

ADAMS COUNTY RETIREMENT PLAN
Brighton, Colorado

FINANCIAL STATEMENTS
As of and for the Years Ended
December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Adams County Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Adams County Retirement Plan (the Plan), which comprise the statements of Plan net position as of December 31, 2012 and 2011, and the related statements of changes in Plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2012 and 2011, and the changes in financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and schedule of employer contributions on pages 3 – 12 and 26 – 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams County Retirement Plan's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 7, 2013

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

This discussion presents management's view of the Adams County Retirement Plan's financial activities and performance during the fiscal year ended December 31, 2012, and is to be read in conjunction with the Retirement Plan's financial statements.

FINANCIAL STATEMENT HIGHLIGHTS

The net position of the Adams County Retirement Plan (the Plan) at the close year-end 2012 was \$199,741,510 compared to \$181,624,022 for 2011 and \$185,034,993 for 2010 (net position held in trust for pension benefits).

Adams County Retirement Plan's total net position held in trust for pension benefits increased by \$18,117,488 in 2012 or an increase of 9.98% compared to a decline of (\$3,410,971) or (1.88%) in 2011, and compared to a gain of \$16,033,455 or 9.49% in 2010 primarily as a result of the global stock markets fluctuations.

Adams County Retirement Plan's funding objective is to meet the long-term benefit obligations through contributions and investment income. As of January 1, 2012, the date of the Plan's last actuarial valuation, the funded ratio for the Adams County Retirement Plan based on the actuarial value was 54.3% compared to a funded status of 57.4% as of January 1, 2011 and 58.9% as of January 1, 2010. As of January 1, 2012, the date of the Plan's last actuarial valuation, the funded ratio for the Adams County Retirement Plan based on the market value was 48.9% compared to a funded status of 51.9% as of January 1, 2011 and 49.6% as of January 1, 2010.

Revenue (Additions to Plan Net Position) for 2012 was \$36,964,490 which included member and employer contributions totaling \$15,200,037, and a net investment income gain of \$21,764,453, while respectively 2011 and 2010 showed an increase in revenue of \$13,697,550 and \$30,518,021 which included member and employer contributions respectively for 2011 and 2010 of \$14,635,268 and \$14,436,503. The Plan had a net investment income loss of (\$937,718) for 2011 and net investment gain of \$16,081,518 for 2010.

Annual gross pension benefits paid to retirees and beneficiaries were \$16,095,266, \$14,669,214 and \$12,925,593 for 2012, 2011 and 2010, respectively.

Refund of Contributions paid to former members upon termination of employment increased in 2012 to \$1,870,042 compared to \$1,761,213 in 2011 and \$910,161 in 2010.

Administrative Expenses increased in 2012 to \$881,694 compared to \$678,094 in 2011 and \$648,812 in 2010, reflecting an increase in legal and actuary expenses over the three year period.

Investment Manager Fees and Trustee Fees for 2012 were \$981,500 compared to \$983,212 and \$896,722 in 2011 and 2010, respectively.

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

OVERVIEW OF THE FINANCIAL STATEMENT

Because of the long-term nature of a defined benefit plan, financial statements alone cannot provide sufficient information to properly reflect the Plan's future perspective. This discussion and analysis is intended to serve as an introduction to the Adams County Retirement Plan's Financial Statements, which are comprised of the following components:

Financial Statements

- Statement of Plan Net position
- Statement of Changes in Plan Net position
- Notes to the Financial Statements

Required Supplementary Information

- Schedules of Funding Progress and Employer Contributions
- Notes to Required Supplementary Information

Supporting Schedules for Financial Section

- Schedules of Administrative and Investment Expenses
- Ten Year Historical Trend Information

In addition to the basic financial statements, this report contains other required supplementary information, including schedule of funding progress, schedule of employer contributions, Plan information and significant factors affecting trends in actuarial information and ten-year historical trend information.

Financial Statements

The Statement of Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Plan Net Position on the other hand, provides a view of the current year additions to and deductions from the Plan.

The Statement of Plan Net Position and the Statement of Changes in Plan Net Position report contains information about the Adams County Retirement Plan's financial position. These statements include all assets and liabilities, using the accrual basis of accounting in accordance with generally accepted accounting principles applicable to governmental accounting in accordance with Governmental Accounting Statements Board.

Increases and decreases in the Plan's net position, over time, are one indication of whether the financial stability of the Plan is improving or deteriorating. Market conditions and other factors should be considered when measuring Adams County Retirement Plan's overall financial structure.

Notes to the Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the financial statements.

(See Notes to the Financial Statements on pages 15 to 25 of this report).

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Required Supplementary Information

Schedules of Funding Progress and Employer Contribution and Notes to Required Supplementary Information are provided in addition to the basic financial statements and accompanying notes to provide information regarding the progress of the Plan and the required annual contributions of the employers as required by the Plan and as actuarially determined and provided in the actuarial valuation report. (See Required Supplemental Information on pages 26 to 28 of this report).

Supporting Schedules for Financial Section

Schedules of Administrative and Investment Expenses The schedule of administrative expenses which include investment fees, professional contracts, personnel services and other operating expenses are presented as a supporting schedule to the financial section and are found on page 30.

Ten Year Historical Trend Information is designed to provide information about Adams County Retirement Plan's progress made in accumulating sufficient assets to pay benefits when due.

FINANCIAL ANALYSIS

The Adams County Retirement Plan provides retirement benefits to the employees of Adams County, Colorado, Rangeview Library District and their beneficiaries. Adams County Retirement Plan benefits are funded by employee and employer contributions and by earnings on Plan investments. As noted earlier, net position may serve over time as an indication of Adams County Retirement Plan's financial position. Currently net position of \$199,741,510 are held in trust for 2012 as compared to \$181,624,022 and \$185,034,993 at year-end 2011 and 2010, respectively. For years ended December 31, 2012, December 31, 2011 and December 31, 2010 net position increased by 9.98%, decreased 1.88% and increased 9.49%, respectfully

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Statement of Plan Net Position

	ASSETS		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash and Investments:			
Cash	<u>\$ 18,987</u>	<u>\$ 3,583</u>	<u>\$ 20,546</u>
Investments, at fair value:			
Total investments	<u>199,662,579</u>	<u>181,352,367</u>	<u>184,906,258</u>
Total cash and investments	199,681,566	181,355,950	184,926,804
Receivables:			
Accrued interest and dividends	<u>246,704</u>	<u>327,114</u>	<u>239,155</u>
Total receivables	246,704	327,114	239,155
Other assets:			
Prepaid insurance for retirees	<u>-</u>	<u>122,909</u>	<u>-</u>
Total other assets	-	122,909	-
Total assets	199,928,270	181,805,973	185,165,959
	LIABILITIES		
Liabilities:			
Accrued liabilities	<u>186,760</u>	<u>181,951</u>	<u>130,966</u>
Total liabilities	186,760	181,951	130,966
PLAN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 199,741,510</u>	<u>\$ 181,624,022</u>	<u>\$ 185,034,993</u>

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Statement of Changes in Plan Net Position Available for Pension Benefits

ADDITIONS TO PLAN NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contributions:			
Employer	\$ 7,533,395	\$ 7,235,764	\$ 7,153,366
Plan member	7,533,416	7,235,773	7,153,366
Purchase of service	<u>133,226</u>	<u>163,731</u>	<u>129,771</u>
Total contributions	15,200,037	14,635,268	14,436,503
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	18,923,817	(2,863,733)	14,121,284
Interest	922,589	1,078,803	1,024,782
Dividends	2,889,353	1,790,102	1,832,007
Other income	<u>10,194</u>	<u>40,322</u>	<u>167</u>
Total investment income	22,745,953	45,494	16,978,240
Less investment expenses	<u>(981,500)</u>	<u>(983,212)</u>	<u>(896,722)</u>
Net investment gain (loss)	<u>21,764,453</u>	<u>(937,718)</u>	<u>16,081,518</u>
Total additions (deductions) from Plan net position	36,964,490	13,697,550	30,518,021

DEDUCTIONS FROM PLAN NET POSITION

Benefit payments	16,095,266	14,669,214	12,925,593
Refund of contributions	1,870,042	1,761,213	910,161
Other administrative costs	<u>881,694</u>	<u>678,094</u>	<u>648,812</u>
Total deductions from Plan net position	<u>18,847,002</u>	<u>17,108,521</u>	<u>14,484,566</u>
NET INCREASE/DECREASE IN PLAN NET POSITION	18,117,488	(3,410,971)	16,033,455
NET POSITION AVAILABLE			
Beginning of year	<u>181,624,022</u>	<u>185,034,993</u>	<u>169,001,538</u>
End of year	<u>\$ 199,741,510</u>	<u>\$ 181,624,022</u>	<u>\$ 185,034,993</u>

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

SECURITIES LENDING TRANSACTIONS

State Statutes and the Adams County Board of Retirement (the Board) policies permit the Adams County Retirement Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. There were no securities lending arrangements for 2010, 2011 or 2012.

REVENUE – ADDITIONS TO PLAN NET POSITION

Additions to the Adams County Retirement Plan net position held in trust include employee and employer contributions, as well as investment income. Effective January 1, 2012, the total contribution rate increased from 16.00% to 16.50%, split equally between the employee and the employers. The contributions rate will continue to increase 0.25% per year up to combined employer and employee rate of 18.0% in 2015.

Contributions totaling \$15,066,811 (\$7,533,395 employers and \$7,533,416 employees), \$14,471,537 (\$7,235,764 employers and \$7,235,773 employees) and \$14,306,732 (\$7,153,366 employers and \$7,153,366 employees), were made during the years ended December 31, 2012, 2011 and 2010 respectively. These contribution amounts fell below the Annual Required Contribution (ARC) amount for the years ended December 31, 2012, 2011 and 2010. The ARC is the required annual contributions of the employers as required by the Plan. The Annual Required Contribution (ARC) rate as of January 1, 2012 was \$18,762,499 and the actual contributions received from the employer in 2012 were \$7,533,395, resulting in a contribution shortfall of \$11,229,104. The ARC rate as of January 1, 2011 and January 1, 2010, respectfully, were \$17,559,138 and \$16,856,144 while the actual contributions received from the employer in 2011 and 2010 were \$7,235,764 and \$7,153,366, resulting in compensation shortfalls for 2011 and 2010 of 10,323,374 and \$9,702,778, respectfully.

Plan members who were hired before January 1, 2010, who have at least five years of Continuous Service, but less than seven years of Continuous Service, may purchase service credit under the regular purchase of service provisions. For the year ended December 31, 2012, 2011 and 2010, the purchase of service contributions, were \$133,226, \$163,731 and \$129,771, respectively.

The Adams County Retirement Plan portfolio saw a significant increase in the global stock market performance in 2012. The Adams County Board of Retirement and their financial consultant are confident in the Plan's diversification and reevaluate the portfolio assets monthly to ensure the financial obligations of the Plan are being met for future long-term obligations payable to Plan members and beneficiaries.

For actuarial calculations, Adams County Retirement Plan's actuary uses a five-year smoothed market to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution requirements due to fluctuations in the markets.

DESCRIPTION OF THE PLAN AND PLAN CHANGES

The Adams County Board of Retirement is the administrator of a cost-sharing multiple-employer public employee retirement system (PERS). The Adams County Retirement Plan is a qualified tax-exempt plan under Sections 401(a) and 501(a) of the Internal Revenue Code and is not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA).

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Plan is a Defined Benefit Pension Plan for eligible employees of Adams County, Colorado and Rangeview Library District.

The Adams County Board of County Commissioners approved a resolution that will allow the contribution rate to increase at a rate of 0.5% per year up to 18% (Employer 9%/Employee 9%) by 2015.

The Adams County Retirement Plan submitted information to the Internal Revenue Service for a determination letter of continued qualification on December 4, 2009. The Department of the Treasury returned a favorable determination to Adams County and Rangeview Library District Effective August 8, 2011.

The Retirement Board's legal counsel has reviewed Rev. Proc. 2012-50 and the Board has determined that the Plan will file for the IRS determination letter Cycle C filing from February 1, 2013 through January 31, 2014.

The Plan document was amended and restated to incorporate the following changes made to the Plan effective January 1, 2011:

- Amended to reference the definition of dependent under Code Section 152, clarify definition of health plan and clarify definition of qualified long-term care insurance contract.

The Board bylaws were revised to delegate to the Executive Director/Plan Administrator full discretionary authority with respect to the electronic media for any applicable notices, elections and consents described in Section 9.8 of the Plan.

The Adams County Retirement Board worked diligently over the past 18 months to change legislation to the Colorado Revised Statutes, 24-54-101. Senate Bill 12-149 was enacted (SB 12-149) in Colorado on June 08, 2013. This legislation concerns the circumstances in which boards of certain defined benefit plans may modify retirement benefits and age and service requirements.

On December 19, 2012, a Resolution of the Adams County Board of Retirement was approved with the following considerations:

1. Unless otherwise provided herein, the changes to the Plan contemplated by the resolution shall be effective January 1, 2014;
2. Notwithstanding previous efforts to improve the Plan's funded status, as of January 1, 2012, the Plan was less than 50% funded based on the market value of its assets and without further modifications, the Plan's actuary has projected the Plan to be less than 51% funded by 2044 based on the market value of its assets;
3. According to the Plan's actuary, the Plan at its current funded status cannot rely on investment returns to resolve the funding problem and the sustainability of the Plan is in jeopardy;

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
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4. At this time, Member contributions should not be increased beyond 9% to improve the sustainability of the Plan because a higher contribution level (together with Social Security and Medicare contributions) would pose a hardship on Members;
5. Based on advice from the Plan's actuary to ensure the sustainability of the Plan and as provided by SB 12-149, modifications to the benefits and service requirements permitted by SB 12-149 are required to ensure the sustainability of the Plan;
6. The Plan's actuary has advised the Retirement Board that to ensure the sustainability of the Plan pursuant to SB 12-149, the Retirement Board should set a goal that the Plan be projected to be between 95% and 105% funded by 2044 based on the market value of its assets;
7. Certain Plan provisions should be amended effective January 1, 2014 by the Amendment such that the Plan is projected to be 95% funded by 2044 based on the market value of its assets;
8. Members have received written notice of the possibility of a reduction of retirement benefits in the future and were invited to meetings informing them of the need for a reduction in benefits and describing the benefit reductions being considered by the Retirement Board;
9. Effective January 1, 2014, two-component retirement benefits for Members in Tiers 1 and 2, referred to herein as Component A and Component B, shall be created;
10. Component A shall be the Member's retirement benefit that has accrued through December 31, 2013, as calculated pursuant to Section 6.1(b) of the Plan prior to the Amendment, except that the average monthly compensation for Component A shall include compensation earned on or after January 1, 2014 and shall be calculated based on Section 2.1(c) of the Plan prior to the Amendment;
11. Component B shall be equal to the Member's career compensation earned on or after January 1, 2014 multiplied by 1.75% and divided by 12, and the sum of Components A and B shall be subject to the minimum benefit provisions of Section 6.4 of the Plan prior to the Amendment;
12. The Member's normal pension calculated under Component A and Component B shall not exceed the 80% Cap;
13. In the event the Member's normal pension calculated under Component A and Component B combined exceeds the Member's normal pension calculated under the terms of the Plan prior to the Amendment, the Member's normal pension shall be calculated pursuant to the terms of the Plan prior to the Amendment;
14. A Member in Tier 1 or Tier 2 who requests a refund of his or her contribution accumulation on or after January 1, 2014 shall receive the sum of: (a) a refund of the Member's contribution accumulation determined based on (i) the Member's contributions made through December 31, 2013 with interest accumulating through the date of such refund, (ii) the percent of the contribution accumulation determined in the applicable table under Section 6.3(b) of the Plan prior to the Amendment, and (iii) the Member's completed years of continuous service at his or her termination of employment, adjusted

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
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as provided in Section 6.3 of the Plan prior to the Amendment, and (b) a 100% refund of the Member's contributions made on or after January 1, 2014 including interest thereon and excluding a refund of the Employer's contributions with respect to the Member made on or after January 1, 2014 and any interest thereon;

15. A Member who elects and actually purchases service credit pursuant to the Subsidized Purchase of Service Provisions shall be entitled to have such service credit attributed to the normal pension calculated under Component A;
16. The extended purchase of service provisions shall be revised for a Member in Tier 1 or Tier 2 to reflect the addition of Component B;
17. The extended purchase of service provisions shall be eliminated for Members hired on or after January 1, 2014;
18. A Member in Tier 1 or Tier 2 who is or becomes disabled under the terms of the Plan on or after January 1, 2014, shall have his Component B benefit for the period of disability on or after January 1, 2014 determined based on the greater of:

(i) the Member's career compensation earned on or after January 1, 2014 multiplied by 1.75% and divided by 12, or

(ii) 1.75% of the Member's career monthly compensation earned on or after January 1, 2014 multiplied by the total number of his years of credited service earned on or after January 1, 2014,

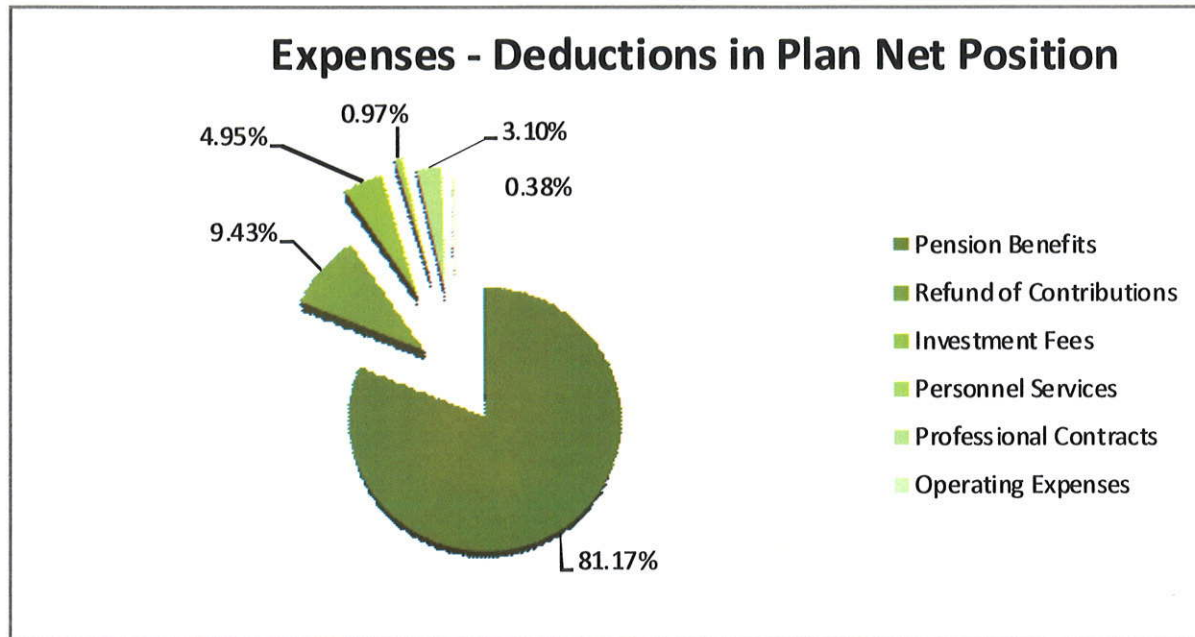
provided that the sum of the Component A and B disability benefits shall be subject to the minimum benefit provisions of Section 6.4 prior to the Amendment and shall not exceed the lesser of the 80% Cap or the disability benefit determined under the terms of the Plan prior to the Amendment;

19. Special computations are performed for a Member in Tier 3 who has a leave of absence for qualified military service, and similar computations shall be incorporated into the Plan for Component B for a Member in Tier 1 or Tier 2 who has a leave of absence for qualified military service that begins or continues on or after January 1, 2014; and
20. The Retirement Board hereby delegates to the Plan's Executive Director the authority to construe and interpret the Plan to resolve any and all issues that may arise in connection with or as a result of the Amendment.

EXPENSES – DEDUCTIONS FROM PLAN NET POSITION

The Adams County Retirement Plan was created to provide lifetime retirement annuities, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of these programs includes recurring benefit payments, as designated by the Plan, refund of contributions to terminated members, and the cost of administering the system. The Plan had an increase in pension annuities due to the retirement of several highly compensated and long term participants who had reached maximum benefits. The Plan noted an increase in participant refunds and an increase in administrative expenditures. The Investment Manager Fees increased due to the addition of money managers and increased fee structures.

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**



ADAMS COUNTY RETIREMENT PLAN - FIDUCIARY RESPONSIBILITY

The Adams County Board of Retirement and administrative staff are fiduciaries of the pension trust fund. Under Colorado State Statutes, the assets can only be used for the exclusive benefit of such employees or beneficiaries and the payment of Plan expenses.

The members of the Adams County Board of Retirement have each acknowledged and signed a Conflict of Interest and Adherence to Colorado Code of Ethics Acknowledgement Form, which stated that as members of the Board of Retirement for the Plan, their behavior was in accordance with the requirements of Section 24-18-108.5 of the Colorado Revised Statutes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for the Retirement Board, Plan participants, taxpayers, and investment managers. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Adams County Retirement Plan
4430 South Adams County Parkway
Suite C3406
Brighton, Colorado 80601-8202

Prepared and Submitted By:
Pamela R. Mathisen, CEBS
Executive Director
Adams County Retirement Plan
April 24, 2013

ADAMS COUNTY RETIREMENT PLAN
STATEMENTS OF PLAN NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and investments:		
Cash	\$ 18,987	\$ 3,583
Investments, at fair value:		
Money markets	3,672,428	2,296,988
US government agency obligations	7,054,887	6,126,515
Corporate bonds	14,605,081	14,630,201
Municipal bonds	721,298	681,398
Foreign bonds	1,371,742	1,326,922
Equity securities	16,209,745	12,408,119
Foreign equity securities	351,954	1,459,207
Real estate	19,256,868	18,998,452
Hedge funds	28,378,723	25,484,535
Partnerships/joint ventures	6,753,848	6,359,077
Mutual funds	101,286,005	91,580,953
Total investments	<u>199,662,579</u>	<u>181,352,367</u>
Total cash and investments	<u>199,681,566</u>	<u>181,355,950</u>
Receivables:		
Accrued interest and dividends	<u>246,704</u>	<u>327,114</u>
Other assets:		
Prepaid insurance for retirees	<u>-</u>	<u>122,909</u>
Total assets	<u>199,928,270</u>	<u>181,805,973</u>
LIABILITIES		
Accrued liabilities	<u>186,760</u>	<u>181,951</u>
NET POSITION AVAILABLE FOR BENEFITS	<u>\$ 199,741,510</u>	<u>\$ 181,624,022</u>

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

ADAMS COUNTY RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET POSITION
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ADDITIONS		
Contributions		
Employer	\$ 7,533,395	\$ 7,235,764
Plan members	7,533,416	7,235,773
Purchase of service	<u>133,226</u>	<u>163,731</u>
Total contributions	<u>15,200,037</u>	<u>14,635,268</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	18,923,817	(2,863,733)
Interest	922,589	1,078,803
Dividends	2,889,353	1,790,102
Other income	<u>10,194</u>	<u>40,322</u>
Total investment income	22,745,953	45,494
Less investment expense	<u>(981,500)</u>	<u>(983,212)</u>
Net investment income (loss)	<u>21,764,453</u>	<u>(937,718)</u>
Total additions	<u>36,964,490</u>	<u>13,697,550</u>
DEDUCTIONS		
Benefit payments	16,095,266	14,669,214
Refunds of contributions	1,870,042	1,761,213
Other administrative costs	<u>881,694</u>	<u>678,094</u>
Total deductions	<u>18,847,002</u>	<u>17,108,521</u>
NET INCREASE (DECREASE) IN NET POSITION	18,117,488	(3,410,971)
NET POSTION AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>181,624,022</u>	<u>185,034,993</u>
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ 199,741,510</u>	<u>\$ 181,624,022</u>

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

ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 – DESCRIPTION OF PLAN

The Adams County Retirement Board (the Board) is the administrator of Adams County Retirement Plan (the Plan). The Plan is a multiple-employer defined benefit pension plan covering substantially all full-time employees of Adams County (the County) and Rangeview Library District (Library District). The authority under which obligations to contribute to the Plan by Plan members and employers are established and may be amended by the Board. The Plan was amended and restated effective January 1, 2011.

The Plan is not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA). It is qualified as a tax-exempt plan under Sections 401(a) and 501(a) of the Internal Revenue Code. Employee contributions are required as a condition of employment and are matched, dollar for dollar, by the employer. Contribution provisions are established by the Adams County Board of County Commissioners and ratified by the Adams County Retirement Board for the members and the employers' contributions.

Membership

The Plan includes any person who is an elected or appointed County official or Deputy, and staff of such person, and any person who is employed by the employer in a position budgeted for thirty (30) hours or more per week. Any employee of the Retirement Board who meets these requirements shall be considered an employee of the employer for purposes of the Plan. The Plan excludes temporary employees and employees who are in a position budgeted for less than thirty (30) hours per week.

Effective December 27, 2004, the Rangeview Library District joined the Adams County Retirement Plan as a participating employer. Eligible employees of the Library District participate in the Plan on the same terms as eligible County employees, so long as the Library District remains a participating employer. Before December 27, 2004, Library District employees were County employees and participated in the Plan as County employees. The County and the Library District are currently the only participating employers in the Plan.

Employee membership data follows:

	<u>January 1,</u>	
	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits	790	722
Members with deferred benefits	142	141
Active members	1,709	1,756
Members due a refund of contribution	<u>122</u>	<u>121</u>
Total members	<u>2,763</u>	<u>2,740</u>

Purchase of Credited Service

Effective November 1, 1994, Plan members with 5 years credited service may purchase up to five years of credited service for any period of full-time, non-vested previous employment with any private or public employer in the United States subject to certain conditions. Members who were eligible on this date could make a one time election to purchase service credits by

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

December 31, 1996. After November 1, 1994, members hired prior to January 1, 2010 could make an election to purchase service credits within two years after the completion of five years of continuous service.

Benefits

The Plan provides retirement benefits, as well as death and disability benefits. Employees hired before January 1, 2010 with less than five years of continuous service at the date of termination receive a refund of their contributions. Employees hired on or after January 1, 2010 with less than 10 years of continuous service at the date of termination will receive refund of their contributions. The refunds include interest at the current rate of 3% for both 2011 and 2010. Depending on their hire date, employees with at least five or ten years of continuous service at the time of termination may choose a refund of their contributions, including interest and the accumulated value of the amounts paid for purchases service credit, if any, or a deferred vested benefit when eligibility is reached.

Normal retirement begins at age 65 with full benefit, regardless of credited service. However, the Plan has provisions for early and delayed retirement. Early retirement begins if the employee has reached age 55 and completed at least five years of service, and the employee was hired in covered employment before January 1, 2005, or met the reemployment rule. Employees hired in covered employment on or after January 1, 2005 and before January 1, 2010, can take early retirement on reaching the age of 55 with at least 10 years of service. Employees hired on or after January 1, 2010 will be eligible for early retirement once their age plus service, including purchase of service equals 80 or more and they have attained the age of 55 prior to termination of employment. Elected officials are eligible for immediate vesting.

For employees hired in covered employment before January 1, 2005, the average monthly compensation is calculated using a 36 month average, multiplied by 2.5% and then multiplied by the total years of credited service.

For employees hired in covered employment after January 1, 2005, the average monthly compensation is calculated using a 60 month average, multiplied by 2.5% and then multiplied by the total years of credited service.

For employees hired in covered employment after January 1, 2010, the retirement benefit is based on the employees career compensation, multiplied by 1.75% and divided by 12.

Employees hired prior to January 1, 2010 receive a benefit payable for life with a guarantee of 120 payments. Employees hired on or after January 1, 2010 receive a benefit of a single life annuity. Optional benefits are available which provide alternative survivorship benefits.

Disability benefits are calculated in the same manner as a normal retirement benefit, using the participant's date of hire to verify compensation. Death benefits, which an employee's beneficiary may receive from the Plan, are dependent upon when the employee's death occurs. All benefits are determined by the requirements established by the Plan.

Members in the Plan are always 100% vested in their contributions. Members may receive a refund of up to 200% of their contribution accumulation based on completed years of continuous service and date of participation.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

On December 19, 2012, a Resolution of the Adams County Board of Retirement was approved and will affect member benefits effective January 1, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental accounting in accordance with Governmental Accounting Standards Board (the GASB). Both Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit and refund payments are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities and funds traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value. The fair value of real estate investments is based on independent appraisals. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Fair value for investments in private equity and hedge funds are estimated by adjusting the most recent market values reported by the funds. These adjustments are made by estimates from investment managers as to market values at year-end, including known cash activity such as capital calls, distributions and management fees, as well as, adjustments to audited financial statements of the funds.

The Plan presents, in the statement of changes in Plan net position, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Purchases and sales are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks, and event risks which may subject the Plan to economic changes occurring in certain industries, sectors or geographies.

Reporting Entity

The GASB has specified the criteria to be used in defining a governmental entity for financial reporting purposes. In accordance with governmental Accounting Standards, the Plan has considered the possibility of inclusion of additional entities in its annual financial report. The definition of the reporting entity is based primarily on financial accountability. The Plan is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Plan appoints a voting majority of the

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

organization's governing body and is either able to impose its will on that organization or here is a potential for benefits to, or to impose specific financial burdens on, the Plan. The Plan may also be financially accountable for governmental organizations that are fiscally dependent upon it. Based upon the application of the above criteria, the Plan has no includable entities and is not considered a component unit of another entity.

New Pronouncement

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, was implemented for the Plan beginning with its fiscal year ending December 31, 2012. The objectives of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

The GASB has approved Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. This statement establishes guidance for reporting deferred outflows of resources and deferred inflows of resources. The Statement also discusses how net position – no longer net position – should be displayed. The provisions for this statement were implemented for the Plan with its fiscal year ending December 31, 2012.

Fixed Assets

As of December 31, 2012 and 2011, all real property and workstations used by the Plan are owned by the County, and as a result, are not reported in the financial statements.

Administrative Expenses

The cost of administering the Plan is financed through the contributions and investment earnings that it receives.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. Actuarially determined future benefit payments require the use of significant estimates. The Plan believes that the techniques and assumptions used in establishing these estimates are appropriate.

Actuarial Valuation

The information included in the required supplementary schedules is based on the actuarial valuation performed as of January 1, 2012, which is the date of the latest available information. Significant actuarial assumptions used in the valuation are included in the notes to the required supplementary schedules.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 3 – CASH DEPOSITS

Cash Deposits

At December 31 2012 and 2011, the Plan has deposits in financial institutions with bank balances of \$18,987 and \$3,583, respectively, and carrying values of \$18,987 and \$3,583, respectively, all of which was covered by the Federal Depository Insurance Corporation. There were no cash deposits held in trust as of December 31, 2012 or 2011.

NOTE 4 – INVESTMENTS

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings, performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Plan has established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund types.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies such as Moody's Investors Service or Standard and Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations.

Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the US. Government or those explicitly backed by the US. Government, are not considered to have credit risk.

The Plan has policies and guidelines for each fixed income portfolio, prohibiting direct investment in derivative securities and non-dollar denominated investments, and requiring securities to be 'BB' rated or higher and no more than 10% of the portfolio may be invested in 'BB' rated securities.

ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 – INVESTMENTS (CONTINUED)

Rating	2012				
	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total	% of Total
AAA	\$ 1,194,536	\$ 257,857	\$ -	\$ 1,452,393	6.1%
AA	1,181,443	463,441	-	1,644,884	6.9%
A	5,576,540	-	774,834	6,351,374	26.8%
BBB/BAA	5,014,597	-	466,908	5,481,505	23.1%
BB/BA	1,637,965	-	130,000	1,767,965	7.4%
No rating available	-	-	-	-	0.0%
Total exposed to credit risk	<u>\$ 14,605,081</u>	<u>\$ 721,298</u>	<u>\$ 1,371,742</u>	16,698,121	70.3%
US Government agency obligations				<u>7,054,887</u>	<u>29.7%</u>
Total fixed income portfolio				<u>\$ 23,753,008</u>	<u>100.0%</u>

Rating	2011				
	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total	% of Total
AAA	\$ 439,307	\$ 238,586	\$ -	\$ 677,893	3.0%
AA	906,252	442,812	-	1,349,064	5.9%
A	5,325,800	-	985,146	6,310,946	27.7%
BBB	5,249,778	-	216,620	5,466,398	24.0%
BB	1,669,305	-	125,156	1,794,461	7.9%
No rating available	<u>1,039,759</u>	<u>-</u>	<u>-</u>	<u>1,039,759</u>	<u>4.6%</u>
Total exposed to credit risk	<u>\$ 14,630,201</u>	<u>\$ 681,398</u>	<u>\$ 1,326,922</u>	16,638,521	73.1%
US Government agency obligations				<u>6,126,515</u>	<u>26.9%</u>
Total fixed income portfolio				<u>\$ 22,765,036</u>	<u>100.0%</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through the specific identification method, the Plan manages its exposure to fair value losses arising from changes in interest rates by requiring the average maturity of the portfolio be maintained in the range of plus or minus 25% of the benchmark index.

ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 – INVESTMENTS (CONTINUED)

Using the specific identification method, the Plan had the following investments and maturities at December 31, 2012:

<u>Descriptions</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
Corporate Bonds	\$ 14,605,081	\$ 305,820	\$ 7,075,755	\$6,134,129	\$1,089,377
Municipal Bonds	721,298	-	-	-	721,298
Foreign Bonds	1,371,742	3,024	664,171	704,547	-
US Government agency obligations	7,054,887	-	2,785,441	337,314	3,932,132
Total	\$ 23,753,008	\$ 308,844	\$ 10,525,367	\$7,175,990	\$5,742,807

The Plan has a \$23,556,190 investment in a mutual fund that is comprised of primarily bonds with varying investment maturities, the average maturity for the mutual fund is 6.09 years.

The Plan had the following investments and maturities at December 31, 2011:

<u>Descriptions</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
Corporate Bonds	\$ 14,630,201	\$ 537,150	\$ 5,601,724	\$7,107,495	\$1,383,832
Municipal Bonds	681,398	-	-	-	681,398
Foreign Bonds	1,326,922	-	774,110	552,812	-
US Government agency obligations	6,126,515	-	3,071,021	-	3,055,494
Total	\$ 22,765,036	\$ 537,150	\$ 9,446,855	\$7,660,307	\$5,120,724

The Plan has a \$22,501,369 investment in a mutual fund that is comprised of primarily bonds with varying investment maturities, the average maturity for the mutual fund is 8.93 years.

Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that in the event of the failure of the custodian, the Plan may not be able to recover the value of the investment securities that are in the possession of an outside party.

The Retirement Board is responsible for oversight of the Plan's investments. Investments in US. Government agency obligations, corporate and foreign bonds, equity and foreign securities and real estate investments are insured or registered and are held by the Plan or by US Bank, the custodian, in the Plan's name. Investments in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual users, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. For

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 4 – INVESTMENTS (CONTINUED)

its corporate bond portfolio, no more than 2% of the portfolio may be invested in the securities of any one issuer, except debt obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. For its U.S. Small Capitalization Stock portfolio, no more than 5% of the market value of the portfolio may be invested in the stock of any one issuer, and no more than 7% of the market value of the Mid-Capitalization Stocks portfolio may be invested in the stock of any one issuer.

The following information presents investments that represent 5% or more of the Plan's net position as of December 31, 2012:

<u>Investment</u>	<u>2012</u>	
	<u>Value</u>	<u>% of Investments</u>
State Street S&P 500 Index Fund	\$ 13,972,925	7%
Master Series of Grosvenor Institutional Partners, L.P.	14,636,349	7%
PIMCO Total Return Fund	23,556,190	12%
Principal Real Estate Fund	19,256,868	10%
T. Rowe Price Inst Struc Research Fund	13,941,742	7%
American Euro Pacific Growth Fund	15,315,982	8%
World Ex US Value Portfolio	14,936,117	7%
Aberdeen Emerging Growth Fund	10,245,636	5%

<u>Investment</u>	<u>2011</u>	
	<u>Value</u>	<u>% of Investments</u>
State Street S&P 500 Index Fund	\$ 12,944,861	7%
Master Series of Grosvenor Institutional Partners, L.P.	17,600,324	10%
PIMCO Total Return Fund	22,501,369	12%
Principal Real Estate Fund	18,998,452	10%
T. Rowe Price Inst Struc Research Fund	13,797,909	8%
American Euro Pacific Growth Fund	12,801,894	7%
World Ex US Value Portfolio	12,969,660	7%

Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Plan's investment policy allows 20% - 30% of total investments to be in foreign equities, and no more than 15% of the market value of the Mid-Capitalization Stocks portfolio may be invested in foreign securities. The Plan has no policy for investment in foreign bond issues. Plan investments in international equity mutual funds, foreign equity securities and foreign bond issues have exposure to foreign currency risk. Exposure to foreign currency risk as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Foreign portfolio (all are U.S. dollar denominations)	<u>\$ 1,723,696</u>	<u>\$ 2,786,129</u>

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 5 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The total contribution rates were 16.5% and 16.0%, for December 31, 2012 and 2011, respectively, split equally between the employee and the employers. The contribution rate will continue to increase 0.5% per year up to 18.0% in 2015.

Contributions totaling \$15,066,811 (\$7,533,395 employers and \$7,533,416 employees) and \$14,306,732 (\$7,235,764 employers and \$7,235,773 employees) were made during the years ended December 31, 2012 and 2011, respectively. These contribution amounts fall below the actuarial required contribution amount for the years ended December 31, 2012 and 2011.

NOTE 6 – ACTUARIAL FUNDING PROGRESS, ASSUMPTIONS AND METHODS

The funded status of the Plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>(Funding Excess) Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>(Funding Excess) Unfunded Actuarial Liability as a Percentage of Covered Payroll</u>
2012	01/01/12	\$201,917,055	\$371,702,160	\$169,785,105	54.3%	\$ 94,160,223	180.3%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether actuarial values of Plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The assumptions and methods presented below were determined based upon the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<u>Valuation date</u>	<u>January 1, 2012</u>	<u>January 1, 2011</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar – open	Level dollar – open
Remaining amortization period	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return*	7.5%	7.5%
Projected salary increases*	4.5% - 7.5%	4.5% - 7.5%
 *Included inflation at	 2.80%	 2.80%

ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 – COMMITMENTS

Partnership Capital Commitments

The Plan is a party to three private equity limited partnership agreements. Under the terms of the partnership agreements, the Plan has pledged to invest \$12,500,000 and \$8,500,000 in portfolios of limited partnerships as of December 31, 2012 and 2011, respectively. Failure by the Plan to fund a capital call is considered a default under the agreements and various penalties, as defined, may be imposed upon the Plan for such failure. The commitment period for all partnerships extends until the Plan's capital commitment is fulfilled, or the partnership's term is reached. At December 31, 2012 and 2011, the Plan had remaining unfunded capital commitments of \$5,740,400 and \$2,690,000, respectively.

NOTE 8 – FINANCIAL OBLIGATIONS WITH OFF BALANCE SHEET RISK

Derivatives

Mutual Fund Investment

The Plan is permitted to own derivative investments. During the years ended December 31, 2011 and 2010, the Plan's owned indirect derivative investments in connection with managed (mutual) funds. Because the Plan does not own any specific identifiable investment securities held by managed funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

Hedge Fund of Funds Investment

The hedge fund's investments in portfolio funds are subject to various risk factors arising from the investment activities of the portfolio funds including market, credit, and currency risk. The portfolio funds owned by the hedge fund transact in short sales and various domestic and international derivative investments, including forward foreign currency contracts, futures, written and purchased options and swaps. Investments in securities of non-US. issuers may be subject to greater illiquidity and price volatility than securities of US. issuers. Investments denominated in currencies other than the portfolio fund's reporting currency expose the portfolio fund to risks that the exchange rate of the portfolio fund's currency relative to other currencies may change in a manner which has an adverse effect on the value of the portfolio fund's foreign currency denominated assets.

NOTE 9 – RISK MANAGEMENT

The Plan 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. Some losses, particularly regarding the occupancy of office space in the County building, are covered by the County's risk management policies and agreements. For other losses, commercial insurance has been purchased by the Plan. The Plan has not had claims on losses in the past three years.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 10 – TAX STATUS

The Plan received two favorable determination letters (one for Adams County, and one for Rangeview Library District) from the Internal Revenue Service dated August 8, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended and restated since receiving the determination letters, the Plan Administrator and the Plan's legal counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and remains in tax exempt status. The letters relate only to the status of the Plan under the Internal Revenue Code and are not a determination regarding the effect of other federal or local statutes.

NOTE 11 – PLAN TERMINATION

The Retirement Board intends to continue the Plan indefinitely but reserves the right to change the Plan or discontinue it. Any changes to the Plan must be for the exclusive benefit of the eligible employees of the employers and their beneficiaries.

Upon termination or partial termination of the Plan, or a permanent discontinuance of contributions, the benefits accrued up to the date of termination by the affected employees and their beneficiaries, respectively, shall be nonforfeitable; however, actual payment of such benefits shall only be to the extent permitted from Plan assets. No funds may be returned to the employers unless all liabilities to members or their beneficiaries have been satisfied. The Retirement Board will determine when benefits are to be paid.

NOTE 12 – RELATED PARTY

The Plan is administered by a Retirement Board consisting of five members, one of whom is the incumbent County Treasurer, two of whom are non-elected County employees elected by said employees, and two of whom are registered electors of the County appointed by the Board of County Commissioners.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
December 31, 2012 and 2011**

A. SCHEDULE OF FUNDING PROGRESS

The following information presents the funding progress of the Plan as actuarially determined, as provided in the actuarial report:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(Surplus) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	(Surplus) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
1/1/03	\$136,659,066	\$173,916,892	\$ 37,257,826	78.6%	\$65,863,777	56.6%
1/1/04	149,507,883	191,717,046	42,209,163	78.0%	68,555,595	61.6%
1/1/05	155,489,741	222,293,412	66,803,671	69.9%	71,669,524	93.2%
1/1/06	162,006,855	239,818,699	77,811,844	67.6%	74,694,189	104.2%
1/1/07	174,254,209	264,910,496	90,656,287	65.8%	81,386,811	111.4%
1/1/08	194,027,237	287,832,266	93,805,029	67.4%	87,215,518	107.6%
1/1/09	179,216,396	316,117,270	136,900,874	56.7%	94,396,658	145.0%
1/1/10	200,975,215	340,984,767	140,009,552	58.9%	98,982,060	141.4%
1/1/11	204,666,912	356,275,436	151,608,524	57.4%	95,737,553	158.4%
1/1/12	201,917,055	371,702,160	169,785,105	54.3%	94,160,223	180.3%

B. SCHEDULE OF EMPLOYER CONTRIBUTIONS

The following information presents the required annual contributions of the employers as required by the Plan:

<u>Year Ended</u>	<u>Required Annual Contribution</u>	<u>Percentage Actually Contributed</u>
2003	\$ 6,405,211	60.4%
2004	6,858,772	59.1%
2005	9,359,536	49.1%
2006	10,110,243	51.2%
2007	11,320,501	50.7%
2008	11,542,116	55.8%
2009	16,237,097	43.4%
2010	16,856,144	42.4%
2011	17,559,138	41.2%
2012	18,762,499	40.2%

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. Description

The historical trend information about the Plan is presented as required supplementary information. This information is intended to help users assess the funding status on a going-concern basis and to assess progress made in accumulating assets to pay benefits when due.

Information for the required supplementary schedules of funding progress and employer contributions is provided for ten years for the Plan.

OTHER SUPPLEMENTARY INFORMATION

ADAMS COUNTY RETIREMENT PLAN
SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
INVESTMENT EXPENSE		
Investment manager fees	\$ 931,648	\$ 932,162
Trustee fees	<u>49,852</u>	<u>51,050</u>
Total investment expense	<u>981,500</u>	<u>983,212</u>
PROFESSIONAL CONTRACTS		
Audit and consulting fees	29,900	29,000
Legal counsel	275,954	184,742
Insurance and bonding	122,806	30,609
Actuarial fees	106,188	93,801
Investment consulting	<u>80,000</u>	<u>70,000</u>
Total professional contracts	<u>614,848</u>	<u>408,152</u>
PERSONNEL SERVICES		
Salaries	143,691	138,490
Employee benefits	<u>47,713</u>	<u>46,052</u>
Total personnel services	<u>191,404</u>	<u>184,542</u>
OTHER OPERATING EXPENSES		
Bank fees	5,148	5,203
Computer expense	47,511	55,518
Other	3,300	6,727
Subscriptions, education and dues	6,429	2,560
Postage	2,711	3,675
Printing and mailing	1,170	1,973
Retirement services	5,204	5,675
Supplies	3,069	3,728
Research expense	<u>900</u>	<u>340</u>
Total other operating expenses	<u>75,442</u>	<u>85,399</u>
TOTAL ADMINISTRATIVE AND INVESTMENT EXPENSES	<u>\$ 1,863,194</u>	<u>\$ 1,661,305</u>

**ADAMS COUNTY RETIREMENT PLAN
TEN-YEAR HISTORICAL TREND INFORMATION
Years Ended December 31, 2012 and 2011**

Ten-year historical trend information, designed to provide information about Adams County Retirement Plan's progress made in accumulating sufficient assets to pay benefits when due, is presented below:

Revenues by Source					
Fiscal Year	Employee Contributions	Employer Contributions	Total Contributions	Investment Income (Loss)*	Total
2003	\$ 3,866,302	\$ 3,866,302	\$ 7,732,604	\$ 25,957,494	\$ 33,690,098
2004	4,054,317	4,054,317	8,108,634	15,726,088	23,834,722
2005	4,597,297	4,597,297	9,194,594	10,176,145	19,370,739
2006	5,175,320	5,175,320	10,350,640	23,577,502	33,928,142
2007	5,740,166	5,740,166	11,480,332	16,059,633	27,539,965
2008	6,445,284	6,445,284	12,890,568	(51,768,066)	(38,877,498)
2009	7,048,276	7,048,276	14,096,552	19,649,223	33,745,775
2010	7,153,366	7,153,366	14,306,732	16,978,240	31,284,972
2011	7,235,773	7,235,764	14,471,537	45,494	14,517,031
2012	7,533,416	7,533,395	15,066,811	22,745,953	37,812,764

Contributions were made in accordance with the Plan's funding policy and are not actuarially determined.

* Income includes unrealized gains and losses on investments.

Expenses by Type				
Fiscal Year	Benefits	Administrative*	Refunds	Total
2003	\$ 6,325,137	\$ 834,184	\$ 1,476,978	\$ 8,636,299
2004	7,058,645	909,215	1,086,548	9,054,408
2005	8,103,938	912,819	1,231,836	10,248,593
2006	8,913,387	770,507	1,225,048	10,908,942
2007 **	9,793,923	1,554,075	1,187,708	12,535,706
2008	10,626,452	1,661,702	1,220,911	13,509,065
2009	11,703,164	1,506,785	1,043,307	14,253,256
2010	12,925,593	1,545,534	910,161	15,381,288
2011	14,669,214	1,661,305	1,761,213	18,091,732
2012	16,095,266	1,863,194	1,870,042	19,828,502

* Administrative expenses include both investment expenses and other administrative costs.

**The increase in administrative fees in 2007 includes management's estimates for money managers that were previously included in investment gains/losses.