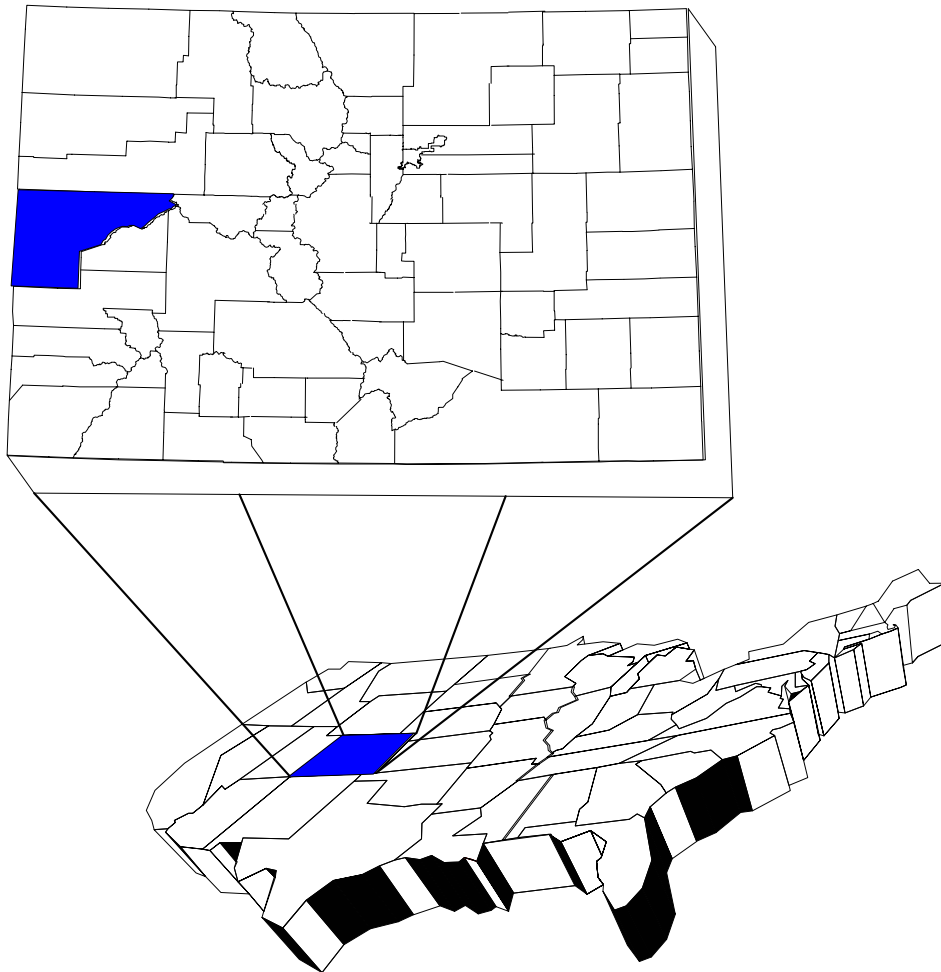


Comprehensive Annual Financial Report

Mesa County, Colorado



**For the fiscal year ended
December 31, 2003**

Prepared by the Financial Services Division

About the Cover:

Purple Ice Plant (*Lampranthus copiosus*) is a winter-hardy, trailing perennial which makes an excellent addition to any xeriscape setting. It is a fast-growing, ground cover which requires little water or attention.

Mesa County, Colorado
 Comprehensive Annual Financial Report
 For the year ended December 31, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Mesa County, we offer to readers of the Mesa County's financial statements, this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal and basic financial statements to better understand the financial position of Mesa County.

Financial Highlights

- Mesa County is in healthy financial condition.
- Mesa County's assets exceeded its liabilities by \$121.5 million at the end of 2003. Of this amount, \$47.1 million or 39% is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$74.4 million is invested in capital assets or restricted by law.
- Total new assets increased by \$14.9 million. This increase is mainly attributable to the completion of two major capital construction projects in 2003: The Health and Human Services Building and the 30 Road Underpass project.
- Governmental funds reported a combined ending fund balances of \$24.38 million, a decrease of \$5.37 million in comparison with the prior year. The net change in fund balances for Other Governmental funds was primarily attributable to the capital program in 2003.
- The County's General Fund balance was \$9.69 million as of December 31, 2003. \$1.2 million is designated for subsequent year's expenditures and other future purposes leaving \$7.7 undesignated, (See Note 1). The 2003 General Fund's fund balance decreased from 2002 by \$4.1 million. Primarily due to transfers to the Insurance Fund for reserves and to the Capital Expenditures fund for major capital projects.
- At December 31, 2003 the County's General Fund policy is to have an unreserved fund balance equal to at least 10% of the annual General Fund appropriation. At December 31, 2003 the County unreserved General Fund balance was \$8.9 million, or 17% of appropriation.
- Mesa County's total debt decreased by \$3,460,000 during the 2003 fiscal year with no new debt issued.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements; consisting of three components:

- Government-wide financial statements
- Notes to the financial statements
- Fund financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the

difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of where the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Mesa County include general government, public safety, streets and highways, culture and recreation, health and human services and major capital. The business-type activity of the County is limited to a solid waste landfill operation.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate pest control district, and a legally separate community club district. These entities which have a significant operational or financial relationship with the County as the Board of County Commissioners serve as the Board to each of these operations. The Mesa County Public Library is a related organization. The Board of County Commissioners appoint the seven member Board of Trustees as mandated by Colorado Library law. The Board of County 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 are available at 530 Grand Avenue, Grand Junction, Colorado 81501.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mesa County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Mesa County can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Mesa County maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Human Services, Road & Bridge and the Capital Projects fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

Proprietary funds - Mesa County maintains two different types of proprietary funds; Enterprise and Internal Service.

Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements, provide services to the general public and are operated in a manner similar to a private enterprise, where the costs of providing services are recovered in whole, or in part, through user charges. Mesa County uses an enterprise fund to account for its Solid Waste Management activities.

The Landfill Fund accounts for all solid waste management activities, including oversight of the Mesa County Landfill and transfer stations, household hazardous waste, implementation of the County's integrated Solid Waste Management Plan and providing for long range planning and regulatory compliance. Day to day operations of the landfill is managed by a private contractor. Under the terms of the contract, which was effective January 1, 1996, the County is directly involved in landfill operations to ensure that State and Federal regulatory requirements are met.

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis. The County uses internal service funds to account for vehicle maintenance, central telephone system, mail service, supplies and insurance. Each of these services predominantly benefit governmental rather than business-type functions and are included within governmental activities in the government-wide financial statements.

The Vehicle Maintenance Fund accounts for the operation and maintenance of all County-owned vehicles. Beginning in 1995, all vehicles, with the exception of vehicles used exclusively in the Road and Bridge Department, were transferred to the fund from the General Fixed Assets Account Group. The Vehicle Maintenance Fund provides for the replacement of vehicles through annual user capital replacement charges

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Management which is considered to be a major fund of Mesa County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside Mesa County government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Mesa County's programs or activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 34 of this report.

Budgetary Comparisons – Mesa County adopts an annual appropriated budget for all of its funds. A budgetary comparison schedule has been provided for all major funds on pages 62-69 of this report. Budget to actual comparisons for other funds are provided on pages 75-87 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 35-60 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 61-67 of this report.
The combining statements referred to earlier in connection with non-major governmental funds and internal

service funds are presented in the supplemental information section, pages 71-74 and 89-91 respectively. Individual fund statements and schedules can be found on pages 62-69 for major governmental funds and pages 75-87 for non-major governmental funds.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mesa County, assets exceeded liabilities by \$121,463,591 at of December 31, 2003.

By far the largest portion of Mesa County's net assets (55%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt, used to acquire those assets, which is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Mesa County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the County's governmental and business-type net assets for 2003 and 2002.

Mesa County, Colorado
Statement of Net Assets
December 31, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 64,267,236	\$ 68,316,871	\$ 6,705,136	\$ 5,884,348	\$ 70,972,372	\$ 74,201,219
Capital assets	93,798,368	78,583,458	2,968,237	2,714,336	96,766,605	81,297,794
Total Assets	\$ 158,065,604	\$ 146,900,329	\$ 9,673,373	\$ 8,598,684	\$ 167,738,977	\$ 155,499,013
Current liabilities	\$ 10,518,169	\$ 11,000,387	\$ 297,073	\$ 275,301	\$ 10,815,242	\$ 11,275,688
Non-current liabilities:						
Due within one year	3,916,417	3,587,590	6,901	5,531	3,923,318	3,593,121
Due in more than one year	29,512,828	32,585,220	2,023,998	1,507,861	31,536,826	34,093,081
Total Liabilities	\$ 43,947,414	\$ 47,173,197	\$ 2,327,972	\$ 1,788,693	\$ 46,275,386	\$ 48,961,890
Invested in capital assets, net of related debt	64,018,368	\$ 45,343,458	\$ 2,968,237	\$ 2,714,336	\$ 66,986,605	\$ 48,057,794
Restricted	3,692,617	876,250	3,647,015	-0-	7,339,632	876,250
Unrestricted	46,407,205	53,507,424	730,149	4,095,655	47,137,354	57,603,079
Total net assets	\$ 114,118,190	\$ 99,727,132	\$ 7,345,401	\$ 6,809,991	\$ 121,463,591	\$ 106,537,123
Total liabilities and net assets	\$ 158,065,604	\$ 146,900,329	\$ 9,673,373	\$ 8,598,684	\$ 167,738,977	\$ 155,499,013

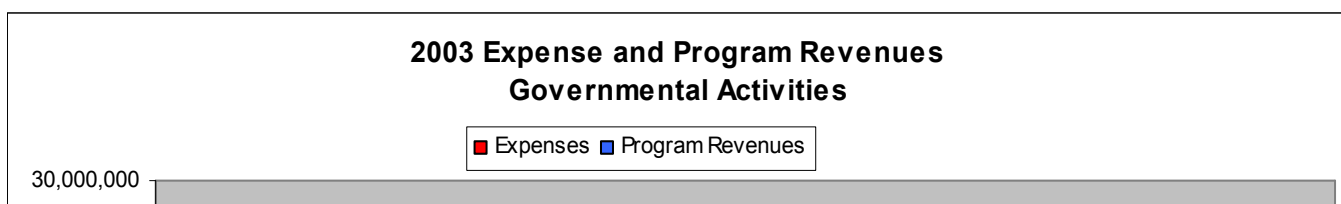
A portion of Mesa County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$47,137,354 may be used to meet the

government's ongoing obligations to citizens and creditors.

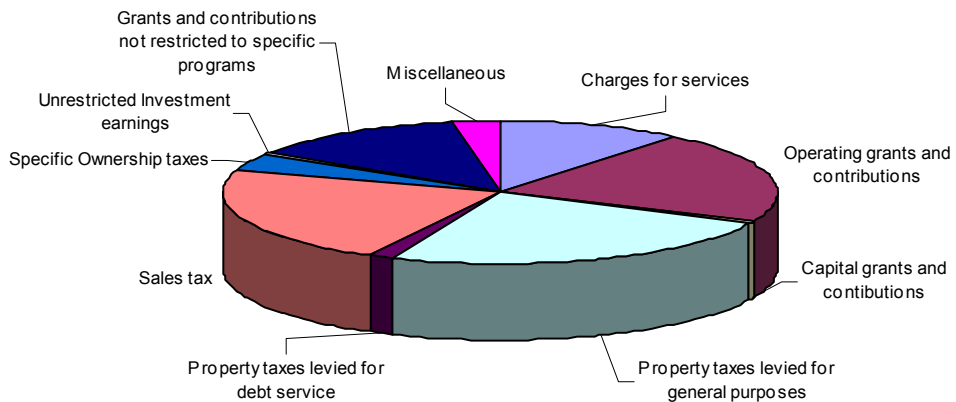
Changes in Net Assets – Governmental and Business-type activities increased the County's net assets by \$14.93 million in 2003. The following table indicates the changes in net assets for governmental and business-type activities in 2003 and 2002.

Mesa County, Colorado						
Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
REVENUES						
Program revenues						
Charges for services	\$ 9,979,200	\$ 8,764,067	\$ 3,131,131	\$ 2,806,887	\$ 13,110,331	\$ 11,570,954
Operating grants and contributions	19,634,994	19,729,892	-	-	19,634,994	19,729,892
Capital grants and contributions	430,830	680,387	-	-	430,830	680,387
General revenues						
Property taxes	22,596,165	23,227,358	-	-	22,596,165	23,227,358
Other taxes	25,451,418	23,306,603	-	-	25,451,418	23,306,603
Grants and contributions not restricted to specific programs	11,852,860	13,827,105	-	174	11,852,860	13,827,279
Other	3,195,194	2,479,630	85,618	104,041	3,280,812	2,583,671
Total revenues	93,140,661	92,015,042	3,216,749	2,911,102	96,357,410	94,926,144
EXPENSES						
General Government	17,418,912	14,643,148	-	-	17,418,912	14,643,148
Public Safety	21,128,038	20,906,077	-	-	21,128,038	20,906,077
Public Works	8,683,696	7,459,031	-	-	8,683,696	7,459,031
Public Health and Welfare	24,342,767	23,471,928	-	-	24,342,767	23,471,928
Human Services	1,714,579	1,578,472	-	-	1,714,579	1,578,472
Culture and Recreation	1,684,031	1,250,953	-	-	1,684,031	1,250,953
Miscellaneous	693,414	497,622	-	-	693,414	497,622
Inter-Governmental	349,520	338,084	-	-	349,520	338,084
Construction in Progress	824,008	891,226	-	-	824,008	891,226
Interest on long term debt	1,910,638	2,090,770	-	-	1,910,638	2,090,770
Landfill	-	-	2,681,339	1,838,108	2,681,339	1,838,108
Total expenses	78,749,603	73,127,311	2,681,339	1,838,108	81,430,942	74,965,419
Increase in net assets	14,391,058	18,887,731	535,410	1,072,994	14,926,468	19,960,725
Beginning Net assets	99,727,132	80,839,401	6,809,991	5,736,997	106,537,123	86,576,398
Ending Net assets	\$ 114,118,190	\$ 99,727,132	\$ 7,345,401	\$ 6,809,991	\$ 121,463,591	\$ 106,537,123

Governmental activities - Governmental activities increased Mesa County's net assets by \$14.3 million, thereby accounting for 98% of the total growth in net assets.



Revenues by Source - Governmental Activities



Sales tax increased by 4.4% during the year with specific ownership increasing 5.2%. The County's assessed values increased by 11.4%. The local growth factor, which is tied to new construction, was at 3.8% and the Denver/Boulder CPI at 1.9%. These factors are used in calculating the property tax growth allowed per Amendment 1. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business type activities – The County's only business-type activity, Waste Management, added \$535,410 in

net assets in 2003. The County's population growth and the resulting use for Waste Management services accounted for most of this change from the previous year. Charges for services accounted for 97% of total revenues.

Financial Analysis of the Government's Funds

As noted earlier, Mesa County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of Mesa County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$24.38 million, a decrease of \$5.37 million in comparison with the prior year. The decrease was due mainly to the spending down of sales tax dedicated to capital projects and the transfer of reserves to the Insurance fund, an Internal Service fund. Expenditures for capital projects were approximately \$17.3 million and are reflected in the Road & Bridge and the Capital Projects Funds. Of the combined ending fund balances for all governmental funds, two-third of this total amount, \$16.6 million constitutes unreserved fund balance, which is available for spending at our discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, \$3.7 million, 2) to pay debt service, \$974,924, 3) to meet a state constitution mandated emergency reserve, \$2 million, or 4) capital projects, \$1 million.

The County has four major governmental funds. They are: General, Human Services, Road & Bridge, and Capital Projects.

- 1) **General Fund.** This is the primary operating fund for Mesa County. It accounts for many core services and ordinary operations such as public safety, personnel and administration. The fund balance ending December 31, 2003 was \$9,695,463. This 2003 fund balance was \$4,106,432 less than the previous year. Again, contributing factors to this decrease is fund balance transfers to capital expenditures fund and an internal service fund. As a measure of a fund's liquidity it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 22% of the total 2003 expenditures.
- 2) **Human Services.** This fund accounts for the local share of Federal and State public welfare programs and is mandated by State Statute. The fund balance ending December 31, 2003 was \$1,574,635. This 2003 fund balance is \$525,235 less than the previous year. This drop in fund balance is due to state cut backs.
- 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. The fund balance ending December 31, 2003 was \$5,450,565. This fund balance is \$1,240,692 more than the previous year. The fund balance increase due to the transfers for capital projects.
- 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. Sales tax collections were 4.4% above the previous year. The revenue is used for major capital projects in this fund and transferred to the Road & Bridge Fund for major capital projects. The fund balance ending December 31, 2003 was \$2,091,900. This fund balance is \$2,155,653 less than the previous year. Contributing factors to this change in fund balance are variances in major capital projects.

Proprietary funds - Mesa County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Mesa County has one enterprise type proprietary fund, the Solid Waste Management Fund. Unrestricted net assets of the Solid Waste Management fund, at the end of the year amounted to \$503,751. Restricted net assets are for closure/post closure and replacement needs for the landfill. Total growth in net assets of this fund, at the end of the year, amounted to \$535,410. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

The County has three internal service type proprietary funds. Information on these funds is aggregated in the Proprietary Fund financial statements.

General Fund Budgetary Highlights

The budget for the General Fund of Mesa County is prepared using all aspects of State of Colorado statutes. On December 16, 2002 the Board of County Commissioners adopted and appropriated \$48.4 million for General Fund expenditures for the 2003 year. This budget projected using \$6.6 million in fund balance. During the year the budget was amended.

2003 General Fund Budget			
	Adopted Budget	Amendments	Final Budget
Beginning Fund Balance	\$ 12,352,137	\$ 1,449,758	\$ 13,801,895
Sources	41,782,461	885,750	42,668,211
Uses	48,448,975	2,977,059	51,426,034
Ending Fund Balance	\$ 5,685,623	\$ (641,551)	\$ 5,044,072

Budget amendments include:

- \$1,675,781 transfer to the capital fund for parking garage
- \$318,000 for 2002 encumbrances

During the year revenues exceeded budgetary estimates by .5% (excluding other financing sources) and expenditures were 10% less than the final budgetary estimates (excluding other financing uses). Even so, there was a net decrease to ending fund balance of \$4.1 million dollars due primarily to transfers for insurance reserves and capital projects.

Capital Asset and Debt Administration

Capital Assets - Mesa County's investment in capital assets for its governmental and business type activities as of December 31, 2003, amount to \$ 96,766,605 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery, equipment, park facilities, roads, highways and bridges.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	8,101,901	7,428,765	334,477	334,477	8,436,378	7,463,245
Buildings	43,185,868	39,693,522	754,227	770,789	43,940,095	40,464,341
Improvements	9,035,497	6,837,629	446,221	497,628	9,481,718	7,335,257
Equipment	9,758,306	9,447,680	1,433,312	1,111,442	11,191,618	10,559,122
Infrastructure Construction in Progress	9,298,682	737,135	-	-	9,298,682	737,135
	14,418,114	14,438,727	-	-	14,418,114	14,438,727
Total Assets	\$ 93,798,368	\$ 78,583,458	\$ 2,968,237	\$ 2,714,336	\$ 96,766,605	\$ 81,297,794

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects which may include widening, shoulder improvements, realignment of intersections or sight distance improvements. A major phase of the multi-year North/South corridor project was attained in 2003 with the construction of the 30 Road railroad underpass. The road was diverted under the railroad track alleviating congestion at a major intersection.
- Completion of the Health and Human Services Building and progress on a Mesa County/City of Grand Junction parking garage.

The County intends to use the straight-line depreciation method for its capital assets. Additional information on the County's capital assets can be found in Note 5, on pages 48-49 of this report.

Long Term Debt – At the end of 2003, Mesa County had total debt outstanding of \$37.3 million.

- \$9.0 million, principal and interest, in Certificates of Participation, funded by property taxes.
- \$28.3 million, principal and interest, in Revenue Refunding Bonds, funded by 1% Sales Tax.

The County maintains an “AAA” rating from Standards and Poor’s and Fitch with a “Aaa” rating from Moody’s

State statutes limit the amount of general obligation debt a government entity may issue to 1.5% of its total assessed valuation. Mesa County had a general obligation debt capacity of \$17 million in 2003. The County has had no general obligation bonded debt in the last eleven years. No new debt was issued during 2003.

Additional information on Mesa County’s long-term debt can be found in note 7 on pages 50-52 of this report.

Economic Factors and next year’s Budget

- The County is in a healthy financial position with reserves above policy requirements.
- The unemployment rate for the County is currently 4.3%, which is a decrease from a rate of 4.7% a year ago. This compares favorably to the State’s average unemployment rate of 4.6%.
- The Colorado Department of Local Affairs projects that Mesa County will continue to experience

strong population growth through 2025 thereby affecting new construction and sales tax collections.

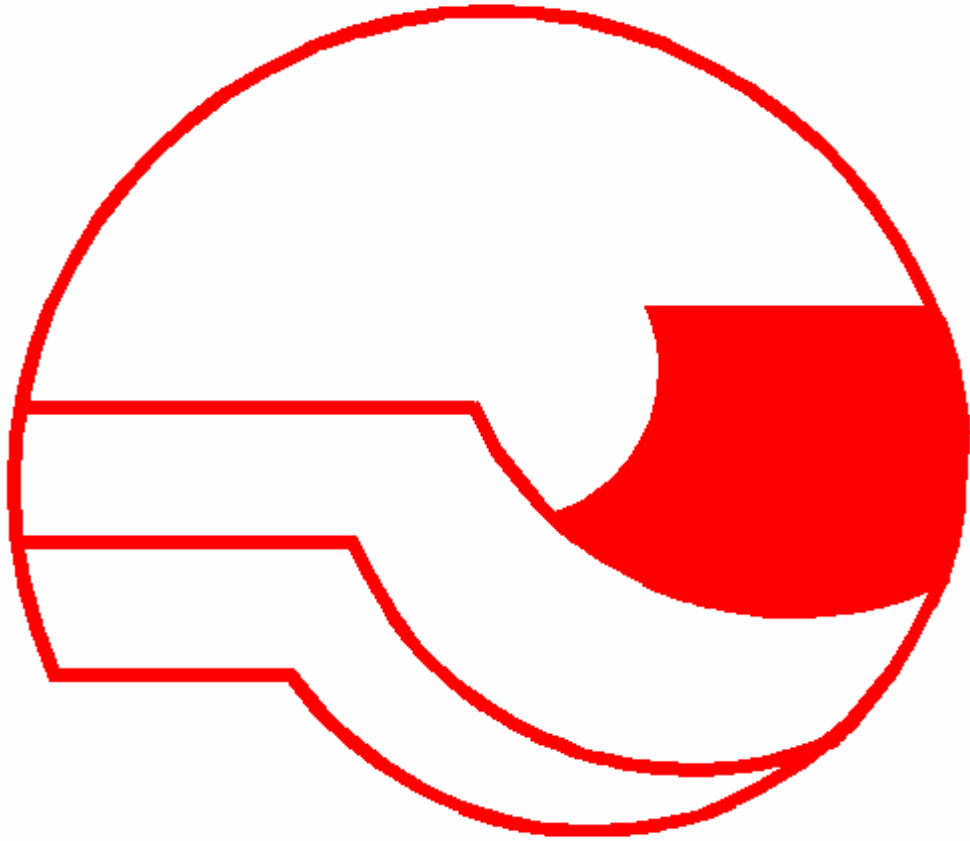
The single most significant factor considered in developing the 2004 budget is the County's Strategic Plan. The County Strategic plan serves as a blue print for long-term priorities, provides direction for the County's future leadership role in our community and is a guide for allocation resources and prioritization of services provided. Net appropriations for 2004 are \$100,196,224 which is a 3.9% decrease from the 2003 adopted budget. The decrease is due to the reduction in expenditures for capital projects. The 2004 budget will address:

- Continued rapid population growth
- State and Federal reductions in funds for County's disadvantaged and needy
- Public Safety
- Road safety and capacity
- Customer service
- Economic development

Another major phase of the North/South Corridor project is planned for 2004 with the construction of a bridge over the Colorado River. This project recognizes the current and future traffic needs in the urban areas of Mesa County and will provide a major arterial for North/South traffic.

Requests for information

This financial report is designed to provide a general overview of Mesa County's finances for all those with an interest in the government's finances. Questions concerning any of the information contained in this report or requests for additional information should be addressed to the Finance Office, Finance Director, P.O. Box 20000-5014, Grand Junction, Colorado 81502-5014.



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