	41,069
Total general revenues	41,069	-	41,069
Excess of expenditures over revenues	35,597	(35,597)	-
Changes in net assets	-	34,012	34,012
Fund balance/net assets, January 1, 2010	1,087,534	(27,593)	1,059,941
Fund balance/net assets, December 31, 2010	\$ 1,123,131	\$ (29,178)	\$ 1,093,953

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

**Arapahoe County Public Trustee**  
**Statement of Fiduciary Net Assets - Agency Fund**  
**December 31, 2010**

	<u><b>Agency Fund</b></u>
<b>Assets</b>	
Cash and investments	<u>\$ 921,169</u>
<b>Liabilities</b>	
Amounts owed to others	<u>\$ 921,169</u>

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

**Arapahoe County Public Trustee  
Notes to the Financial Statements  
December 31, 2010**

**NOTE 1 – Summary of Significant Accounting Policies**

The accompanying agent financial statements have been prepared in accordance with accounting principles accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant policies applied in the preparation of these agent financial statements follows:

**Reporting entity**

The Arapahoe County Public Trustee (Public Trustee) acts as an intermediary for foreclosures and releases of deeds in the Arapahoe County, Colorado area. The Public Trustee is appointed by the Governor.

The Public Trustee is an agent of the Arapahoe County, Colorado financial reporting entity. The Public Trustee does not have any component units for which its officials are financially accountable or for which the nature and significance of their relationship with the Public Trustee are such that the exclusion would cause the Public Trustee's financial statements to be misleading or incomplete.

The financial statements of the Arapahoe County Public Trustee are intended to present the financial position and the changes of financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the Arapahoe County Public Trustee.

They do not purport to, and do not, present fairly the financial position of the County as of December 31, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Measurement focus, basis of accounting and financial statement presentation**

The Statement of Net Assets column on the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fiduciary fund information is not included on the Governmental Fund Balance Sheet/Statement of Net Assets or on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

Interfund activity has been eliminated from the Statement of Net Assets column on the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

**Arapahoe County Public Trustee  
Notes to the Financial Statements (continued)  
December 31, 2010**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement focus, basis of accounting and financial statement presentation (continued)**

The Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by the function's program revenues. A function's direct expenses are those that are clearly identifiable with the specific function or segment. A function's program revenues include charges to customers or applicants for goods or services, operating grants and contributions, and capital grants and contributions, if any.

The General Fund column on the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities 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 Public Trustee considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fees earned in connection with foreclosure transactions are transferred from the Agency fund to the General Fund when foreclosure proceedings are begun. For financial statement purposes, the fees are recognized as revenue by the General Fund at that time. When both restricted and unrestricted resources are available for use, it is the Public Trustee's policy to use unrestricted resources first, and then restricted resources as they are needed. Revenue items considered to be susceptible to accrual are interest earnings. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Public Trustee reports the following major governmental fund:

General Fund

The General Fund is used by the Public Trustee to account for all financial resources except those required to be accounted for in the Agency Fund.

Additionally, the Public Trustee reports the following fund type:

Agency Fund

The Agency Fund is custodial in nature (assets equal liabilities) and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The fund is used to account for assets held in a trustee capacity by the Public Trustee in connection with the execution of foreclosure transactions and in contracts for deed to real property.

**Arapahoe County Public Trustee**  
**Notes to the Financial Statements (continued)**  
**December 31, 2010**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Assets, liabilities, and equity**

**Investments**

The Public Trustee's investments are authorized by Colorado Statutes which provide for the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are direct obligations of the State of Colorado, or any city, county or school district therein.
- Notes and bonds issued pursuant to the "National Housing Act."
- Repurchase agreements
- Local government investment pools.

Investments are carried at fair value.

**Capital Assets**

Capital assets which include property, plant, equipment, and intangible assets are reported in the Statement of Net Assets column on the Governmental Fund Balance Sheet/Statement of Net Assets and amortization expense is reported in the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Capital assets are defined by the Public Trustee as assets with an initial individual cost of at least \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or estimated historical cost on the date donated. Computer software, the only capital asset of the Public Trustee is amortized over its estimated using life of 10 years using the straight-line method.

**Fund Balance**

In the Fund Financial Statements, reserved fund balance indicates that fund equity is either not available for appropriation or is reserved for a specific future use. The accompanying financial statements include fund balance which is reserved for these purposes. A fund balance equal to 12 months of the prior year expenditures is allowed to be maintained under State of Colorado statute.

**Net Assets**

Net Assets in the Government-wide Statement of Net Assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. A fund balance equal to 12 months of the prior year expenditures is allowed to be maintained under State of Colorado statute as well as those net assets related to capital assets.

**Arapahoe County Public Trustee  
Notes to the Financial Statements (continued)  
December 31, 2010**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – Stewardship, Compliance and Accountability**

Budgets and budgetary accounting

The operations of the Public Trustee are reported in the County’s financial statement as an agency fund. Certain costs associated with the Public Trustee are budgeted within line items which are comprised of budgeted costs for several Arapahoe County departments and are not solely related to the Public Trustee operations. Accordingly, a budget to actual comparison is not included within the accompanying financial statements. The Public Trustee has adopted a budget which is used to manage office operations.

**NOTE 3 – Detailed Notes on All Funds**

Cash, Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the uninsured deposits. Cash and deposits held by the Public Trustee at December 31, 2010 are as follows:

Cash in bank	\$ 3,142,827
COLOTRUST	103,190
Amount of outstanding checks	(879,789)
Petty cash	<u>100</u>
Total Financial Statement Cash	<u>\$ 2,366,328</u>
Amount covered by FDIC Insurance	\$ 504,981
PDPA amounts	<u>2,637,846</u>
Total Cash in Bank	<u>\$ 3,142,827</u>

This large dollar value of outstanding checks is primarily due to the nature and size of the property redemption checks that the Trustee remits to lien holders.

**Arapahoe County Public Trustee**  
**Notes to the Financial Statements (continued)**  
**December 31, 2010**

**NOTE 3 – Detailed Notes on All Funds (Continued)**

**Cash, Deposits and Investments (continued)**

Deposits (continued)

As of December 31, 2010, the County had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds (pools). The State Securities Commissioner administers and enforces all State statutes governing the pools. The Pool operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by the U.S. Treasury securities. COLOTRUST is rated AAAM by Standard & Poors. As of December 31, 2010, the Public Trustee had \$103,190 invested in COLOTRUST.

Credit Risk

Investment policies are governed by the Public Trustee's investment policies and procedures, which require the Public Trustee to manage funds in accordance with Colorado Statutes pertaining to the investment of public funds.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years. However, the Public Trustee has adopted an investment policy which limits investment maturities to three years. Management believes at December 31, 2010 it has no investments which subject the Public Trustee to interest rate risk.

The Agency Fund earns interest on funds which it is holding for others. This interest is recognized in the General Fund.

Concentrations Risk

The Public Trustee has a policy that directs the Trustee to diversify assets held in cash and pooled investments to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, a specific user, or a specific class of securities. The policy does not specify the specific limits. The Public Trustee has no investments in excess of 5% of the Public Trustee's investment portfolio at December 31, 2010. Management believes at December 31, 2010 it has no investments which subject the Public Trustee to a concentration of credit risk.

**Risk Management**

The Public Trustee is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Public Trustee carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Arapahoe County Public Trustee**  
**Notes to the Financial Statements (continued)**  
**December 31, 2010**

**NOTE 3 – Detailed Notes on All Funds (Continued)**

**Due to Arapahoe County**

In accordance with Colorado Revised Statutes, Title 38, Article 37, Section 105, the Public Trustee is required to file with the Board of County Commissioners a full and complete statement under oath of all transactions of the office. Additionally, the Public Trustee is required to pay to the County all sums received as fees in excess of salaries and operating expenses of the office. Beginning at such time when certain reserve requirements have been met the payments to the County must be remitted quarterly. At December 31, 2010, the Trustee had a payable to the County for excess fees of \$247,008. In addition, the Public Trustee reimburses certain expenses paid by the County. At December 31, 2010, the Public Trustee had a payable to the County for reimbursable expenses of \$1,804.

**Funds transferred to Arapahoe County**

With the enactment of Colorado House Bill No. 1252 on July 1, 1988, the Public Trustee is required to retain all excess revenue over operating expenditures until the excess funds accumulate to the level of the prior fiscal year's total operating expenditures. When the accumulation reaches the required level, any amount exceeding this level must be submitted to the Arapahoe County Treasurer. Amounts transferred or to be transferred to Arapahoe County as a result of statute totaled \$765,919.

During the year ended December 31, 2010, the Public Trustee reimbursed Arapahoe County \$16,595 for expenses, mostly the purchase of computers and office supplies, incurred on its behalf.

**Capital Assets**

Capital assets under governmental activities for the year ended December 31, were as follows:

	Balance 1/1/2010	Additions	Deduction	Balance 12/31/2010
<u>Governmental Activities:</u>				
<u>Capital assets being amortized</u>				
Computer Software	\$ -	\$ 5,000	\$ -	\$ 5,000
<u>Accumulated amortization</u>				
Computer Software	-	(250)	-	(250)
 Governmental Activities				
Capital Assets, Net	\$ -	\$ 4,750	\$ -	\$ 4,750

**Compensated Absences**

It is the Public Trustee's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may accumulate up to 120 hours of vacation. All employees may accrue up to 200 hours of sick leave per year. Any employee with sick leave in excess of 200 hours may convert those hours to vacation at a rate of two sick leave hours for one vacation hour or be paid for one-half the hours in excess of 200.

**Arapahoe County Public Trustee  
Notes to the Financial Statements (continued)  
December 31, 2010**

**NOTE 3 – Detailed Notes on All Funds (Continued)**

**Compensated Absences (continued)**

Upon separation, all vacation hours but only one-half of accrued hours in the employee’s sick leave bank will be reimbursed up to a maximum limit of 200 hours. Compensated absences are recorded in the statement of net assets but not in the governmental fund balance sheet in accordance with governmental GAAP.

The changes in long-term debt represented by compensated absences are as follows:

	<b>Beginning Balance <u>1/1/2010</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Ending Balance <u>12/31/2010</u></b>	<b>Amounts Due in One <u>Year</u></b>
Compensated absences	\$ <u>27,593</u>	\$ <u>40,674</u>	\$ <u>34,339</u>	\$ <u>33,928</u>	N/A

**Pension Plan**

The Public Trustee provides pension benefits for all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. The Public Trustee requires the employee to contribute 2% of compensation. The Public Trustee contributes 6% of compensation. During the past year, the Public Trustee contributed \$33,797 on salaries of \$563,281, with the employees contributing \$11,266.

The Public Trustee also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. During the past year, the employees contributed \$16,560. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

**Lease Commitments**

The Public Trustee leases office space under an operating lease. The agreement was extended in February, 2011 for three additional years. The lease agreement requires escalating monthly rent payments from \$5,301 to \$5,845. The Public Trustee is also responsible for its portion of the operating expenses incurred by the landlord for the operation or maintenance of the building. Rent expense under this lease for the year ended December 31, 2010 was \$73,364.

The Public Trustee has entered into an operating lease for a mailing system. The agreement expires in November 2014 and requires monthly payments of \$356. Rent expense, under the lease for the year ended December 31, 2010 was \$4,272.

During 2010, the Public Trustee entered into a lease for a copy machine. The agreement ends in October 2014 and requires monthly payments of \$114. Rent expense for the year ended December 31, 2010 under the old and new lease agreement was \$2,629.

**Arapahoe County Public Trustee  
Notes to the Financial Statements (continued)  
December 31, 2010**

**NOTE 3 – Detailed Notes on All Funds (Continued)**

**Lease Commitments (continued)**

The future minimum lease payments under all operating leases at December 31, 2010 are as follows:

Year ending December 31:

2011	\$ 70,089
2012	77,734
2013	87,313
2014	<u>10,516</u>
	<u>\$ 245,652</u>

## **Supplementary Information**

**Arapahoe County Public Trustee**  
**Statement of Changes in Assets and Liabilities - Agency Fund**  
**For The Year Ended December 31, 2010**

	<b>Beginning Balance 1/1/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 12/31/2010</b>
<b>Assets</b>				
Cash and investments	\$ 612,245	84,306,368	\$ 83,997,444	\$ 921,169
<b>Liabilities</b>				
Amounts owed to others	\$ 612,245	\$ 84,306,368	\$ 83,997,444	\$ 921,169