



MESA COUNTY
FINANCIAL SERVICES DIVISION

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June 30, 2006

TO: The Citizens of Mesa County
The Board of County Commissioners

SUBJECT: 2005 Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) of Mesa County, Colorado for the fiscal year ended December 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Governmental Accounting Standards Board (GASB) has encouraged governments to demonstrate fiscal and operational accountability by providing additional information to the reader which enables them to ascertain the overall financial position of the government. The comprehensive annual financial report is presented in a format that complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The report contains government-wide financial statements including the Statement of Net Assets and the Statement of Activities which reports the cost of providing services. The Statement of Net Assets provides total net assets of the County which includes retrospective infrastructure.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Certificate of Achievement from Government Finance Officer Association (GFOA), the County's organization chart and a list of principal officials. The financial section includes Management's Discussion and Analysis (MD&A), the Independent Auditor's report, basic financial statements, fund financial statements and required supplementary information. The statistical section includes selected government-wide and fund financial information, demographic and miscellaneous statistics.

The MD&A provides narrative introduction, overview and analysis of the financial activities of the County. The MD&A is intended to complement this letter of transmittal; therefore it should be read in conjunction with it. Mesa County's MD&A can be found immediately following the report of the independent auditors.

This report includes all funds of the County as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Mesa County is a primary government as defined by Statement No. 14 of the Governmental Accounting Standards Board, "*The Financial Reporting Entity*." Additionally, there are several legal entities that have significant operational or functional relationships with the County. These include the District Attorney and various improvement districts. These entities are also included in the County's financial statements. The District Attorney has chosen to include the activities of the 21st Judicial District, which has the same geographic boundaries as the County, in the Mesa County reporting

entity. The District Attorney's Office is accounted for in the General Fund.

The Governor of Colorado appointed a new Public Trustee, February 2003. Financial statements for the Public Trustee can be obtained by contacting the Mesa County Finance Department.

In 1992, the Mesa County Public Library District was formed as a separate political subdivision of the State of Colorado with its own taxing authority. The District is managed by a seven-member Board of Trustees as mandated by Colorado Library Law. Although the Library Board is appointed by the Board of County Commissioners, the Commissioners are not involved in operations or management of the Library District nor are the Commissioners fiscally responsible for the Library District. Therefore, the District is a related organization, and is not included in the Mesa County reporting entity.

The City of Grand Junction/Mesa County, Colorado Sewer System, which serves both County and City residents, was established jointly by the City of Grand Junction and Mesa County. Both entities approve the system's budget and the City provides the system's operational management. Due to the joint control and services to City and County residents, the sewer system is considered to be a joint venture and is reported in Note 8.

INDEPENDENT AUDIT

State statutes (C.R.S. 29-1-603) require an annual audit by independent certified public accountants. The accounting firm of Dalby, Wendland & Co., P.C. was selected by the County by competitive bid. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended December 31, 2005 are fairly presented in conformity with GAAP. This audit report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth in State statutes, the audit is also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. Mesa County is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in a separate report issued by the County's independent auditors.

PROFILE OF MESA COUNTY

Geography

Mesa County is located in western Colorado in the drainage basins of the Colorado and Gunnison Rivers, approximately 250 miles west of Denver. The landscape of Mesa County has many unique features as it is located in a river valley surrounded by contrasting natural landmarks such as the Colorado National Monument to the West and the Grand Mesa National Forest on the East. These natural wonders provide diverse and abundant year-round recreational activities for all to enjoy.

The County encompasses 3,309 square miles, of which approximately 72% is publicly owned and is controlled primarily by the U.S. Forest Service and the Bureau of Land Management. The County seat, the City of Grand Junction, is the largest city in western Colorado. The Grand Junction area serves as the banking center, health care services provider and retail trade center for a large geographical area in western Colorado and eastern Utah. Mesa County enjoys a mild climate with January lows averaging only 14°F (-10°C) and enjoys year-round low humidity levels.

Operating Structure

Mesa County, incorporated February 11, 1883, is a statutory county, defined as a service arm of the State, and derives its elected official structure and its powers from the State through enabling legislation. The three-member Board of County Commissioners serves as the legislative, policy-making and administrative body governing the unincorporated area of Mesa County. Commissioners are elected at large from one of three geographical districts and serve staggered four-year terms. In addition to having the power to levy taxes, the authority to represent the County, the responsibility for the care of County property and the management of its affairs, the Board has the exclusive responsibility and power to adopt the annual budget for operation of county government, including all offices, boards, commissions and other spending agencies funded in whole or in part by County appropriations.

Services

Mesa County provides the full range of services contemplated by State statute.

These include:

- General government functions
- Public protection and safety
- Road and bridge operations
- Public health
- Human services
- Culture and recreation
- Planning and zoning

Budgeting

The annual budget serves as the foundation for the County's financial planning and control. All activities, departments and funds of the County are budgeted as required by state statute. The appropriated budget is prepared by fund, function and department. Supplemental appropriations are approved by the Board of County Commissioners as needed throughout the year.

The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Commissioners. Expenditures may not legally exceed appropriations at the fund or elected official level. Detailed line item records provide management the capability to monitor budgets for all areas. Budgetary control is exercised through the use of system controls that restrict payments exceeding the budget. A central inventory requisition system is used for acquisition of supplies. Payroll costs are controlled by use of a staff position control system.

Internal Control

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and**
- (2) the valuation of costs and benefits requires estimates and judgments by**

management.

ECONOMIC CONDITION

Environment

Mesa County's economic environment is based on being the largest service based hub for the region of western Colorado and eastern Utah. This is evident in the steady growth over the last fifteen years without the benefit of any significant increase in local manufacturing. The top five employers in Mesa County are in the government and non-profit service sectors of health and education.

Employer	Industry	Employees
Mesa County School District #51	School	2,429
St. Mary's Hospital & Medical Center	Service	2,014
Mesa State College	School	1,177
State of Colorado-All Departments	Government	969
Mesa County	Government	927
City of Grand Junction	Government	900
Wal-Mart/Sam's	Retail	865
Hilltop Community Resources	Service	512
Halliburton	Service	415
Community Hospital	Service	414
City Market, Inc.	Retail	400
Choice Hotels	Service	376

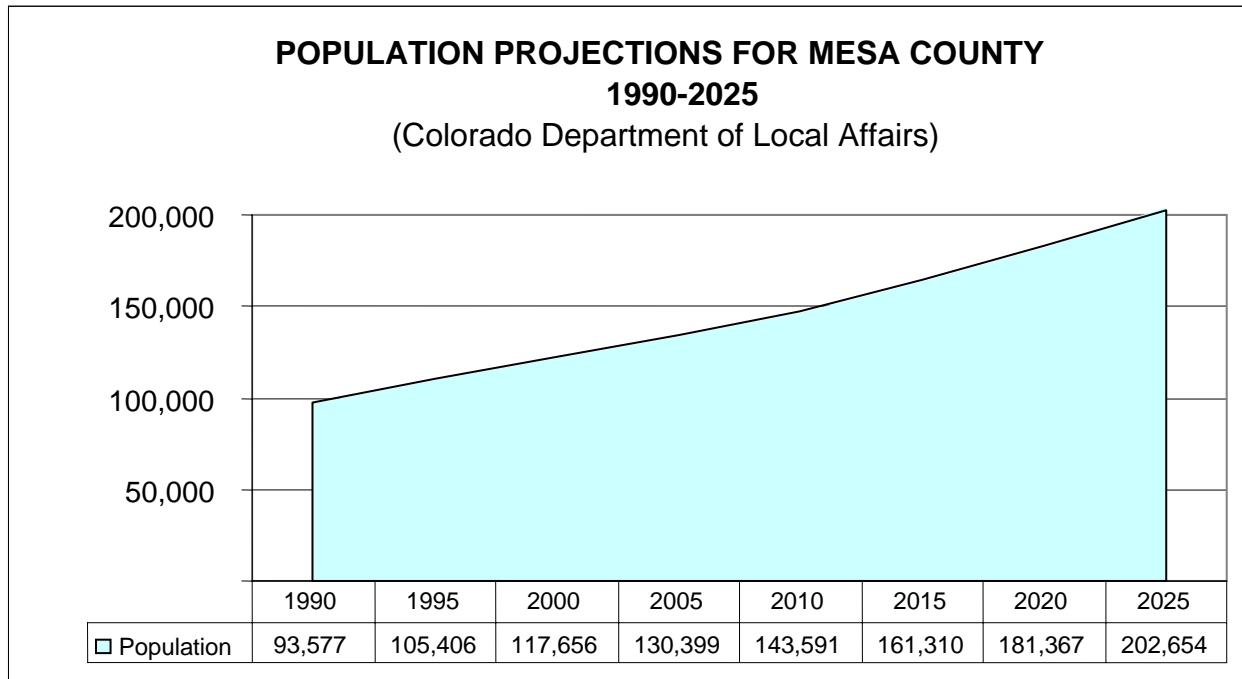
The regional support hub environment is linked to the growing U.S. and global demand for energy. Throughout western Colorado and eastern Utah there are large deposits of natural gas, coal, uranium and oil shale. With oil prices reaching and exceeding the \$60.00 per barrel mark, another effort to develop the oil shale resources is anticipated. Uranium mining is also seeing revitalization since the 1960's. Low sulfur coal continues to be mined and shipped out of Delta County through the rail head located in Grand Junction. Gas drilling has been extremely active in Garfield County. As all of the energy related activity takes place within the region, Mesa County will continue to provide services to the area.

Another environmental factor which will always be a concern of the desert southwest is water. The demand for water on the front range of Colorado will always be an issue. However, this debate is rapidly moving from an intra-state to an inter-state platform because of the 1922 Colorado River Compact. The inter-state water issue has the potential to strengthen the flow of water through Mesa County.

Mesa County is also a gateway to both the Rocky Mountains and the desert southwest. Because of this location, Mesa County is not only a recreational destination, it is also provides permanent residency for outdoor enthusiasts. This dynamic also has a positive effect on the economic environment of Mesa County.

Population Growth

Steady growth as a regional business hub has increased Mesa County's 2005 population to 130,399 people. The Colorado Department of Local Affairs projects that Mesa County will continue to experience strong population growth through 2025, averaging 2.275% each year. However, if large scale oil shale production is realized, significant growth even greater than the projected average is anticipated.



Much of the residential growth is taking place in unincorporated areas of the Grand Valley, placing increased demands for urban services on County departments and requiring extension of the infrastructure to rural areas. The County and the municipalities of the Valley are working to resolve questions relating to the provision of sewer service, the construction and maintenance of adequate arterial roads and the preservation of agricultural land.

This growth will have a positive affect on the County's tax base for the collection of property tax revenues and should also continue to drive the growth in retail sales. Assessed value increased by \$204 million over 2004, and the County's portion of sales taxes increased by 11.5% from 2004.

Per Capita Personal Income

In 2005 Mesa County had a per capita personal income (PCPI) of \$30,609 which was 80 percent of the state average, \$38,357. The national average for that time period is not available. The per capita personal income (PCPI) in 2000 was \$25,548 which was 78.7% compared to the state average of \$32,470. A comparison of PCPI for the five year period indicates that Mesa County has gained slightly in relationship to the state wage level.

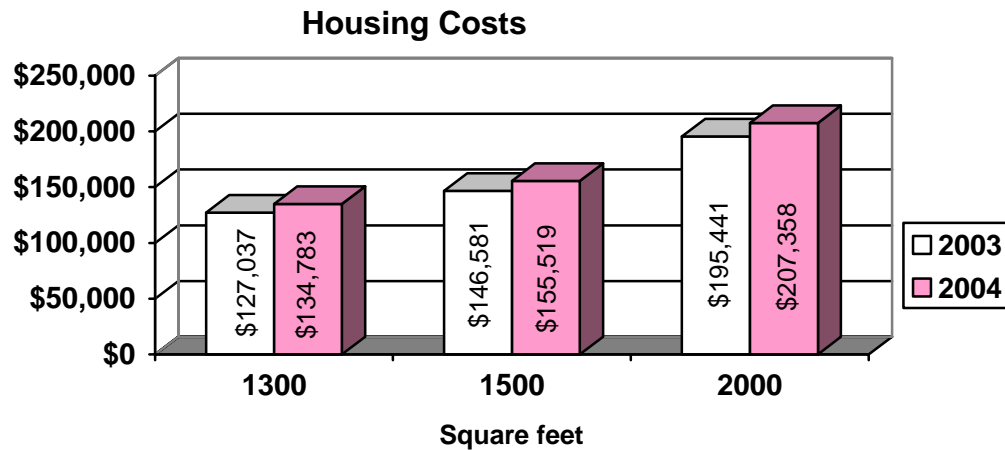
Total Personal Income

In 2005 Mesa County had a total personal income (TPI) of \$3,947,448,296. This TPI accounted for 2.2 percent of the state total. In 2000 the TPI of Mesa County was \$2,986,459,023 and accounted for approximately the same percentage. The Mesa County 2005 TPI reflects an increase of 32.2 percent over 2000.

Cost of Housing

Cost of housing continues to increase in Mesa County. The recent low interest rates had been a factor for the ability for individuals to purchase their own home. The 2005 median sales price in Mesa County of an existing single family home is \$172,261 (CO Assn. Realtors) compared to 2005 median sales price of all homes in Colorado which was \$200,874. A 2003 and 2004 estimated housing costs by county was prepared for the Colorado Division of Housing in 2004. This analysis was to project the cost of housing for properties of 1300, 1500 and 2000 square feet. The results

indicate a 6.09% increase in the projected value of all sized homes between 2003 and 2004 for Mesa County. That analysis has not been updated for 2005.

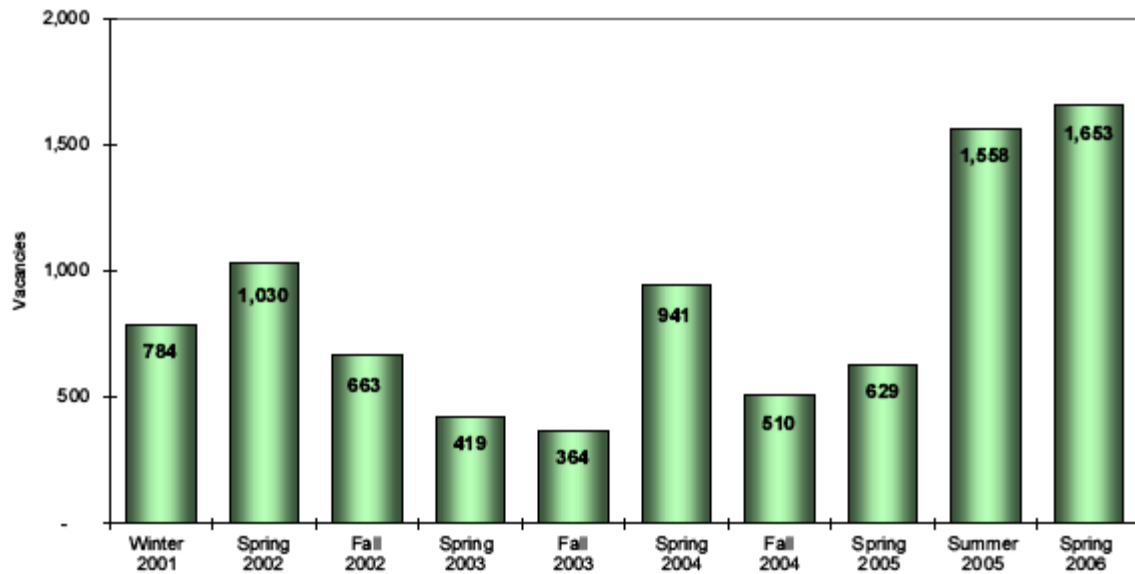


Source: Value West, Inc.
report for CDOH

Job Market

The Summer 2005 Mesa County Job Vacancy survey was conducted from August 31 through September 9, 2005. The survey provides a reliable estimate of the total number of job vacancies in the region while also relating demand-specific information about the available position. This report is published by the Workforce Research and Analysis unit, Labor and Market Information, Colorado Department of Labor and Employment. From this report we are able to assess the local job market and related trends for Mesa County. During the period from 2000 to 2005, the highest unemployment rate of 5.7% was recorded in Spring 2004.

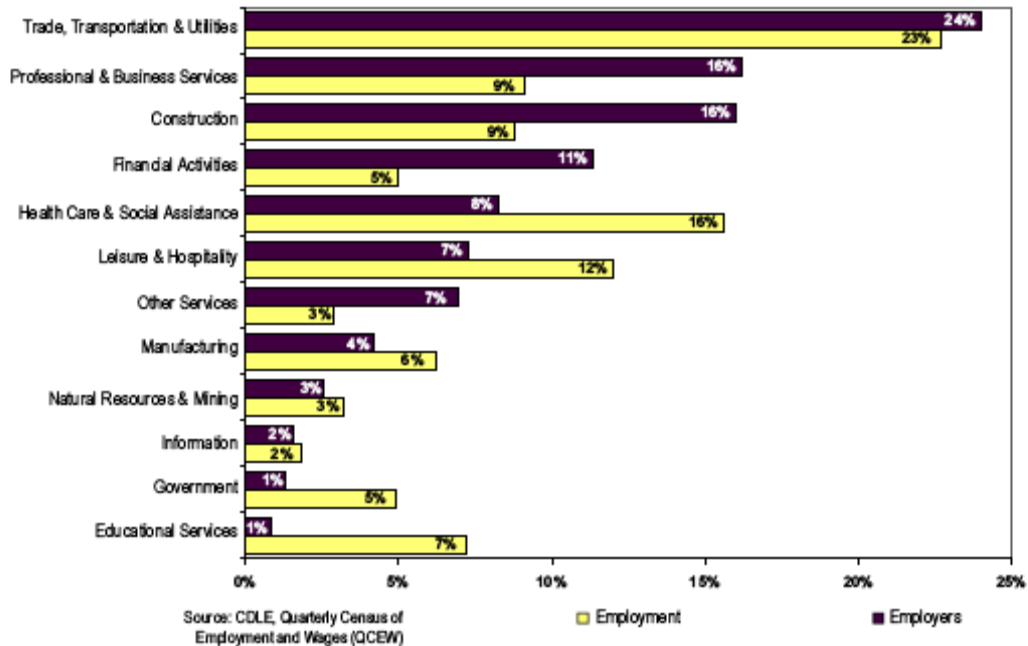
Job Vacancies



	Winter 2001	Spring 2002	Fall 2002	Spring 2003	Fall 2003	Spring 2004	Fall 2004	Spring 2005	Summer 2005	Spring 2006
Vacancies	784	1,030	663	419	364	941	510	629	1,558	1,653
Employment	54,993	59,263	62,834	62,263	64,320	63,618	66,333	68,044	66,394	70,279
Unemployment	2,155	3,113	2,973	3,660	3,638	3,820	3,176	3,089	3,367	2,618
Unemployment Rate	3.8%	5.0%	4.5%	5.6%	5.4%	5.7%	4.6%	4.3%	4.8%	3.6%

Source: CDLE, Local Area Unemployment Statistics, Released May 2006

Mesa County Employers and Employees, 2nd Quarter 2005



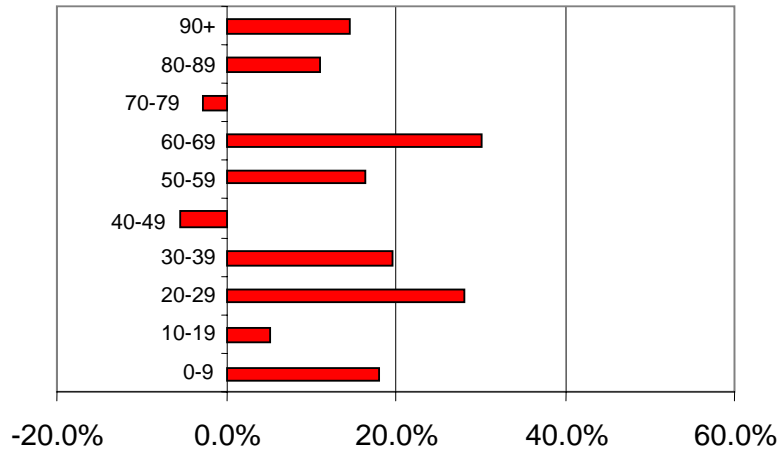
Reprinted from: Colorado Department of Labor and Employment, Labor Market Information, Workforce Research and Analysis

After the economic bust of the 1980's Mesa County realized the importance in building a diversified employment base. Although it has taken two decades, the county has worked to maintain its rural roots while transitioning to urban setting. This metamorphosis has resulted in being more diversified but with it came a growth in service sector jobs which tend to be lower paying.

The United States Department of Labor expects the trend of moving from goods-producing to service-providing employment opportunities to continue well into the next decade. The 2004-2005 Occupational handbook expects service-providing industries to account for approximately 20.8 million of the 21.6 million new wage and salary jobs generated over the 2002-2012 period. Within this, about one out of every four jobs created in the U.S economy will be either in the healthcare and social assistance or private educational service sectors. Employment growth in the social assistance and healthcare industry will be driven by increased demand due to an aging population and longer life expectancies. Given population projections through 2010, Mesa County expects these national trends for social assistance and healthcare needs to be emulated locally.

Overall, Mesa County's population is growing older. From 1990 through 2000 the median age in population increased from 34.61 years to 38.21 years. From 2004 through 2010 Mesa County's population is projected to continue aging with the fastest growing population group being those between the ages of 60-69.

Mesa County Projected % Population Change by Age Group: 2004-2010



	0-9	10-19	20-29	30-39	40-49	50-59	60-69	70-79	80-89	90+
■ Projected growth 2004-2010	18.4%	3.8%	27.7%	19.8%	-4.8%	18.3%	29.17%	-	6.1%	14.8%

(Source-Division of Local Government: Colorado Demography Section)

The growth in of the aging population is expected to drive up the need for Medicaid and health services. As a result, growth in professional employment opportunities appear to be strongest in the health care industry. In the Summer 2005 Job Vacancy Survey, 13% of 1,588 vacancies in Mesa County were in the healthcare fields.

Mesa County and its citizens face the challenge of balancing the increasing demand for government services while working within the fiscal constraints of Article X, Section 20 of the State Constitution. Refer to Note 13 of the basic financial statements for a discussion of Colorado's Amendment One, which places constitutional revenue, spending and debt limitations on units of local government within the State.

LONG TERM FINANCIAL PLANNING

The County has adopted a six-year Capital Investment Program (CIP) for the years 2005-2010. The budget for this period is approximately \$95.3 million. Seventy percent (70%) of the improvements are projects dedicated to Mesa County's roads, bridges, traffic safety, bike & pedestrian paths and other transportation needs. The remaining thirty percent (30%) represents renovation of county facilities, equipment purchases, solid-waste equipment and construction, and information and communication technology systems implementation. The CIP plan anticipated expenditures by department for 2005-2010 are listed below:

Facilities	\$15.5 million
Road & Bridge	\$66.5 million
Information Management	\$8.8 million
Solid waste Management	\$4.5 million

Funding sources for the CIP include sales tax, transfers from other County funds, State grants and other cost share revenue.

At December 31, 2005 the County has two debt issues outstanding. Both debt issues achieved an AAA rating. Sales Tax Revenue Refunding Bonds are outstanding in the amount of \$16,575,000. Sales Tax Revenue bonds were refinanced September 2004, saving a projected \$2.6 million in debt service payments over the remaining life of the bonds. All reserve requirements for the revenue bonds were met at December 31, 2005. Lease purchase certificates of participation of \$4,875,000 are outstanding at year-end. Debt service on the certificates is scheduled through the year 2008 and payments are subject to annual appropriation by the Commissioners. The County has refunded or defeased several previous bond issues, which are funded by irrevocable trust accounts, and, accordingly, are not included in the County's financial statements as outstanding debt.

Mesa County continues to have no bonded general obligation debt. Colorado statutes allow counties to issue general obligation debt to a ceiling of 1.5% of the assessed valuation of the County, with voter approval. Thus, Mesa County maintains a debt capacity of \$21,365,732 in accordance with State statutes.

Mesa County made significant steps toward self-insurance starting on January 1, 2003. In regard to claims against the County for items such as Property losses and other General Liability type claims; the County migrated to a self insured retention (SIR) of \$250,000 per claim. This SIR limit holds the County responsible for the first \$250,000 in costs/losses associated with an individual claim. The County retains protection from catastrophic losses on any individual claim that exceeds \$250,000. The County has become self-insured for Workers Compensation coverage. The County migrated to a policy that requires the County to cover the costs of all claims/losses with the insurance carrier being responsible for all losses/claims that exceed a dedicated dollar reserve. Financial reserves for unexpected losses in these areas have been established by the Board of Commissioners and the respective operating budgets are maintained in dedicated internal service funds.

These new insurance policies saved the County several hundred thousand dollars in premium costs in 2004 and 2005. The favorable loss history for the County in the past 5 years supported the business decision to assume a greater amount of risk and a comprehensive safety program has likely contributed to a reduction in the number of claims and the severity of the claims reported. The County continues to maintain insurance protection in the form of excess coverage, in both Workers Compensation and property/liability insurance, to protect the County from any unforeseen catastrophic losses.

The County renegotiated its health insurance contract with Rocky Mountain Health Plans in 2003. The new contract created a partially self insured model, where the County shares in the financial benefits and obligations created by low or high claims experience. The County and RMHP participate in a risk corridor that allows each party to share in the benefit or risk of up to 25% of total premium paid, minus administrative charges. This plan design was continued in 2004/5 and resulted in additional premium deficiency amount due to RMHP of \$768,000 for the 2005 year.

Mesa County's financial management policy was amended January 26, 2004 to incorporate formal budget policies and guidelines for the preparation, consideration, adoption and audit of the annual budget. These policies identify guidelines for budget preparation, revenue estimates, fund balance, contingencies, strategic plan alignment, Tabor emergency reserves, capital planning, market and

performance pay, position control, supplemental appropriations, transfers, adjustments and performance measures.

On December 15, 2004 the budget for the fiscal year beginning January 1, 2005 was adopted in the amount of \$147,420,369. This amount includes appropriations for transfers (\$14,709,333) and internal service funds (\$9,846,569). The 2005 budget was developed to deliver quality services to citizens and implement major components of the County's Strategic Plan. Fundamental initiatives evolved during the development of this budget and included funding to:

- **Protect public safety**
- **Maintain and increase safe road capacity**
- **Encourage economic development**
- **Balance new construction needs while maintaining existing facilities**
- **Continue support for disadvantaged and needy citizens**

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Mesa County, Colorado for its comprehensive annual financial report for the fiscal year ended December 31, 2004. Mesa County has received a Certificate of Achievement for the last fifteen consecutive years (fiscal years ended 1990-2004). In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, Mesa County also received the GFOA's Distinguished Budget Presentation Award for its budget document for the period beginning January 1, 2005. Mesa County has received a Distinguished Budget Presentation Award consecutively since 1993. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including a policy document, a financial plan, an operations guide and a communications device.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated and conscientious service of the entire staff of the Financial Services Division. I would like to express my appreciation to all elected officials, division directors, and department heads and their staff for their contributions to the excellence of this report.

In closing, we wish to acknowledge the interest, leadership and support of the Board of County Commissioners and Administration who support the policies which provide solid financial planning and a commitment for maintaining the highest standards of professionalism in managing the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Marcia R. Amhold
Mesa County Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Mesa County,
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emen

Executive Director

Mesa County, Colorado

List of Principal Officials (as of December 31, 2005)

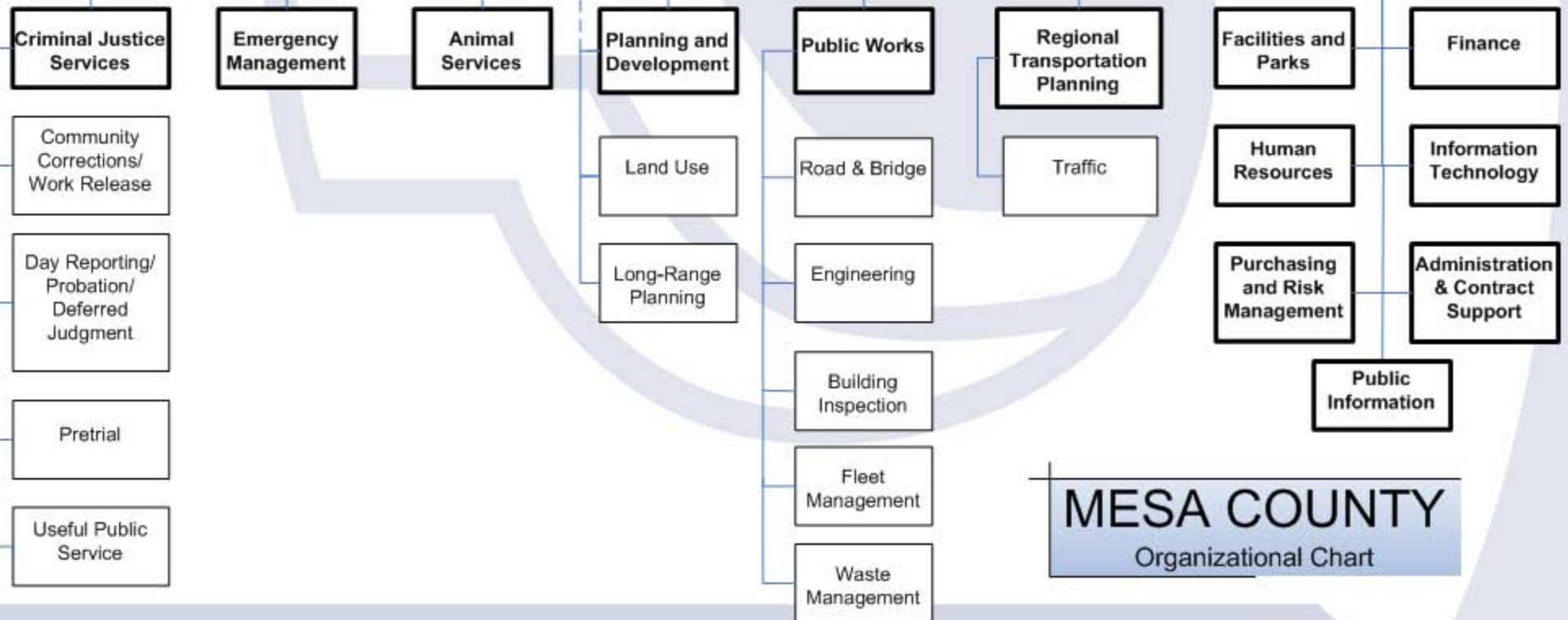
ELECTED OFFICIALS

Commissioner, District 1 Craig Meis
Commissioner, District 2 Tilman Bishop
Commissioner, District 3 Janet Rowland
Assessor Curtis Belcher
Clerk and Recorder Janice Ward
Coroner Dr. Robert Kurtzman
District Attorney Pete Hautzinger
Sheriff Stan Hilkey
Surveyor Leroy Stiles
Treasurer Monika Todd

APPOINTED OFFICIALS

County Administrator Jon Peacock
Animal Services Penny McCarty
Assistant County Administrator Stefani Conley
County Attorney Maurice Lyle Dechant
Criminal Justice Services Department Director Dennis Berry
Emergency Management/Medical Services Coordinator Kimberly Bullen
Facilities and Parks Director Sue Gormley
Financial Services Director Marcia Arnhold
Health Department Director Dr. Mick Aduddell
Human Services Director Jim Garrett
Information Management Department Director Tim Ryan
Land Use & Development Director Kurt Larsen
Personnel Director Nancie Flenard
Public Works Director Pete Baier
Purchasing and Risk Manager Mark Reitz
Regional Transportation Planning Office Director Tom Fisher

MESA COUNTY CITIZENS



MESA COUNTY
Organizational Chart