

Mesa County, Colorado  
Statement of Net Assets  
December 31, 2006

<b>ASSETS</b>	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 39,466,655	\$ 7,595,825	\$ 47,062,480
Receivables (net of uncollectible)	32,908,180	828,402	33,736,582
Deposits	183,623	-	183,623
Inventories	167,188	-	167,188
Prepays	159,069	18	159,087
Deferred charges	107,496	-	107,496
Capital assets (net of accumulated depreciation)			
Land	7,750,656	814,417	8,565,073
Buildings	41,953,229	807,888	42,761,117
Improvements	6,420,861	457,498	6,878,359
Equipment	6,613,621	1,677,367	8,290,988
Infrastructure	91,072,010	-	91,072,010
Construction in Progress	29,418,210	556,696	29,974,906
<b>Total Assets</b>	<u>256,220,798</u>	<u>12,738,111</u>	<u>268,958,909</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	7,073,266	1,238,685	8,311,951
Accrued wages	4,268,823	25,425	4,294,248
Deferred Revenue	25,979,536	1,141	25,980,677
Accrued interest payable	83,133	-	83,133
Non-current liabilities:			
Due within one year	4,313,055	3,465	4,316,520
Due in more than one year	17,660,483	2,666,432	20,326,915
<b>Total Liabilities</b>	<u>59,378,296</u>	<u>3,935,148</u>	<u>63,313,444</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	165,577,706	4,313,866	169,891,572
Restricted for:			
Debt Service	446,002	-	446,002
Emergency Reserve	2,590,764	-	2,590,764
Trust Accounts	259,125	-	259,125
Other Reserves	70,579	-	70,579
Landfill closure/post closure/replacement	-	3,832,995	3,832,995
Unrestricted	27,898,326	656,102	28,554,428
<b>Total Net Assets</b>	<u>\$ 196,842,502</u>	<u>\$ 8,802,963</u>	<u>\$ 205,645,465</u>

*The notes to the financial statements are an integral part of this statement.*

Mesa County, Colorado  
Statement of Activities  
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General Government	\$ 25,939,961	\$ 5,689,332	\$ 284,928	\$ 684,644	\$ (19,281,057)	\$ -	\$ (19,281,057)
Public Safety	27,224,781	4,981,614	2,513,486	452,428	(19,277,253)	-	(19,277,253)
Public Works	16,694,710	1,372,973	7,319,459	2,004,146	(5,998,132)	-	(5,998,132)
Public Health and Welfare	26,945,848	1,314,604	20,447,504	-	(5,183,740)	-	(5,183,740)
Human Services	2,656,906	18	1,248,633	-	(1,408,255)	-	(1,408,255)
Culture and Recreation	1,436,427	174,575	-	735,678	(526,174)	-	(526,174)
Miscellaneous	288,308	-	-	-	(288,308)	-	(288,308)
Interest on long term debt	922,115	-	-	-	(922,115)	-	(922,115)
Total government activities	102,109,056	13,533,116	31,814,010	3,876,896	(52,885,034)	-	(52,885,034)
<b>Business-type activities:</b>							
Solid Waste Management	3,145,706	3,826,027	-	-	-	680,321	680,321
Gateway Sewer	83,469	106,907	-	290,964	-	314,402	314,402
Mack Sewer	23,538	41,671	-	4,900	-	23,033	23,033
Total business-type activities	3,252,713	3,974,605	-	295,864	-	1,017,756	1,017,756
<b>Total County</b>	<b>\$ 105,361,769</b>	<b>\$ 17,507,721</b>	<b>\$ 31,814,010</b>	<b>\$ 4,172,760</b>	<b>(52,885,034)</b>	<b>1,017,756</b>	<b>(51,867,278)</b>
<b>General revenues:</b>							
Property taxes levied for general purposes					19,185,848	-	19,185,848
Property taxes levied for debt service					1,552,556	-	1,552,556
Sales tax					27,001,228	-	27,001,228
Use tax					3,219,895	-	3,219,895
Specific Ownership taxes					4,245,600	-	4,245,600
Unrestricted Investment earnings					2,341,248	358,670	2,699,918
Grants and contributions not restricted to specific programs					6,729,877	-	6,729,877
Loss on sale of assets					(514,008)	(191,346)	(705,354)
Miscellaneous					3,474,213	-	3,474,213
Transfers					1,200,000	(1,200,000)	-
Total general revenues and transfers					68,436,457	(1,032,676)	67,403,781
Change in net assets					15,551,423	(14,920)	15,536,503
Net assets-beginning					181,291,079	8,819,004	190,110,083
Adjustments to beginning net assets					-	(1,121)	(1,121)
Net assets-ending					\$ 196,842,502	\$ 8,802,963	\$ 205,645,465

The notes to the financial statements are an integral part of this statement.

**MESA COUNTY**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2006**

	GENERAL	DEPARTMENT OF HUMAN SERVICES	ROAD & BRIDGE	CAPITAL EXPENDITURES	OTHER GOVERNMENTAL	TOTAL
<b>ASSETS</b>						
Current assets:						
Cash, cash equivalents, Investments	\$ 20,172,237	\$ 5,688,602	\$ 1,148,957	\$ 7,998,225	\$ 2,068,696	\$ 37,076,717
Other Cash Items	3,420	2,240	-	-	7,311	12,971
Accounts receivables	1,278,060	52,289	-	-	501,974	1,832,323
Accrued Interest	136,644	-	-	-	-	136,644
Property Taxes Receivable	19,574,983	2,672,857	579,010	-	2,043,173	24,870,023
Inter-governmental	734,560	907,050	779,497	2,340,225	456,085	5,217,417
Pre-paid accounts	39,385	44,974	-	-	74,710	159,069
Commodity foods inventory	-	-	-	-	85,264	85,264
Deposits	5,000	13,623	-	-	-	18,623
<b>Total assets</b>	<b>41,944,289</b>	<b>9,381,635</b>	<b>2,507,464</b>	<b>10,338,450</b>	<b>5,237,213</b>	<b>69,409,051</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	1,213,368	229,875	85,964	1,283,446	232,464	3,045,117
TABOR refund payable	3,180,916	-	-	-	-	3,180,916
Retainage payable	11,157	-	-	-	-	11,157
Accrued wages	2,625,723	809,430	319,942	21,668	422,857	4,199,620
Due to other governments	111	11,999	-	-	-	12,110
Due to federal government	-	-	-	-	85,264	85,264
Deferred revenue	19,612,527	5,657,926	579,010	1,260	2,047,673	27,898,396
Deposits	27,244	-	232,619	-	5,225	265,088
<b>Total liabilities</b>	<b>26,671,046</b>	<b>6,709,230</b>	<b>1,217,535</b>	<b>1,306,374</b>	<b>2,793,483</b>	<b>38,697,668</b>
<b>FUND BALANCES</b>						
Reserved for:						
Debt Service	-	-	-	-	446,002	446,002
Encumbrances	765,073	5,264	133,543	3,406,653	29,752	4,340,285
Emergencies	2,590,764	-	-	-	-	2,590,764
National Forest-Title III	-	-	70,579	-	-	70,579
Prepaid Items	39,385	44,974	-	-	74,710	159,069
Restricted Funds	-	259,125	-	-	-	259,125
Unreserved, reported in:						
Capital Projects	-	-	-	5,625,423	-	5,625,423
General Fund	11,878,021	-	-	-	-	11,878,021
Special Revenue	-	2,363,042	1,085,807	-	1,893,266	5,342,115
<b>Total fund balances</b>	<b>15,273,243</b>	<b>2,672,405</b>	<b>1,289,929</b>	<b>9,032,076</b>	<b>2,443,730</b>	<b>30,711,383</b>
<b>Total liabilities and fund balances</b>	<b>\$ 41,944,289</b>	<b>\$ 9,381,635</b>	<b>\$ 2,507,464</b>	<b>\$ 10,338,450</b>	<b>\$ 5,237,213</b>	<b>\$ 69,409,051</b>

The notes to the financial statements are an integral part of this statement.

Mesa County, Colorado  
Reconciliation of Total Governmental Funds - Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2006

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Total Governmental Fund Balances	\$ 30,711,383
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	181,442,173
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,918,860
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, supplies, insurance and communications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	4,875,865
Inter-fund elimination:	(244,362)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,861,417)</u>
Net assets of governmental activities:	<u><u>\$ 196,842,502</u></u>

The notes to the financial statements are an integral part of this statement.

**MESA COUNTY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	GENERAL	DEPARTMENT OF HUMAN SERVICES	ROAD & BRIDGE	CAPITAL EXPENDITURES	OTHER GOVERNMENTAL	TOTAL
<b>REVENUES</b>						
Taxes	\$ 30,755,058	\$ 3,001,981	\$ 643,980	\$ 19,127,296	\$ 2,409,935	\$ 55,938,250
Licenses and Permits	1,713,540	-	107,350	-	235,858	2,056,748
Intergovernmental	12,162,525	16,824,990	7,326,254	3,066,243	4,621,005	44,001,017
Charges for services	2,593,331	-	70,224	405	1,891,299	4,555,259
Fines and forfeitures	282,241	-	-	-	-	282,241
Fee accounts	3,997,644	-	-	-	63,570	4,061,214
Miscellaneous	1,890,019	-	2,812	11,000	127,675	2,031,506
Investment earnings	2,169,762	-	-	-	171,486	2,341,248
Charges for service - internal	337,890	-	-	-	-	337,890
Total revenues	<u>55,902,010</u>	<u>19,826,971</u>	<u>8,150,620</u>	<u>22,204,944</u>	<u>9,520,828</u>	<u>115,605,373</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	12,665,183	-	-	-	465,054	13,130,237
General government-Elected Officials	7,596,849	-	-	-	-	7,596,849
Public Safety	6,604,986	-	-	-	238,738	6,843,724
Public Safety-Elected Officials	18,191,996	-	-	-	-	18,191,996
Public works	1,223,642	-	10,215,385	-	109,373	11,548,400
Public health and welfare	-	19,658,874	-	-	6,999,210	26,658,084
Human services	2,182,138	-	-	-	320,806	2,502,944
Culture and recreation	1,054,330	-	-	-	443,057	1,497,387
Miscellaneous	284,928	-	-	-	3,380	288,308
<b>Debt service:</b>						
Principal Retirement	-	-	-	-	4,115,000	4,115,000
Interest	-	-	-	-	913,188	913,188
<b>Capital outlay:</b>						
General government	-	-	-	4,231,533	-	4,231,533
Public Safety	-	-	-	2,947,663	-	2,947,663
Public works	-	-	-	8,213,564	-	8,213,564
Culture and recreation	-	-	-	2,193,462	-	2,193,462
Total expenditures	<u>49,804,052</u>	<u>19,658,874</u>	<u>10,215,385</u>	<u>17,586,222</u>	<u>13,607,806</u>	<u>110,872,339</u>
Excess (deficiency) of revenues over expenditures	<u>6,097,958</u>	<u>168,097</u>	<u>(2,064,765)</u>	<u>4,618,722</u>	<u>(4,086,978)</u>	<u>4,733,034</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(2,407,957)	-	-	(2,970,000)	(2,825,036)	(8,202,993)
Transfers In	2,189,836	-	-	1,844,700	5,239,207	9,273,743
Sale of assets	8,484	-	-	-	-	8,484
Total other financing sources and uses	<u>(209,637)</u>	<u>-</u>	<u>-</u>	<u>(1,125,300)</u>	<u>2,414,171</u>	<u>1,079,234</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,888,321</b>	<b>168,097</b>	<b>(2,064,765)</b>	<b>3,493,422</b>	<b>(1,672,807)</b>	<b>5,812,268</b>
Fund balances -- beginning	9,384,922	2,504,308	3,354,694	5,538,654	4,116,537	24,899,115
Fund balances -- ending	<u>\$ 15,273,243</u>	<u>\$ 2,672,405</u>	<u>\$ 1,289,929</u>	<u>\$ 9,032,076</u>	<u>\$ 2,443,730</u>	<u>\$ 30,711,383</u>

The notes to the financial statements are an integral part of this statement

Mesa County, Colorado  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2006

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances-total governmental funds 5,812,268

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 4,895,519

Capital Outlays	\$ 11,576,312
Depreciation expense	<u>(6,680,793)</u>
	<u>\$ 4,895,519</u>

The net effect of various miscellaneous transactions involving capital assets (IE: sales, trade-in or donations) is to increase (decrease) net assets. 1,023,843

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (733,123)

The issuance of long-term debt (IE: bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 4,226,582

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. (1,691)

Internal service funds are used by management to charge the costs of fleet management, insurance, supplies and communications to individual funds. 328,025

Change in net assets of governmental activities : \$ 15,551,423

The notes to the financial statements are an integral part of this statement.

## **BUSINESS-TYPE ACTIVITIES**

Enterprise (business-type) funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

### **Major Enterprise Fund**

***Mesa County Solid Waste Fund*** – accounts for operations of the solid waste facility. The intent of the County Commissioners is that the costs of the landfill operations and future closure costs be recovered primarily through fees for trash disposal.

### **Non-Major Enterprise Funds**

***Gateway Sewer*** – accounts for the operations of the sewer treatment facility located in the southwest area of Mesa County. The intent of the fund is to recover operating costs through user charges.

***Mack Sewer*** – accounts for the operations of the sewer treatment facility located in the west area of Mesa County. The intent of the fund is to recover operating costs through user charges.

***Whitewater Sewer*** – accounts for the operations of the sewer treatment facility located in the east area of Mesa County. The intent of the fund is to recover operating costs through user charges.

**MESA COUNTY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

Business-type Activities - Enterprise Funds

	MAJOR ENTERPRISE	NON MAJOR ENTERPRISE	Total Enterprise Funds	Govt Activities Internal Service Funds
	Solid Waste Management	Other Enterprise Funds		
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents, Investments	\$ 7,201,848	\$ 393,977	\$ 7,595,825	\$ 2,376,967
Accounts receivables	279,270	304,770	584,040	101,773
Pre-paid accounts	-	18	18	-
Due from other funds	-	-	-	8,234
Inventories	-	-	-	81,924
Deposits	-	-	-	165,000
Due from other governments	-	-	-	750,000
Total Current assets:	<u>7,481,118</u>	<u>698,765</u>	<u>8,179,883</u>	<u>3,483,898</u>
Noncurrent assets:				
Capital Assets	3,201,735	1,112,131	4,313,866	1,786,414
Total Noncurrent assets:	<u>3,201,735</u>	<u>1,112,131</u>	<u>4,313,866</u>	<u>1,786,414</u>
Total assets	<u>10,682,853</u>	<u>1,810,896</u>	<u>12,493,749</u>	<u>5,270,312</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities:				
Accounts payable	353,698	95,205	448,903	237,486
Retainage payable	-	39,782	39,782	-
Accrued wages	25,425	-	25,425	69,203
Due to other governments	-	750,000	750,000	-
Deferred revenue	-	1,141	1,141	-
Total Current liabilities:	<u>379,123</u>	<u>886,128</u>	<u>1,265,251</u>	<u>306,689</u>
Non current liabilities:				
Future compensated absences	39,581	-	39,581	87,758
Landfill closure liability	2,630,316	-	2,630,316	-
Total Non current liabilities:	<u>2,669,897</u>	<u>-</u>	<u>2,669,897</u>	<u>87,758</u>
Total liabilities	<u>3,049,020</u>	<u>886,128</u>	<u>3,935,148</u>	<u>394,447</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,201,735	1,112,131	4,313,866	1,786,414
Restricted for Landfill closure/postclosure	3,832,995	-	3,832,995	-
Unrestricted	599,103	(187,363)	411,740	3,089,451
Total net assets	<u>7,633,833</u>	<u>924,768</u>	<u>8,558,601</u>	<u>\$ 4,875,865</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				
Current year:	1,288	-	1,288	
Prior years:	243,074	-	243,074	
	<u>244,362</u>	<u>-</u>	<u>244,362</u>	
Net assets of business-type activities	<u>\$ 7,878,195</u>	<u>\$ 924,768</u>	<u>\$ 8,802,963</u>	

*The notes to the financial statements are an integral part of this statement.*

**MESA COUNTY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

Business-type Activities - Enterprise Funds

	MAJOR ENTERPRISE	NON MAJOR ENTERPRISE		
	Solid Waste Management	Other Enterprise Funds	Total Enterprise Funds	Govt Activities Internal Service Funds
<b>Operating revenues:</b>				
Intergovernmental	\$ -	\$ 200,000	\$ 200,000	\$ -
Charges for services	3,747,933	145,941	3,893,874	557,050
Miscellaneous	71,243	-	71,243	12,311
Charges for service - internal	5,563	-	5,563	9,003,563
Total Operating Revenues	<u>3,824,739</u>	<u>345,941</u>	<u>4,170,680</u>	<u>9,572,924</u>
<b>Operating expenses:</b>				
Personnel Services	365,926	-	365,926	4,817,425
Supplies	110,652	882	111,534	1,453,727
Purchased Services	1,965,768	100,819	2,066,587	1,227,324
Travel and Subsistence	2,705	1,299	4,004	8,428
Fixed Charges	115,934	-	115,934	346
Other Operating	-	-	-	23,736
Increase in landfill closure	247,345	-	247,345	-
Insurance Claims/Deductions	5,871	-	5,871	754,039
Depreciation	324,298	416	324,714	634,482
Insurance and Support	7,207	3,591	10,798	452,542
Total operating expenses	<u>3,145,706</u>	<u>107,007</u>	<u>3,252,713</u>	<u>9,372,049</u>
Operating Income (loss)	<u>679,033</u>	<u>238,934</u>	<u>917,967</u>	<u>200,875</u>
<b>Nonoperating revenues (expenses):</b>				
Gain or Loss on disposition of assets	(191,346)	-	(191,346)	537
Investment earnings	348,260	10,410	358,670	-
Total non operating revenue (expenses)	<u>156,914</u>	<u>10,410</u>	<u>167,324</u>	<u>537</u>
Income (loss) before contributions and transfers	835,947	249,344	1,085,291	201,412
Transfers In	-	2,637	2,637	143,597
Transfers Out	(1,200,000)	-	(1,200,000)	(16,984)
Capital contribution	-	95,864	95,864	-
Total Contributions and Transfers	<u>(1,200,000)</u>	<u>98,501</u>	<u>(1,101,499)</u>	<u>126,613</u>
<b>CHANGE IN NET ASSETS</b>	(364,053)	347,845	(16,208)	328,025
Total net assets -- beginning	8,242,081	576,923	8,819,004	4,547,840
Adjustment to beginning Net Assets	(1,121)	-	(1,121)	-
Total net assets -- ending	<u>7,876,907</u>	<u>924,768</u>	<u>8,801,675</u>	<u>\$ 4,875,865</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	1,288	-	1,288	
	<u>\$ 7,878,195</u>	<u>\$ 924,768</u>	<u>\$ 8,802,963</u>	

The notes to the financial statements are an integral part of this statement.

**MESA COUNTY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

Business-type Activities - Enterprise Funds

	MAJOR ENTERPRISE	NON MAJOR ENTERPRISE	Total Enterprise Funds	Govt Activities Internal Service Funds
	Solid Waste Management	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash From interfund	\$ 5,563	\$ -	\$ 5,563	\$ 8,954,998
Cash receipts from customer	3,845,150	50,655	3,895,805	575,228
Payments to employees	(362,532)	-	(362,532)	(888,680)
Payments to interfund	(17,052)	-	(17,052)	(144,500)
Payments to suppliers	(2,195,992)	(42,916)	(2,238,908)	(8,418,713)
Net cash provided (used) by operating activities	<u>1,275,137</u>	<u>7,739</u>	<u>1,282,876</u>	<u>78,333</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	2,637	2,637	143,597
Transfers to other funds	(1,200,000)	-	(1,200,000)	(16,984)
Net cash (used) by Noncapital financing	<u>(1,200,000)</u>	<u>2,637</u>	<u>(1,197,363)</u>	<u>126,613</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Advance from other governments	-	700,000	700,000	-
Advance to other governments	-	-	-	(700,000)
Capital contributions	-	95,864	95,864	-
Proceeds (loss) from disposition of capital assets	(190,615)	-	(190,615)	7,695
Purchases of capital assets	(738,055)	(621,116)	(1,359,171)	(689,276)
Net cash (used) by capital and related financing activities	<u>(928,670)</u>	<u>174,748</u>	<u>(753,922)</u>	<u>(1,381,581)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	348,260	10,410	358,670	-
Net cash provided by investing activities	<u>348,260</u>	<u>10,410</u>	<u>358,670</u>	<u>-</u>
Net Increase (decrease) in cash and cash equivalents	(505,273)	195,534	(309,739)	(1,176,635)
Balances - beginning of year	<u>7,707,121</u>	<u>198,443</u>	<u>7,905,564</u>	<u>3,553,602</u>
Balances - end of the year	<u>\$ 7,201,848</u>	<u>\$ 393,977</u>	<u>\$ 7,595,825</u>	<u>\$ 2,376,967</u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	679,033	238,934	917,967	200,875
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	324,298	416	324,714	634,482
Changes in assets and Liabilities:				
Accounts Payable - Other	247,345	-	247,345	-
Accounts Payable - Supplier	(4,907)	63,690	58,783	(716,656)
Compensated absences	2,841	-	2,841	(3,773)
Deferred Revenue	-	211	211	-
Prepaid items	-	(18)	(18)	-
Customer Receivables	25,974	(295,494)	(269,520)	(37,893)
Interfund receipts	-	-	-	(4,806)
Inventory	-	-	-	(2,799)
Salaries & Benefits Payable	553	-	553	8,903
Net Cash provided by operating activities	<u>\$ 1,275,137</u>	<u>\$ 7,739</u>	<u>\$ 1,282,876</u>	<u>\$ 78,333</u>

The notes to the financial statements are an integral part of this statement.

Mesa County, Colorado  
Statement of Net Assets  
Fiduciary Funds  
December 31, 2006

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	<u>Agency Funds</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$3,925,500
Accounts Receivable	1,380
Other cash items	<u>1,201,426</u>
Total assets	<u><u>\$5,128,306</u></u>
<b>Liabilities</b>	
Due to other governments	\$3,926,880
Deposits held for others	<u>1,201,426</u>
Total liabilities	<u><u>\$5,128,306</u></u>

*The notes to the financial statements are an integral part of this statement*

**Mesa County, Colorado**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Mesa County was formed in 1883 and is a statutory county under Colorado revised statutes. The County's governing body is the three-member Board of County Commissioners. The Commissioners are elected for four-year terms. The County's financial statements include the accounts and operations of all County functions. The County's major operations include public safety, road and bridge construction and maintenance, public health, human services, culture-recreation and general administrative services.

The financial statements of Mesa County have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires the County's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures (expenses). Actual results could differ from the estimates and assumptions used.

The more significant of the County's accounting policies are described below.

**1. Financial Reporting Entity**

In evaluating how to define the County, for financial reporting purposes, management has considered all aspects of where financial responsibility rests. The financial reporting entity consists of Mesa County, as the primary government; organizations for which Mesa County is financially accountable; and other organizations for which the nature and significance of their relationships with Mesa County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by GASB in its Statement 14, "*The Financial Reporting Entity*", as amended by GASB Statement #39. The component units discussed below are included in the County's reporting entity because of significant operational or financial relationships.

**Blended Component Units**

Mesa County is fiscally accountable for:

- The Upper Grand Valley Pest Control district that benefits a segment of the County's population. The pest control district is a Special Revenue Fund in this report.
- In November, 2001, citizens of Mesa, Colorado voted to establish an 1159 District for the operations of the Mesa Community Center. This district, Mesa Community Center Public Improvement District, is a Special Revenue Fund in this report.
- In November, 2003 the Southwest Mesa County Rural Services Public Improvement District (SWMCRSPID) was established in the Gateway area. This district's general fund is included as special revenue fund when blended with the primary government. The District was established in 2004 and began collecting property taxes in 2005. An enterprise fund was established in November 2004 for operations of the sewer treatment facility within this District.

- In November 2004, citizens of the Mack area voted to establish an 1159 District for the operations of the Mesa County Lower Valley Public Improvement District. The final dissolution of the former sanitation district and establishment of this public improvement district occurred February 1, 2005. An enterprise fund was established for operations of the sewer treatment facility for 2005.
- In November 2006, citizens of the Whitewater area voted to establish an 1159 District for the operations of the Mesa County Whitewater Public Improvement District. An enterprise fund has been established for construction and subsequent operations of the sewer treatment facility for 2007.

Each Public Improvement District has an advisory board which prepares recommendations to the Board of County Commissioners (BOCC) for daily activities and annual budget. The BOCC governs the districts; there are no separate financial statements.

The 21st Judicial District of the State of Colorado (the District Attorney function) has the same geographic boundaries as Mesa County. The District Attorney has chosen to be included in the Mesa County reporting entity, and the department is accounted for in the County's General Fund. The District Attorney's budget is approved annually by the Board of County Commissioners.

Mesa County has no discretely presented component units.

### **Related Organizations**

The Mesa County Public Library District is a related organization, as the Board of County Commissioners appoints the seven members of the Board of Trustees, as mandated by Colorado Library law. The Library District was established January 1, 1992, as a separate political subdivision of the State of Colorado with its own taxing authority. The Commissioners are not involved in operations or management of the District and are not financially accountable for the District. Separate financial statements for the Mesa County Public Library District are available at 530 Grand Avenue, Grand Junction, Colorado 81501.

## **2. Basis of Presentation and Measurement Focus**

Prior to GASB Statement 34, Mesa County employed the historical system of accounting and financial reporting using the *governmental financial reporting model*. Essentially this method demonstrated fiscal accountability and compliance using segregated funds for the numerous activities the County performs. This method required the accounting system to be organized and operated on a fund and account group basis. GASB 34 modifies this method to meet the objective of demonstrating operational accountability.

Funds are classified into three categories: governmental, proprietary and fiduciary. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on a specific activity or attaining certain objectives. The funds in each category use a different basis of accounting and have a different measurement focus. Measurement focus determines what is being measured, while basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

*Governmental funds* typically are used to account for tax-supported activity using the current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Mesa County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Recognition of revenues represented by non-current receivables is deferred until they become current receivables. Those revenues susceptible to accrual are interest revenue

and charges for services. Sales taxes collected and held by the State of Colorado at year end on behalf of the County also are recognized as revenue. Fines, permits, fees, entitlements, and shared revenues are not susceptible to accrual because, generally, they are not measurable until received. Grant revenues are recognized as they are earned. Expenditures are recorded when the related fund liability is incurred.

*Proprietary funds* are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges) using the economic resources measurement focus and the accrual method basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with principal operations (IE: user charges). All revenues and expenses not meeting this definition are reported as non-operating (IE: interest earnings on deposits). In accordance with GASB Statement 20, the County applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting and reporting for its enterprise fund operations except those that conflict with GASB pronouncements. Mesa County's enterprise funds include Solid Waste Management and the sewer operations for the Public Improvement Districts of Southwest Mesa County Rural Services, Mesa County Lower Valley, and Whitewater.

*Fiduciary funds* are used to account for resources that are held by the government as a trustee or agent for parties outside the government and cannot be used to support the government's own programs. Fiduciary funds report only assets and liabilities and use the accrual method basis of accounting. The only fiduciary funds Mesa County reports are agency funds.

GASB 34 financial reporting method "converts" these differences to one consistent basis of accounting and measurement focus to provide consolidated information for all aspects of activity for Mesa County. The readers of this CAFR will now see Government-wide financial reporting complementing fund reporting. Mesa County's basic financial statements now consist of government-wide statements, including a statement of net assets and a statement of activities, fund-based statements and accompanying notes.

### **3. Government-wide Financial Statements**

The statement of net assets and statement of activities illustrate the County's financial position as a whole to demonstrate; operational accountability, sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the period. The only exclusion in government-wide financial statements is the fiduciary funds since by definition their resources are not available to support the government's own programs.

All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets reports all capital assets and long term debt. Both the governmental and business-type activities are presented on a consolidated basis by column.

The statement of activities reflects the balance of how much direct expense of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants or contributions that are restricted to meeting the operational or capital requirements of the particular program. Taxes and other items not classified as program revenues are reported as general revenues. This balance identifies the extent to which a government function or business segment is self-funded and which draw from general County revenues.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and other charges between the Solid Waste

Management and/or Sewer functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### **4. Fund Financial Statements**

Separate financial statements are provided for each major and non-major governmental fund, proprietary and fiduciary funds of Mesa County.

*Mesa County reports the four major governmental funds:*

- 1) **General Fund.** This is the primary operating fund for Mesa County. This fund accounts for the financial resources of the County which are not accounted for in any other fund. Principal sources of revenue are property and sales taxes, licenses and permits, intergovernmental revenues, charges for services, interest on investments, and fees. Primary expenditures are for general government, public safety, public works, and culture and recreation.
- 2) **Human Services.** This fund accounts for the local share of Federal and State public welfare programs and is mandated by State Statute. Programs include, but are not limited to: Medicaid, Food Stamps, foster care, senior service, child support, and job training programs and Temporary Assistance to Needy Families (TANF).
- 3) **Road and Bridge.** This fund, also mandated by State Statute accounts for activity related to the costs of maintaining and constructing roads and bridges throughout the County. A portion of road and bridge taxes is allocated to cities and towns within the county for use in their road and street activities.
- 4) **Capital Projects.** This fund accounts for one-half, or 1%, of County Sales Tax committed to acquire or construct major capital facilities or improvements.

The remaining governmental funds are aggregated and presented as non-major funds. These funds are: Health Board, Commissary, Economic Development, Upper Grand Valley Pest Control District, Contingency, Septic System Elimination Program, TV Translator, Developmental Disabilities, Conservation Trust, Mesa County Fair Board, Southwest Mesa County Rural Services Public Improvement District, Clerk Technology, Transportation Impact, Development Impact, Mesa Community Club Public Improvement District, Sales Tax Bond, Jail Lease Purchase. The Contingency fund was closed in 2006; the residual equity was transferred to the General Fund as reserved fund balance and will not be presented as a separate fund in the future.

*Mesa County reports the following major proprietary fund:*

The Solid Waste Fund accounts for the County's landfill, recycling and educational operations. These activities are funded by site collection fees, sale of recycled materials and interest earnings for deposited funds.

Non-major proprietary funds include: the Gateway Sewer (within the Southwest Mesa County Rural Services Public Improvement District (SWMCRSPID)), the Mesa County Lower Valley Public Improvement District (MCLVPID), and the Mesa County Whitewater Public Improvement District (MCWWPID). These funds account for the collection of fees and the expenditures related to providing sewer service to citizens within the districts' boundaries.

*Additionally, Mesa County reports the following fund types:*

The Internal Service funds are considered non-major proprietary funds, and account for: insurance, fleet management services, telephone, mail and supplies, and shared sewer costs provided to other departments of the County, or to other governments, on a cost-reimbursement basis.

Agency Funds are used to account for assets held by the County in a fiduciary capacity for individuals, private corporations, other governments and other funds. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Mesa County reports the following Agency Funds: Law Enforcement Forfeiture, Treasurer's Clearing Account, CJSD Client, Sheriff/Detention Inmate, Sheriff Trust, Department of Human Service Trust, Methamphetamine Task Force and School District #51 and #50 Land Dedication.

## 5. Assets, Liabilities and Equity

### 1. *Cash and Investments*

Cash and investments of all funds are pooled in order to maximize investment opportunities. Individual fund's pooled cash are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. The County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Investments are reported at fair value which is determined by quoted market prices. Net increases or decreases in fair value are reported in the investment revenue accounts of the General Fund.

### 2. *Property Taxes*

Property taxes attach as an enforceable lien on January 1, 2007, and are due in full April 30, 2007, or in equal installments February 28, 2007, and June 15, 2007, at the taxpayer's option. Taxes becoming delinquent after those dates are subject to interest charges. Unpaid tax liens are sold at the annual tax sale for delinquent taxes, interest and other costs. The County bills and collects its own property taxes as well as those for all taxing districts in the County. Collections for other districts are accounted for in the agency funds. Property taxes are reported as a receivable and are deferred revenues at December 31. The deferred revenue is reported as revenues in the year collected and available.

### 3. *Inter-fund Receivables and payables*

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

### 4. *Receivables (other than Inter-fund)*

Receivables as of year end for Mesa County's individual major funds and non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	<u>General</u>	<u>Human Services</u>	<u>Road &amp; Bridge</u>	<u>Capital Expenditures</u>	<u>Non-Major Funds</u>	<u>Total</u>
Accounts	\$1,278,060	\$52,289	\$0	\$0	\$501,974	\$1,832,323
Interest	136,644	0	0	0	0	136,644
Property Taxes	19,685,221	2,687,909	582,271	0	2,054,680	25,010,081
Inter-gov't	<u>734,559</u>	<u>907,050</u>	<u>779,497</u>	<u>2,340,225</u>	<u>456,085</u>	<u>5,217,416</u>
Gross receivables	\$21,834,484	\$3,647,248	\$1,361,768	\$2,340,225	\$3,012,739	\$32,196,464
Less: Allowance for uncollectible	<u>(110,237)</u>	<u>(15,052)</u>	<u>(3,261)</u>	<u>(0)</u>	<u>(11,507)</u>	<u>(140,057)</u>
Net receivables	<u>\$21,724,247</u>	<u>\$3,632,196</u>	<u>\$1,358,507</u>	<u>\$2,340,225</u>	<u>\$3,001,232</u>	<u>\$32,056,407</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes (General fund)		\$19,574,983
Property taxes (Human Services fund)		2,672,857
Property taxes (Road & Bridge fund)		579,010
Property taxes (Non-major governmental funds)		<u>2,043,173</u>
Other governmental (General fund)	\$ 37,544	
Other governmental (Human Services fund)	2,985,069	
Other governmental (Capital fund)	1,260	
Other governmental (Non-major governmental funds)	<u>4,500</u>	
Total deferred / unearned revenue for governmental funds	<u>\$ 3,028,373</u>	<u>\$24,870,023</u>

#### 5. Inventories and Prepaid Items

Inventories in the Vehicle Maintenance Fund and the Internal Services Fund are valued at average cost on a first-in, first-out basis. The inventory consists of expendable supplies held for consumption. Expenditures are recorded as the items are used in providing fleet maintenance services or as operating departments requisition small supplies. The costs of the Internal Services Funds' supply inventories are recorded as expenses when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 6. Net Assets

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

#### 7. Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the County as assets that have a useful life of one or more years, and for which the initial, individual value equals or exceeds the following dollar amounts:

<u>Asset Class</u>	<u>Minimum Dollar Value</u>
Land .....	No Minimum
Buildings.....	No Minimum
Building Improvements.....	\$25,000
Improvements Other Than Buildings .....	\$25,000
Leasehold Improvements.....	\$25,000
Furniture and Equipment .....	\$5,000
Road subsystems .....	\$50,000

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

All capitalized assets, excluding land and work-in-process, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	40 years
Building Improvements	15 years
Land Improvements	25 years
Leasehold Improvements	Term of lease or asset life, whichever is shorter
Vehicles	7 years
Heavy Trucks	10 years
Heavy Equipment	10 years
Communication Equipment	10 years
Computer Equipment	3 years
Office Furniture	10 years
All other furniture and equipment	6 years
Roads	60 years
Bridges	30 years
Culverts, curbs, gutters, sidewalks	20 years
Traffic signals	15 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets as their useful life often extends beyond most other capital assets and are stationary in nature. Mesa County reports infrastructure assets on a network and subsystem basis. Retirements are recorded upon complete replacement, annexation by another government entity, or when significant reconstruction is completed. General infrastructure assets are those associated with or arising from governmental activities.

Prior to GASB 34 governments were not required to report general infrastructure assets. Information relating to these early assets is limited. The required retroactive capitalization period at the time of implementing infrastructure reporting will not extend back earlier than years ending after June 30, 1980. GASB 34 also allows for reporting these assets using an estimated historical cost due to limited, adequate records maintained since 1980. GASB 34 requires the reporting and depreciation of new infrastructure assets to begin when adopting the general provisions of statement 34. For Mesa County, this began with the implementation year, January 1, 2002.

Assets greater than \$5,000 held and utilized in proprietary fund operations are recorded at cost, or in the case of donations, at their estimated fair market value on the date donated. Depreciation in proprietary fund types is computed using the straight-line method over the assets' estimated useful lives as shown above. Retroactive reporting provisions do not apply to proprietary funds as infrastructure reporting has always been a requirement for these funds.

## 8. *Compensated Absences*

A portion of the liability for accrued vacation and unused sick leave benefits at December 31, 2006 is recorded as long-term liabilities in the government-wide financial statements to recognize the cost of these benefits expected to be liquidated beyond the next year. The remaining current portion of this liability is estimated based on historical trends.

The County's policy permits employees to accumulate a limited amount of earned, but unused vacation, which will be taken after December 31, 2006, or paid upon separation from County service. County policy also permits, at termination, employees to be paid for unused sick leave in excess of nine-hundred sixty hours, one hour paid for every one and one-half hours in excess. This liability is recognized in the future compensated absence liability.

Mesa County has four appointed positions who receive severance benefits. These positions include: County Attorney, County Administrator, Health Department Director and Department of Human Services Director. Contractual benefits for these positions may include up to a six month severance package whereby the County will pay six months of salary, benefits and retirement upon separation from service. This liability is recognized in the future compensated absence liability.

Mesa County does not offer voluntary termination benefits (early retirement incentives). Terminated employees may participate in Consolidated Omnibus Budget Reconciliation Act (COBRA) for dental, vision and health insurance for a period of eighteen months, unless granted an extension, following the date of termination. Terminated employees pay the entire amount of insurance premiums therefore the County does not recognize any liability related to COBRA plans.

Accumulated vacation and sick leave is recorded as an expense and liability in proprietary funds as the benefits accrue to employees of those funds. In the governmental funds, an expense is only recorded if they have matured, as example, when an employee resigns; the liability is reported in the government wide statements.

## 9. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded, is to reserve that portion of the applicable appropriation as an extension of formal budgetary integration in the Governmental Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. Encumbrances are re-appropriated to provide spending authority in the succeeding year's budget.

## 10. *Adjustment to Beginning Net Assets*

Mesa County implemented GASB #34 with the 2002 year. The adjustment to reflect the consolidation of internal service activities related to enterprise funds amount to a reduction of \$1,121 that year. This amount was inadvertently removed from the prior year adjustments in 2003 and was addressed this year when the error was revealed.

## 11. *Fund Equity*

In the fund financial statements, Governmental fund equity is identified as fund balance. Fund balance is further defined as Reserved; committed to a specific use or Unreserved- which includes designated; portions tentatively earmarked for a specific use and non-designated; portions available for future appropriations.

Unreserved fund balance is designated for the major and non-major governmental funds as follows:

	<b>Fund</b>	<b>Designated for subsequent year's expenditures</b>	<b>Designated for Animal Services</b>	<b>Designated for CASP</b>	<b>Undesignated</b>	<b>Total Unreserved Fund Balance</b>
<b>Major</b>	General	\$2,246,726	\$46,012	\$3,668	\$9,581,615	\$11,878,021
	Human Services	452,471	0	0	1,910,571	2,363,042
	Capital Expenditures	4,789,409	0	0	836,014	5,625,423
<b>Non-Major</b>	Economic Dev	63,000	0	0	9,900	72,900
	Dev. Disabilities	6,155	0	0	15,146	21,301
	Fair Board	12	0	0	45,962	45,974
	Transportation Impact	504,605	0	0	237,271	741,876
	Jail Lease/Purchase	17,035	0	0	81,568	98,603
	TV Translator	11,703	0	0	14,392	26,095
	Conservation Trust	371,134	0	0	56,545	427,679
	Septic Elimination	1,615	0	0	2,235	3,850
	<b>Total Governmental</b>	<b>\$8,463,865</b>	<b>\$ 46,012</b>	<b>\$ 3,668</b>	<b>\$12,791,219</b>	<b>\$21,304,764</b>

## 12. Long Term Obligations

Accounting for long-term debt depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt, to be repaid from governmental and business-type resources, is reported as a liability in the government-wide statements. Bond premiums and discounts, issuance costs, and losses on bond refinancing are deferred and amortized over the remaining life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Unlike government-wide financial statements, fund financial statements do not report liabilities for long-term debt. Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements due to the nature of proprietary funds.

### NOTE 2 - BUDGET COMPLIANCE

State law requires budgets for the County's governmental and proprietary fund types. The budget must be balanced; expenditures cannot exceed total available revenues and fund balance. No spending agency may expend, or contract to expend, any moneys in excess of the amount appropriated in the appropriation resolution. Mesa County had a fund with actual transfers in excess of budget appropriations for the year ended December 31, 2006. The Contingency Fund was closed; the reserves are now held in the General Fund. However, that residual equity transfer was not budgeted. No action will be taken given the nature for the transfer.

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**NOTE 3 - CASH AND INVESTMENTS**

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GASB statement #40 modified previous cash notes to include information pertaining to risks related to deposits held by others for Mesa County. This note now assists the reader in determining how custodial risk could affect Mesa County's ability to recover any or all of its deposits held by financial institutions. Other risk factors, such as foreign market rate risk and concentration of credit risk are included.

Deposit and investment resources often represent significant assets of governmental, proprietary, and fiduciary funds. These resources are necessary for the delivery of governmental services and programs, or to carry out fiduciary responsibilities. Mesa County complies with GASB statement #40 which is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

Mesa County maintains a cash and investment pool for all funds except the Law Enforcement Forfeiture Fund, Criminal Justice Client Account, the Methamphetamine Task Force account, and the Sheriff's Office Inmate Account. The County Treasurer holds all cash and investments which are displayed on the combined Governmental Fund Balance Sheet as "Equity in pooled cash and investments." Investment earnings, unless otherwise allocated for specific purposes, are credited to the General Fund.

***Deposits:***

The Colorado Public Deposit Protection Act (PDPA) governs the County's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value equal to at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

Mesa County's selection of banks as depositories and as providers of general banking services are determined by Board of County Commissioner approved policies. Banks shall be approved by written resolution to provide depository and other banking services for the County. To be eligible for authorization, a bank must be a member of the Federal Deposit Insurance Corporation (FDIC), shall qualify as a depository of public funds in Colorado, as defined in CRS 24-75-603 and must meet the minimum credit criteria of credit analysis provided by a commercially available bank rating service. The analysis shall include a composite rating, and individual ratings of liquidity, asset quality, profitability and capital adequacy. Credit analysis shall be performed at least semi-annually on all approved banks.

Cash on hand:	\$ 40,034
Deposits:	
Demand accounts	16,064,315
Certificates of deposit	2,940,311
Money Market funds	247,852
Outstanding warrants	<u>(864,447)</u>
Total Deposits	\$18,388,031

Investments:	
Federal Agency Notes	\$15,920,500
Invested in COLOTRUST	4,770,197
Invested with State of Colorado	780,757
Invested with CSAFE	<u>11,088,461</u>
Total Investments	\$32,559,915
Total cash, deposits, and investments	<u>\$50,987,980</u>

	Bank Balance
Insured by FDIC	\$800,000
Collateralized:	
Collateral held by pledging financial institution in the County's name	
Demand accounts	11,166,900
Certificates of Deposit	1,202,535
Money Market funds	247,852
Outstanding warrants	<u>(576,364)</u>
Total Deposits	<u>\$12,040,923</u>

***Investments:***

Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of, or guaranteed by, the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools. Mesa County's investment policy, approved by the Board of County Commissioners, addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the County's funds. The County is authorized to invest in the following types of securities and transactions:

- US Treasury obligations, with maturities not exceeding five years from date of purchase.
- Federal Instrumentality Securities, with maturities not exceeding five years from the date of purchase issued by Federal National Mortgage Association, Federal Farm Credit Banks, Federal Home Loan or Federal Home Loan Mortgage Corporation.
- Repurchase Agreements, with a defined termination date of 180 days or less collateralized by US Treasury and Federal Instrumentality securities with a maturity date not exceeding ten years, have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction, and shall be entered into only with dealers who have executed a Master Repurchase Agreement with the County and who are recognized as Primary Dealers by the Federal Reserve Bank of New York.
- Commercial Paper, with an original maturity of 270 days or less, which is rated at least A-1 by Standard & Poor's (S&P), P-1 by Moody's or F1 by Fitch at the time of purchase by each service that rates the commercial paper. If the commercial paper has senior debt outstanding, the senior debt must be rated at least A+ by S&P, A1 by Moody's or A+ by Fitch.
- Local Government Investment Pool, which are "no-load", have a constant net asset value of \$1.00, limit assets of the fund to those authorized by state statute, have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7 and have a rating of AAAm by S&P, Aaa by Moody's or AAA/V+ by Fitch.
- Money Market Mutual Funds, which are "no-load", have a constant net assets value of \$1.00, have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7 and have a rating of AAAm by S&P, Aaa by Moody's or AAA/V+ by Fitch.
- Time Certificates of Deposit, with a maturity not exceeding five years.

At December 31, 2006, the County had investments in three local government investment pools: the Colorado Government Liquid Asset Trust (COLOTRUST), the Colorado Surplus Asset Fund Trust

(CSAFE) and the State of Colorado Self Insurance Pool. The investment pools are monitored by the Colorado Division of Securities, the fair value of the funds in the pool is the same value of the pool shares.

Participation in the State of Colorado Self Insurance Pool is required under the Colorado Workers Compensation Act, CRS Title 8, Articles 40 to 47, which govern the issuance of self-insurance permits. These funds are pledged and held for the intended purpose of paying Colorado worker's compensation claims and associated administrative costs in the event of the County's insolvency, bankruptcy or any inability of the County to pay for any reason Colorado worker's compensation benefits or other payments under the Act as required by law. The amount of the funds required to meet the obligations of the County are evaluated on an annual basis. Since the initial sum of \$700,000 was transferred from Mesa County to the State of Colorado Self Insurance Pool, December 2003, no additional funds have been required. Interest earned is applied monthly, any fees required to handle the funds reduces the balance.

Local Government Investment Pools:	Fair Value
Invested with COLOTRUST	\$4,770,197
Invested with State of Colorado	780,757
Invested with CSAFE	<u>11,088,461</u>
Total	<u>\$16,639,415</u>

The County's investments, carried at fair value as of December 31, 2006 are:

Investment Type:	Weighted Average Market Duration (Months)	Fair Value	Percentage of Portfolio	Credit Risk
Federal Agency notes-FNMA	.43	\$3,995,000	25.09	AAA
Federal Agency notes-FHLMC	.21	4,991,000	31.35	AAA
Federal Agency notes-FHLB	.28	5,963,400	37.46	AAA
Federal Agency notes-T Bill	.08	<u>971,100</u>	6.10	AAA
Total Investments		<u>\$15,920,500</u>		

Cash Balances:

Cash, cash equivalents and investments-Governmental Activities	\$39,466,655
Cash, cash equivalents and investments-Business-type Activities	<u>7,595,825</u>
Sub-total	47,062,480
 Cash, cash equivalents and investments-Agency-type Activities	 <u>3,925,500</u>
Total	<u>\$50,987,980</u>

Interest Rate Risk – In accordance with its investment policy, the County, to the extent possible, matches the portfolio maturity and liquidity with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the County will not invest in securities maturing more than five years from the date of purchase.

Credit Risk – All of the County's purchased investments were rated AAA and Aaa by Standards & Poor's and Moody's respectively.

Concentration of Credit Risk – Per adopted County policy, investment diversification within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities is paramount. Federal instrument securities, such as FNMA, FHLB and FHLMC are implicitly guaranteed by the U.S Government; therefore Mesa County believes there is minimal risk involved with such investments.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Foreign Currency Risk – Mesa County does not invest in foreign markets.

**NOTE 4 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Inter-fund Balances**

As of December 31, 2006, inter-fund receivables and payables that resulted from various inter-fund transactions are as follows:

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General	\$ -0-	\$ 7,047
Health	-0-	803
Road and Bridge	-0-	330
Solid Waste	-0-	45
Internal Service	<u>8,234</u>	<u>9</u>
	<u>\$ 8,234</u>	<u>\$ 8,234</u>

Balances are a result of the time lag between the dates:

- where inter-fund goods and services are provided or when reimbursable expenditures occur
- when transactions are recorded in the accounting system
- when payments between funds are made

At the end of 2004, Mesa County provided an inter-fund advance to the Gateway Sewer Fund (an enterprise fund in the Southwest Mesa County Rural Services Public Improvement district, a legally separate government) in the amount of \$50,000 in order to assist with the initial organization of the sewer plant. During the 2006 year, Mesa County provided an additional \$700,000 to the Gateway Sewer Fund for support of infrastructure construction in order to connect existing parcels to the sewer treatment plant. It is anticipated the District will re-pay these advances in 2008.

**Inter-fund Transfers**

As of December 31, 2006, inter-fund transfers that resulted from various inter-fund transactions are as follows:

<u>TRANSFER OUT</u>	<u>TRANSFER IN</u>					<u>TOTAL</u>
	<u>General</u>	<u>Non-Major</u>	<u>Capital</u>	<u>Internal Service</u>	<u>Bus Type</u>	
General	\$ 0	\$ 2,269,207	\$ 9,500	\$ 129,250	\$ 0	\$ 2,407,957
Non-Major	2,189,836	0	635,200	0	0	2,825,036
Capital	0	2,970,000	0	0	0	2,970,000
Internal Service	0	0	0	14,347	2,637	16,984
Business-Type	<u>0</u>	<u>0</u>	<u>1,200,000</u>	<u>0</u>	<u>0</u>	<u>1,200,000</u>
TOTAL	<u>\$ 2,189,836</u>	<u>\$ 5,239,207</u>	<u>\$ 1,844,700</u>	<u>\$ 143,597</u>	<u>\$ 2,637</u>	<u>\$ 9,419,977</u>

Transfers are used for:

- debt service payments due
- capital projects
- fund subsidies

During the 2006 year, the General Fund transferred \$1.8 million to the Health Fund for general operations, \$349,000 to the Economic Development fund for establishment of this special revenue fund and \$80,000 to the Mesa County Fair for general operations. The Capital Expenditure Fund transfer in the amount of \$2,970,000 is to the Debt Service Fund for the annual debt payment of the Sales Tax Revenue Bonds. Solid Waste transferred \$1.2 million to the Capital Expenditure Fund in order to assist with the building program; this money is expected to be returned in 2007.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,746,656	\$ 4,000	0	\$ 7,750,656
Construction in Progress	<u>20,493,048</u>	<u>9,517,181</u>	<u>592,019</u>	<u>29,418,210</u>
Total capital assets, not being depreciated	28,239,704	9,521,181	592,019	37,168,866
Capital assets, being depreciated				
Buildings	56,592,125	2,977	-0-	56,595,102
Improvements other than buildings	12,395,288	409,686	-0-	12,804,974
Infrastructure	296,260,696	1,265,319	-0-	297,526,015
Machinery and equipment (incl IS)	<u>21,414,305</u>	<u>2,218,895</u>	<u>793,778</u>	<u>22,839,422</u>
Total capital assets being depreciated	386,662,414	3,896,877	793,778	389,765,513
Less accumulated depreciations for:				
Buildings	(12,816,922)	(1,824,951)	0	(14,641,873)
Improvements other than buildings	(5,753,120)	(630,993)	0	(6,384,113)
Infrastructure	(204,840,981)	(1,613,024)	0	(206,454,005)
Machinery and equipment (incl IS)	<u>(14,227,503)</u>	<u>(2,611,825)</u>	<u>613,527</u>	<u>(16,225,801)</u>
Total accumulated depreciation	(237,638,526)	(6,680,793)	613,527	(243,705,792)
Total capital assets, being depreciated, net	149,023,888	(2,783,916)	(180,251)	146,059,721
Governmental activities capital assets, net	<u>\$177,263,592</u>	<u>\$6,737,265</u>	<u>(\$772,270)</u>	<u>\$183,228,587</u>

Depreciation expense was charged to function / programs of the primary government as follows:

Governmental Activities	
General Government	\$ 1,371,336
Public Safety	1,839,334
Public Works	2,287,097
Public Health and Welfare	291,665
Human Services	283,104
Culture and Recreation	85,479
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>532,812</u>
Total depreciation expense – Governmental activities	<u>\$ 6,680,793</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><i>Business-type activities:</i></b>				
Capital assets, not being depreciated:				
Land	814,417	0	0	814,417
Work in Progress	<u>0</u>	<u>556,695</u>	<u>0</u>	<u>556,695</u>
Total capital assets not being depreciated	\$814,417	\$556,695	0	\$1,371,112
Capital assets, being depreciated:				
Buildings	995,611	1,875	0	997,486
Improvements	815,301	43,700	0	859,001
Equipment	<u>2,181,250</u>	<u>1,199,266</u>	<u>538,027</u>	<u>2,842,489</u>
Total capital assets, being depreciated	\$3,992,162	\$1,244,841	\$538,027	\$4,698,976
Less accumulated depreciation for:				
Buildings	(161,425)	(28,173)	0	(189,598)
Improvements	(360,761)	(40,742)	0	(401,503)
Equipment	<u>(1,044,042)</u>	<u>(255,800)</u>	<u>134,719</u>	<u>(1,165,123)</u>
Total accumulated depreciation	(\$1,566,228)	(\$324,715)	\$134,719	(\$1,756,224)
Total capital assets, being depreciated, net	\$2,425,934	\$ 920,126	\$403,308	\$2,942,752
Business-type activities capital assets, net	<u>\$3,240,351</u>	<u>\$1,476,821</u>	<u>\$403,308</u>	<u>\$4,313,864</u>

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**NOTE 6 - RETIREMENT PLAN**

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**Colorado County Officials and Employees Retirement Association Plan**

Mesa County, Colorado provides a defined contribution retirement plan for eligible County employees and officials in the Colorado County Officials and Employees Retirement Association (CCOERA), a five-member governing board that makes all necessary rules and is responsible for the administration of the funds in the Retirement Plan. Two CCOERA Board members are elected by County employees, one from the western half of the State and the other from the eastern half of the State, two members are selected by participating County Commissioners of the Association, and the fifth member is the County Treasurer of the County in the Association with the largest population (Colorado Revised Statute 24-54-108). Employees participate in the plan without a waiting period. Employees and the County each contribute five-percent of gross wages. Employees may elect to contribute an additional amount of after-tax compensation. The County's contributions for each employee (and earnings allocated to the employee's account) are fully vested. Effective July 1, 2005 CCOERA transferred record keeping services to Great-West Retirement Services.

Mesa County's 2006 employer contribution of \$2,095,298 is matched by the employees' contributions. The County's total payroll in fiscal year 2006 was \$42,278,531; wages covered under the retirement plan were \$41,905,962. CCOERA is a statewide plan and is not included in the County's financial statements since the County has no fiduciary responsibility for the plan. The County has no liability for pension benefits beyond its contributions.

## Deferred Compensation Plans

The deferred compensation plans administered by CCOERA and ICMA Retirement Corporation were created in accordance with Internal Revenue Code Section 457. The plans permit the County's employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participation in the plans are optional.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the Retirement Associations' Deferred Compensation Plan Trusts for the exclusive benefit of participants and their beneficiaries. CCOERA and ICMA are the trustees. Mesa County has no ownership interest in the plans nor is the County liable for losses under the deferred compensation plans; therefore, neither the assets nor the liabilities of the deferred compensation plans are included on the County's balance sheet.

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## NOTE 7 - LONG-TERM LIABILITIES

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### Sales Tax Revenue Bonds

On November 3, 1981, Mesa County electors approved a 2% County-wide sales and use tax, effective January 1, 1982. In April 1982, Mesa County issued \$35,650,000 of Sales Tax Revenue Bonds. The proceeds were used for capital improvements in Mesa County. The 1982 bonds were advance refunded in 1983. The 1983 bonds were advance refunded in 1985. The 1985 refunding bonds were partially refunded in 1988 and replaced with the 1988 Sales Tax Revenue Refunding Bonds and Subordinate Lien Sales Tax Revenue Refunding Bonds. On April 16, 1998, Mesa County issued \$31,545,000 of Taxable Sales Tax Revenue Refunding Bonds-Series 1998; with an average coupon rate of 6.3% to advance refund the \$37,940,000 outstanding 1988 Sales Tax Revenue Refunding Bonds with an average coupon rate of 7.7%. The net proceeds, after payment of fees and other issuance costs, together with existing reserves were used to purchase U. S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments and redemption of the outstanding 1988 Bonds on December 1, 1998.

On September 2, 2004 Mesa County issued \$18,965,000 of Sales Tax Revenue Refunding Bonds-Series 2004; with an average coupon rate of 4.6%. These bonds were used to currently refund the Sales Tax Revenue Refunding Bonds, Series 1998 bonds. These bonds are not subject to redemption prior to maturity. The 2004 bonds are special, limited obligations of the County payable solely from pledged sales tax revenues and investment earnings. Debt service for the bonds is accounted for in the Sales Tax Bonds Fund.

The 2004 Sales Tax Revenue Refunding Bonds are issued as fully registered bonds with interest rates ranging from 6.00% to 3.00%. Interest is payable semiannually on June 1 and December 1 each year and payments of principal are due June 1 of each year. A schedule of future debt service requirements is as follows:

<u>Sales Tax Revenue Refunding Bonds</u>			
			Total
<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2007	\$ 2,575,000	\$ 590,094	\$ 3,165,094
2008	2,675,000	494,750	3,169,750
2009	2,795,000	371,375	3,166,375
2010	2,940,000	228,000	3,168,000
2011	<u>3,090,000</u>	<u>77,250</u>	<u>3,167,250</u>
	<u>\$ 14,075,000</u>	<u>\$ 1,761,469</u>	<u>\$ 15,836,469</u>

**Jail Lease Purchase Certificates**

The Grand Valley Master Lease Corporation was incorporated in July 1990, as a Colorado nonprofit corporation, to facilitate financing of a detention center and sheriff facility. The detention center and facility site is leased from the County to the Corporation under a ground lease agreement dated August 31, 1990. Pursuant to an annually terminable master lease purchase agreement, the Corporation issued \$19,035,000 certificates of participation, dated September 1, 1990. The 1990 certificates were partially advance refunded in December 1995. Debt service for the certificates of participation is accounted for in the Jail Lease Purchase Fund.

The County has agreed to pay base rentals from annually appropriated funds and certain investment earnings. Mesa County is responsible for maintenance of the jail facility and for insurance during the course of the lease. The lease agreements are in accordance with Colorado law as to being subject to annual appropriation by the County. The County intends to annually appropriate for the lease payments.

**1995 Refunding Certificates of Participation**

A schedule, by years, of future minimum lease payments under the lease agreement, together with the present value of the net minimum lease payments as of December 31, 2006 is as follows:

<u>Year</u>	<u>Base Rentals Principal</u>	<u>Base Rentals Interest</u>	<u>Total</u>
2007	\$ 1,700,000	\$ 163,000	\$ 1,863,000
2008	1,560,000	78,000	1,638,000
Total	<u>\$ 3,260,000</u>	<u>\$ 241,000</u>	<u>\$ 3,501,000</u>

Interest rates range from 4.875% to 5.00% payable semiannually on April 15, and October 15.

**Changes in Long-Term Liabilities:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<b>Governmental Activities</b>					
2004 Sales Tax Bonds	\$16,575,000	\$ 0	\$(2,500,000)	\$14,075,000	\$2,575,000
Plus deferred amounts on refunding:					
Issuance premiums	913,542	0	(182,708)	730,834	
Deferred loss-2004	(140,858)	0	28,171	(112,687)	
Deferred loss-1998	(236,964)	0	39,494	(197,470)	
1995 Jail Lease Purchase	4,875,000	0	(1,615,000)	3,260,000	1,700,000
Compensated Absences	4,223,325	0	(5,464)	4,217,861	38,055
Governmental activity					
Long Term Liabilities	<u>\$26,209,045</u>	<u>\$ 0</u>	<u>\$(4,235,507)</u>	<u>\$21,973,538</u>	<u>\$4,313,055</u>
<b>Business-type Activities</b>					
Compensated Absences	\$ 36,740	\$ 2,841	\$ 0	\$ 39,581	\$ 3,465
Landfill Post closure	2,382,971	247,345	0	2,630,316	0
Business-type activity					
Long Term Liabilities	<u>\$ 2,419,711</u>	<u>\$ 250,186</u>	<u>\$ 0</u>	<u>\$ 2,669,897</u>	<u>\$ 3,465</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$87,758 of internal service funds compensated absences are included in the above amounts, with \$6,834 due within one year.

For the governmental activities compensated absences are generally liquidated by the General, Road and Bridge or Human Services fund. There has been a reduction in estimates for "due within one year" given the number of employees ceasing employment during the 2006 year.

Business-type Activities has a limited number of employees who qualify for compensated absences benefits and no terminations occurred during the 2006 year.

**In-Substance Defeasance of Debt**

Mesa County has defeased Sales Tax Revenue Bonds and Certificates of Participation by placing the proceeds of new debt instruments in irrevocable trusts to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the County's financial statements.

	<u>Balance Outstanding at December 31, 2006</u>
Sales Tax Revenue and Refunding Bonds, series 1983	\$21,960,000

**NOTE 8 - RELATED ENTITY, JOINT SEWER SYSTEM**

The City of Grand Junction and Mesa County have agreed to participate in a joint venture arrangement called the City of Grand Junction/Mesa County, Colorado, Joint Sewer System to provide sewer collection and treatment facilities for the Grand Valley metropolitan area. The City contributed its Sewer Fund's assets to the Joint Sewer System. The County issued sewer revenue bonds for construction of a new treatment plant and defeasance of the City of Grand Junction Sewer Refunding Revenue Bonds, Series 1978 A.

Both the County and the City of Grand Junction approve the sewer system's annual appropriation budget. The budget is prepared on the accrual basis modified to include tap fees as budgeted revenues and capital expenditures and debt service principal payments as budgeted expenditures and to exclude depreciation and amortization and adjustments for accrued compensated absences from budget expenditures. The City's utility department manages the sewer system. Upon the dissolution of the joint venture, ownership of the assets of the Joint Sewer System will be determined by mutual agreement.

The Joint Sewer System has no component units using the criteria as set forth in generally accepted accounting principles. The Joint Sewer System is accounted for as an enterprise fund.

Condensed financial statements of the sewer system at December 31, 2006, and for the year then ended, are as follows:

	<u>2005</u>	<u>2006</u>
<u>Statement of Net Assets</u>		
Assets:		
Current assets	\$ 9,977,744	\$ 10,694,048
Non-current assets	1,279,728	1,507,364
Capital assets, net of accumulated depreciation	<u>52,252,744</u>	<u>54,121,542</u>
Total assets	<u>\$ 63,510,216</u>	<u>\$ 66,322,954</u>

Liabilities and fund equity:			
Current liabilities		\$ 1,252,835	\$ 1,318,000
Non-current liabilities		189,463	194,298
Long-term debt		<u>11,211,823</u>	<u>10,447,711</u>
	Total liabilities	<u>12,654,121</u>	<u>11,960,009</u>
Net Assets			
Invested in capital assets, net of related debt		40,301,913	42,909,719
Restricted for debt service		-0-	-0-
Unrestricted		<u>10,554,182</u>	<u>11,453,226</u>
	Total net assets	<u>\$ 50,856,095</u>	<u>\$ 54,362,945</u>

Statement of Revenue, Expenses and  
Changes in Fund Net Assets

	<u>2005</u>	<u>2006</u>
Operating revenues	\$ 6,286,917	\$ 6,720,000
Operating expenses	<u>6,563,101</u>	<u>7,252,938</u>
Operating income (loss)	(276,184)	(532,938)
Non-operating revenues (expenses)	<u>55,750</u>	<u>403,226</u>
Income before contributions and transfers	<u>(220,434)</u>	<u>(129,712)</u>
Capital contributions	<u>1,597,052</u>	<u>3,636,562</u>
Change in Net Assets	1,376,618	3,506,850
Total net assets – beginning	<u>49,479,477</u>	<u>50,856,095</u>
Total net assets – ending	<u>\$ 50,856,095</u>	<u>\$ 54,362,945</u>

The following is a summary of long-term liability of the Joint Sewer System for the year ended December 31, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Loan payable					
CWRPDA	\$11,470,000	\$ -	\$ 705,000	\$10,765,000	\$ 730,000
Plus deferred amounts:					
For loan premium	480,831	-	34,008	446,823	34,112
Compensated absences	<u>204,743</u>	<u>20,224</u>	<u>15,280</u>	<u>209,687</u>	<u>15,389</u>
Business-type activity long-term liabilities	<u>\$12,155,574</u>	<u>\$ 20,224</u>	<u>\$ 754,288</u>	<u>\$11,421,510</u>	<u>\$ 779,501</u>

In prior years, the Joint Sewer System defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds is not included in the financial statements of the Joint Sewer System.

Bonds and loans payable as of December 31, 2006, are comprised of the following:

## Loan Payable

The Joint Sewer System entered into a loan agreement dated April 1, 2002 with the Colorado Water Resources and Power Development Authority to finance the elimination of combined storm and sanitary sewer lines and septic system elimination. The principal amount is \$13,490,000 at a net effective interest rate of 3.62%, payable February 1 and August 1 annually through 2024. The sewer system net revenues are pledged as security for the loan. The loan proceeds are held by a trustee on behalf of the Joint Sewer System with disbursements occurring upon receipt of a requisition executed by the City/County. The unpaid principal payable from business activities at December 31, 2006 was \$10,765,000 over the following periods:

Year	Principal	Interest	Total
2007	\$ 730,000	\$ 446,339	\$ 1,176,339
2008	755,000	422,343	1,177,343
2009	775,000	397,525	1,172,525
2010	805,000	372,050	1,177,050
2011	830,000	345,529	1,175,529
2012-2016	2,930,000	1,380,095	4,310,095
2017-2021	2,250,000	1,012,395	3,262,395
2022-2024	1,690,000	267,115	1,957,115
	<u>\$10,765,000</u>	<u>\$ 4,643,391</u>	<u>\$ 15,408,391</u>

Separate financial statements for the City of Grand Junction/Mesa County, Colorado Joint Sewer System are available at the City of Grand Junction, 250 North Fifth Street, Grand Junction, Colorado 81501-2668.

## NOTE 9 - LANDFILL CLOSURE COSTS

State and federal laws and regulations require the County to place a final cover on its Mesa County Landfill site within six months of the date it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on the operator's estimate of landfill air space used in 2006 and on revised cost estimates due to vertical and lateral expansion of the landfill, an expense of \$247,345 is recognized in the financial statements to reflect the increase of closure and post-closure care liability.

The total estimated cost in current dollars to close the landfill at December 31, 2006 and to provide post-closure care is \$11,516,268. A liability for landfill closure and post-closure care costs of \$2,630,316 is recorded on the Mesa County Landfill Fund balance sheet and represents the cumulative amount reported to date based on the use of approximately 22.84% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$8,885,952 as the remaining estimated capacity is used.

The landfill's remaining site life and soil balances are recalculated every year as a function of the Site Sequencing Plan. Approximately 348,388 cubic yards of landfill space was consumed in 2006. Assuming a five percent annual increase in waste volumes each year, the remaining estimated life of the landfill is roughly nineteen years. The County expects to close the landfill in the year 2025. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulation.

The County is required by state and federal laws and regulations to provide financial assurance to demonstrate

that adequate funds will be readily available for the costs of closure and post-closure care. In accordance with the Local Government Financial Test mechanism, the County's financial strength is used to provide this financial assurance. In addition, the County is voluntarily designating certain invested funds for closure and post-closure care costs. At December 31, 2006 the Landfill Fund had, included in its equity in pooled cash and investments, designated investments of \$3,832,995 for future closure and post-closure care costs.

In August 1995, the Board of County Commissioners entered into a multi-year contract with a private sector operator for the landfill. The contract was effective January 1, 1996. The term of the contract is tied to the life of the Landfill and is subject to review every five years.

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**NOTE 10 OPERATING LEASES**

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The County is committed under various operating lease agreements for land rental, building and office space. Lease expenditures for the year ended December 31, 2006 were \$238,468. Payments on operating leases are subject to annual appropriation by the Board of County Commissioners.

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**NOTE 11 NO-COMMITMENT DEBT**

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The County has sponsored several Industrial Development Revenue, Hospital Revenue and Single Family Revenue Bond issues. The bond issues were undertaken to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest and for other public purposes.

These issues do not constitute debt of Mesa County and the County assumes no financial obligation for these bond issues; accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Information concerning the County's outstanding conduit debt as of December 31, 2006 is as follows:

	<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Outstanding 12/31/2006</u>
<b>Residential Care Facilities Mortgage Revenue Bonds</b>			
Hilltop Community Resources	2001	\$25,115,000	\$23,505,000
<b>Industrial Development Revenue Bonds</b>			
200 Grand Properties	1984	\$2,350,000	\$1,360,000
3D Systems Corp.	1996	4,900,000	3,545,000
Enstrom Candies	2002	2,780,000	*
<i>*Bonds were issued as variable rate demand obligations</i>			
<b>Industrial Development Revenue Note</b>			
Colorado West Healthcare Systems Project (Community Hospital)		\$4,863,949	\$3,900,957
<b>Hospital Revenue Bonds</b>			
Sisters of Charity	1994	\$34,220,000	\$19,720,000
<b>Single Family Mortgage Revenue Bonds</b>			
Residual Refunding	1993	\$11,505,129	\$29,443,231
<b>Industrial Development Revenue Bonds</b>			
Goodwill Industries	2006	\$11,000,000	\$10,790,000

In 1993, the County issued Residual Revenue Refunding Bonds related to the 1979 Single Family Mortgage Revenue Bond program. The Residual Revenue Bonds are payable solely out of the revenues and receipts derived or to be derived from the trust estate securing Mesa County's Single Family Mortgage Revenue Bonds, Series 1979. The 1993 Taxable Residual Revenue Refunding Bonds are capital appreciation bonds with accreted value shown as of December 1, 2006.

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## NOTE 12 - RISK MANAGEMENT AND INSURANCE

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In 2006, Mesa County paid \$72,233 for workers' compensation coverage based on the actual 2006 payroll. Funding for payments was provided by charges to the County departments by the Insurance Fund. Mesa County is self-insured for workers compensation. The County has chosen to purchase excess insurance for large claims. Mesa County will administer the first \$400,000 per occurrence.

The County does not insure for unemployment claims but reimburses the Colorado Department of Labor and Employment directly for all claims paid on the County's account. The total paid in 2006 for unemployment claims was \$43,044. Unemployment claim expenditures are budgeted for and paid from the General Fund.

The County carries an all lines aggregate policy which includes general liability, business auto liability, property, errors and omissions and law enforcement liability insurance. In addition, employee fidelity bonds are purchased for certain key positions. Beginning on January 1, 2003, the County increased its risk retention by increasing the Self-Insured Retention (SIR) per claim to \$250,000 per occurrence with an annual excess coverage of \$5,000,000. The exceptions to the \$250,000 SIR are, Aviation Insurance and \$2,500 SIR for Steam Boiler & Machinery. These SIR amounts remain unchanged for the 2006 year. The County's total cost in 2006 for insurance policies was \$382,435 excluding worker's compensation premiums. The SIR and recoveries are budgeted and accounted for in the General, Road and Bridge, Human Services, Enterprise and Health Funds. The County has had no settlements in excess of insurance coverage for each of the past three fiscal years.

New contract negotiations with Rocky Mountain Health Plans (RMHP), Mesa County's health care provider, created a partially self-insured model whereby the County shares in the financial benefits and obligations created by low or high claims experience. This risk corridor threshold is  $\pm 25\%$  on amount of premiums paid available for claims, or: if actual medical claims paid by RMHP are between 75% and 100% of the actual premium available for medical expenses, RMHP refunds the difference, if actual medical claims paid by RMHP are between 100% and 125% of actual premium available for medical expenses, the County pays RMHP the difference. No additional liability is due for the 2006 year.

### Other Items

- There are several lawsuits pending in which the County is involved. The County's Risk Manager estimates that the potential claims against the County resulting from such litigation, not covered by insurance, would not materially affect the financial position of the County.
- Under the terms of federal and state grants, certain costs may be questioned as not being appropriate expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. The County believes disallowances, if any, will be immaterial.

**NOTE 13 - CONTINGENCIES, COMMITMENTS AND LITIGATION**

**Capital Construction Commitments**

Mesa County has many active construction projects as of December 31, 2006. At year end, the major construction commitments with contractors are as follows:

<b>Project</b>	<b>2006 Expenditures</b>	<b>Amount Under Contract</b>	<b>Estimated Completion</b>
Central High <sup>1</sup>	614,479	96,375	2007
Debeque Bridge <sup>1</sup>	71,927	62,824	2007
Monument Road <sup>1</sup>	100,058	68,541	2007-8
Long Park <sup>2</sup>	2,193,462	375,047	2008
North / South Corridor <sup>1</sup>	7,142,905	185,395	2010-2012
Meth Treatment Center <sup>2</sup>	2,947,663	737,234	2007
Clifton Transfer Station <sup>2</sup>	107,833	193,257	2007

The projects are accounted for in the:

- Road and Bridge Fund <sup>1</sup>
- Capital Expenditures Fund <sup>2</sup>

The County intends to finance the projects using existing reserves. The North / South Corridor 2006 expenditures represent only one of many phases of this multi-task project, current construction plans estimate that the area between the river and D Road to be complete fall 2007.

**Tax, Spending, and Debt Limitations**

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. This amendment is commonly referred to as the Taxpayer's Bill of Rights, or TABOR. Mesa County's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Fiscal year spending and revenue limits are determined based on prior year spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates non-exempt revenue or receipts.

“Spending”, as defined by TABOR, excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves. Mesa County uses the same basis of accounting for the calculation of fiscal year spending as is used in the preparation of these financial statements.

Mesa County has recorded a refund payable in the amount of \$3,029,040 for the 2006 fiscal year. The Governmental Funds Balance Sheet reports a TABOR refund payable of \$3,180,916 which includes the amount for 2006, or \$3,029,040 to be refunded in the calendar year 2008 and the 2005 amount of \$151,876, refunded during the calendar year 2007.

TABOR excludes Enterprises from its provisions. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The County is of the opinion that the Mesa County Landfill Fund operations qualify for this exclusion. Beginning in 2007 Building Inspection operations will also become an Enterprise Fund and qualify for the exclusion. Additionally, the County has also excluded The City of Grand Junction/Mesa County, Colorado Joint Sewer System, a jointly governed organization, from its compliance calculation.

When the enterprise funds for Gateway, Mack, and Whitewater Public Improvement Districts were established by a majority vote of district residents, each district voted to be exempt from TABOR restrictions.

The County’s property tax revenue is limited by a local growth calculation and the Denver-Boulder CPI. Therefore, if assessed valuation in the County increases by more than the allowable growth, the County is required to reduce its mill levy accordingly. Colorado State Statute 39-1-111.5 gives counties the authority to certify a temporary mill levy rate reduction in order to reduce the mill levy. The County is allowed by statute to recover the previous years’ tax abatements.

The County’s mill levy history for the last ten years is as follows:

<u>Levy Year</u>	<u>Base Levy</u>	<u>Abatement Levy</u>	<u>Temporary Credit</u>	<u>Temporary Mill Levy Rate Reduction</u>	<u>Net Levy</u>
1997	23.943	.510	(1.012)	-	23.441
1998	23.943	.268	(0.931)	-	23.280
1999	23.943	.119	-	(1.283)	22.779
2000	22.660	.078	(0.916)	-	21.822
2001	21.743	.147	(0.346)	-	21.544
2002	21.743	.066	-	-	21.809
2003	21.573	.145	-	-	21.718
2004	21.573	.136	-	-	21.709
2005	19.035	.072	-	-	19.107
2006	19.035	.072	(.116)	-	18.991

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

TABOR requires that Emergency Reserves be established. These reserves must be maintained at three percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves as of December 31, 2006, totaling \$2,590,764 are presented as a reservation of fund balance. The County is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of TABOR. However, the County has made certain interpretations in the TABOR’s language in order to determine its compliance.

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**NOTE 14 – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

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***Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:***

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$21,861,417 difference are as follows:

Long Term Liabilities (Bonds and COPs)	\$ 17,335,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(107,496)
Less: Deferred loss (to be amortized over life of debt)	(310,157)
Plus: Issuance premium (to be amortized over life of debt)	730,834
Accrued interest payable	83,133
Compensated Absences	<u>4,130,103</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 21,861,417</u>

The inter-fund elimination amount of (\$244,362) represents the charges in excess or in deficiency of cost for current and prior years between internal service funds and business-type activities. Mesa County implemented GASB statement #34 with the 2002 financial statements therefore the details of this is as follows:

Internal receivable representing charges in excess of cost to do business type activities – prior years	\$ 243,074
Internal receivable representing charges in excess of cost to do business type activities – current year	<u>1,288</u>
	<u>\$ 244,362</u>

***Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:***

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “The net effect of various miscellaneous transactions involving capital assets (IE: sales, trade-ins and donations) is to increase/decrease net assets.” This \$1,023,843 represents \$1,537,851 in donations of capital assets and a loss of \$514,008 on the disposition of assets.

Another element of that reconciliation states that “the issuance of long-term debt (IE: bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, losses and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

The details of this \$4,226,582 difference are as follows:

Principal repayments:	
Sale Tax Bonds	\$ 2,500,000
Jail Lease Certificates of Participation	1,615,000
Less: Amortization of deferred loss	(67,665)
Amortization of issuance costs	(26,896)
Plus: Amortization of issue premiums	182,708
	<u>23,435</u>
Accrued interest	
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,226,582</u>

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of fleet management, insurance, supplies and communications to individual funds. The net revenue or loss of certain activities of internal service funds is reported with governmental activities." The details of this \$328,025 are as follows:

Change in net assets of the internal service funds	\$200,124
Plus: Charges from business-type activities	1,288
Net transfers between govt. and internal funds	<u>126,613</u>
	<u>\$328,025</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities is due to a decrease in the liability for compensated absences.

***Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets:***

The proprietary fund statement of net assets includes reconciliation between *net assets – total enterprise funds* and *net assets of business type activities* as reported in the government wide statement of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$244,362 difference are as follows:

Internal receivable representing charges in excess of cost to business type activities – prior years	\$243,074
Internal receivable representing charges in excess of cost to business type activities – current year	<u>1,288</u>
	<u>\$244,362</u>

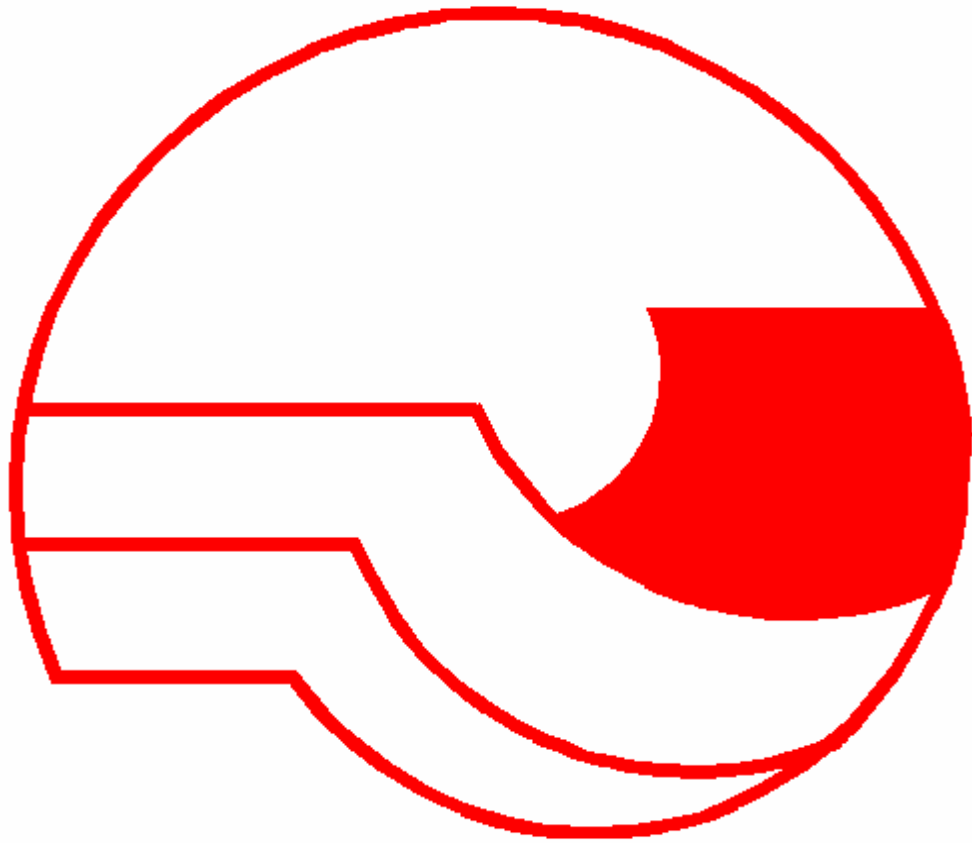
**NOTE 15 - DEPARTMENT OF HUMAN SERVICES ELECTRONIC BENEFITS**

On February 1, 1997, the Colorado Department of Human Services (CDHS) started the implementation of electronic payment methods from CDHS directly to welfare clients and service providers. These electronic payments replaced the payment method of county warrants and significantly changed the cash flow between counties and the CDHS. Typically, a welfare payment is composed of a combination of federal, state, and local money. Previously, the county warrants were reimbursed by the CDHS with federal and state funds. Currently, with the Electronic Benefits Transfer (EBT) system, the counties pay their local share of the EBT payment authorizations to CDHS. A schedule of EBT authorizations, warrant expenditures and total expenditures follows:

**MESA COUNTY DEPARTMENT OF HUMAN SERVICES**

Schedule of EBT Authorizations, Warrant Expenditures and Total Expenditures  
For the Year Ended December 31, 2006

	A	B	C	D	E
	County	County	County	Total	Total
	EBT/Non-County Paid Authorizations	Share	Expenditures by Warrant	Authorizations & Expenditures (A + C)	Expenditures (B + C)
Administration Expenditures			2,569,014	2,569,014	2,569,014
Community Programs			163,212	163,212	163,212
After School Program			-	-	-
Aid to the Blind	340	(44)	-	340	(44)
AND Assistance	535,100	85,516	-	535,100	85,516
OAP Assistance	1,384,312	6,107	-	1,384,312	6,107
OLTC Expenditures			1,028,988	1,028,988	1,028,988
Home Connections			1,113	1,113	1,113
AAA Expenditures			892,637	892,637	892,637
VA Expenditures			21,742	21,742	21,742
WCCI Expenditures			75,333	75,333	75,333
Colorado Works Expenditures	1,961,611	863,127	2,168,028	4,129,639	3,031,155
Child Care Expenditures	3,899,559	348,072	487,633	4,387,192	835,705
Employment First Expenditures			249,374	249,374	249,374
Child Support Expenditures			1,293,947	1,293,947	1,293,947
Child Care Quality Grant			11,798	11,798	11,798
School Readiness Grant			49,163	49,163	49,163
Child Care Pilot Grant			56,808	56,808	56,808
Job Service Expenditures	220,411	-	645,991	866,402	645,991
Workforce Investment Act			794,093	794,093	794,093
Workforce Incentive Grant			116,228	116,228	116,228
Child Welfare Expenditures	6,058,464	1,175,862	5,093,824	11,152,288	6,269,686
FPP Expenditures	248,443	1,683	1,020,307	1,268,750	1,021,990
Substance Abuse Program			25,884	25,884	25,884
Title XIX Assistance			82,131	82,131	82,131
LEAP Expenditures	2,798,932	-	203,035	3,001,967	203,035
CSBG Expenditures			121,842	121,842	121,842
Food Stamps	<u>11,475,307</u>	<u>-</u>	<u>-</u>	<u>11,475,307</u>	<u>-</u>
	28,582,479	2,480,323	17,172,125	45,754,604	19,652,448
Other Funding					
Colorado Works Collections	(3,045)	(609)	-	(3,045)	(609)
Colorado Works/CS Retained	<u>(916,544)</u>	<u>(183,309)</u>	<u>-</u>	<u>(916,544)</u>	<u>(183,309)</u>
	(919,589)	(183,918)	-	(919,589)	(183,918)



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