

INTRODUCTION



TO: MESA COUNTY BOARD OF COMMISSIONERS
FROM: Jon Peacock, County Administrator
SUBJECT: 2007 Budget
DATE: 12/15/2006

Introduction

I am pleased to present for your consideration the 2007 Budget for Mesa County.

The budget has been prepared in compliance with state statute, generally accepted accounting principles, and in compliance with the priorities and direction of our elected officials. The 2007 budget is based on a new approach, Budgeting for Outcomes. Budgeting for Outcomes is designed to move away from traditional methods of incremental budgeting, i.e., starting with a “base” budget equal to what was appropriated the previous year, to a process that looks at the whole budget from the perspective of strategic initiatives and priorities. Budgeting for Outcomes shifts the focus of the budget from realigning the base to focusing on services and programs that will produce desired results. The objective is to buy the best “offers” (services, programs and projects) most likely to achieve desired results. The process started with six critical outcome areas identified in the 2005 update to the County’s strategic plan:

- **Continue to Promote and Protect Public Safety** – “I want to feel safe anytime anywhere”
- **Create well-planned and developed communities** – “I want plans and infrastructure that maintain and enhance quality of life in the face of growth”
- **Continue to Promote and Protect Public Health** – “I want a healthy Mesa County”
- **Promote citizen satisfaction, trust and confidence in County Government** – “I want to know my government is working for me”
- **Promote economic vitality in Mesa County** – “I want Mesa County to have a thriving economy”
- **Promote the success of families and youth in Mesa County** – “I want a community where citizens of all ages can be successful”

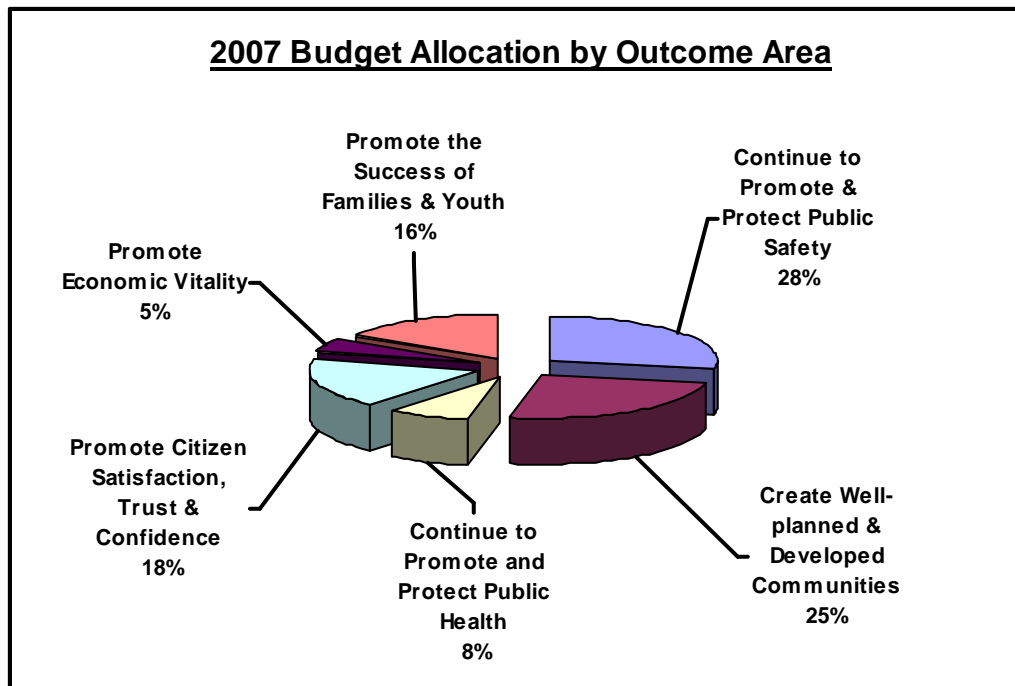
Following is an overview of the 2007 budget. I want to acknowledge the hard work and effort of County staff in all departments in preparing the 2007 budget, especially those employees that worked on the various result and leadership teams and budget staff in our Finance Department. I am deeply grateful for the leadership, commitment and tolerance of the County’s elected and appointed officials in implementing this new process. The budget provides the County with a fiscally responsible plan that is responsive to community needs.

Overall Summary

The overall budget is \$153,830,129 which is a 4.3% increase over the 2006 adopted budget. The 2007 budget includes \$6,269,527 in re-budgeted capital items from 2006. With these items removed the overall budget increase from 2006 to 2007 is .09%. The net budget (transfers and internal services removed) is \$133,062,128 which is a 9.5% increase from 2006 to 2007. Likewise, this includes \$6,269,527 in capital re-budgets from 2006. With the capital re-budgets removed the net budget increase is 3.9% (the net budget increase with capital removed most accurately reflects the proposed change in expenditures from 2006 to 2007).

The budget is balanced for all funds using new revenues and accumulated fund balance. Overall Fund balances are projected to exceed all reserve requirements and place the County in a healthy financial position. Operating fund balances are projected to end the 2007 fiscal year at 19.72% of appropriations and overall fund balances projected to be 21.71% of appropriations. The budget includes use of \$3,192,605 in projected fund balance; all of which can be attributed to one time capital or operating capital expenditures. Appropriations for ongoing operations are balanced with ongoing revenues.

The 2007 budget allocates appropriations as follows:



Budgetary Basis, Assumptions and Decision Points

Following are the underlying fiscal policies and assumptions used to develop the budget:

Fund Balance:

The 2007 budget accounts for the 3% reserve required by TABOR within the fund balance of the various County funds. Additionally, the County's budget policy requires that the General Fund maintain a minimum 10% fund balance for cash management and contingencies. The General Fund is designated as the cash balance fund for all other funds. Generally all other County funds should carry a minimum 5% fund balance unless a fund is primarily used for pass-through revenues, capital expenditures or grant funded operations where activity and expenditures can be easily stopped if anticipated revenues are not forthcoming. Finally, from a management and long-term fiscal planning perspective, Mesa County is experiencing an economic boom driven largely by extraction activities within the County. Mesa County has a long history of boom-bust cycles associated with extraction activities and during a boom it makes sense to build and maintain fund balances of 15% or greater in operating funds to ensure an orderly transition in the event of a future economic downturn.

The 2007 budget exceeds fund balance requirements from a TABOR and cash management perspective, and provides healthy reserves from a management perspective. The projected ending fund balance in the General Fund is 25.7% of appropriations with ending fund balances for all primary operating funds (General, Human Services, Health, Road and Bridge) projected to be 19.72% of appropriations. Projected ending fund balance for all special revenue funds is projected to be 24.85% of appropriations. Overall the County's ending balance for all funds is projected to be 21.71% of appropriations.

Revenues:

Mesa County is experiencing a robust economy due to strong job growth and development driven by a boom in energy extraction activities and Mesa County's position as the largest urban commercial center between Denver and Salt Lake City. Overall County revenues are projected to grow 12% from the 2006 adopted budget to the 2007 budget. Following are some of the key revenue assumptions:

- *Property Tax:* Assessed value continues to grow with net assessed value increasing by 5.7%. Property tax collections are budgeted to increase 5%, the maximum allowed under TABOR restrictions. The base mill levy will remain at 19.035 mills.
 - *Sales Tax:* Mesa County has experienced significant sales tax growth throughout 2006, a trend that is projected to continue in 2007. Sales tax revenues are projected to increase 12% over 2006 estimated collections and 23% over the 2006 adopted budget.
 - *Use Tax:* Use tax is expected to increase by 16% over 2006 adopted budget.
 - *Severance Tax, Mineral Leasing and Energy Impact Revenues:* Mineral Leasing is expected to increase 153% over 2006 adopted budget and Severance Tax expected to increase by 62% over 2006 adopted budget. The 2007 budget anticipates over \$4 million in energy impact revenues for capital projects (with some carryover from 2006 projects).
 - *Specific Ownership Tax:* Specific Ownership tax is expected to increase 3% over 2006 adopted budget.
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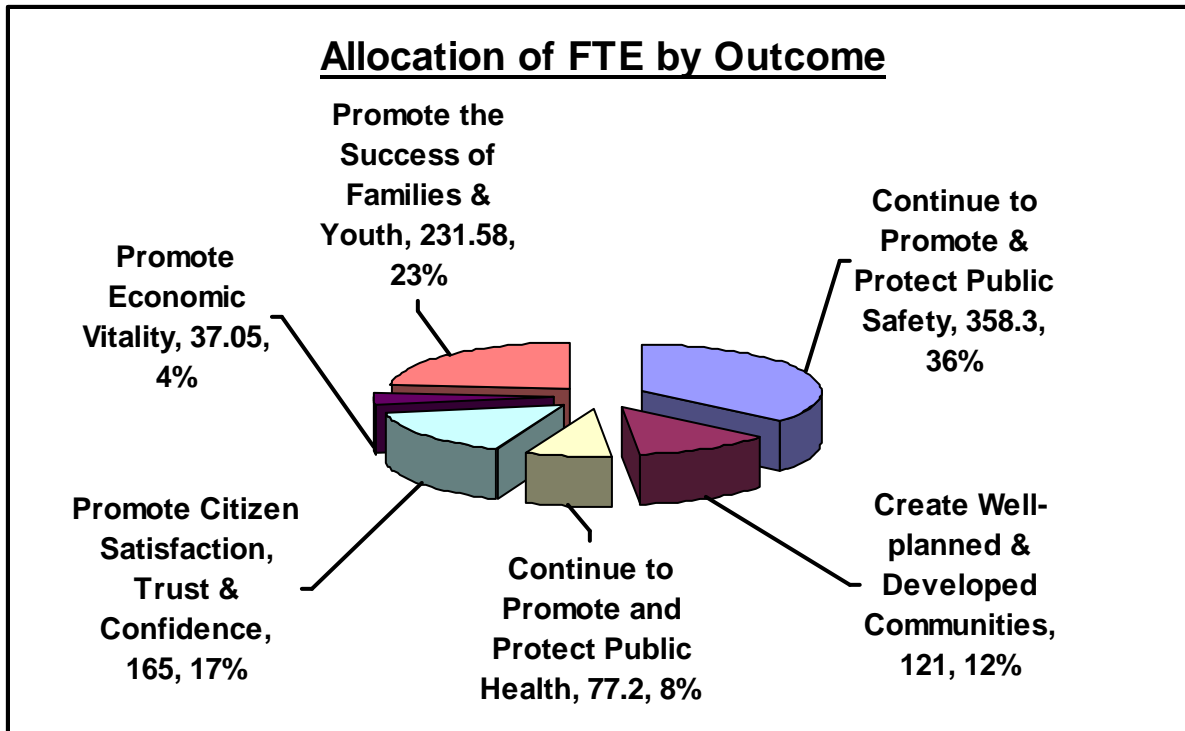
- *Payment in Lieu of Taxes (PILT)*: PILT funds are anticipated to decrease in 2007 by 10% from 2006 adopted budget.
- *Interest*: Interest is anticipated to increase by 48% over the 2006 adopted budget.

TABOR

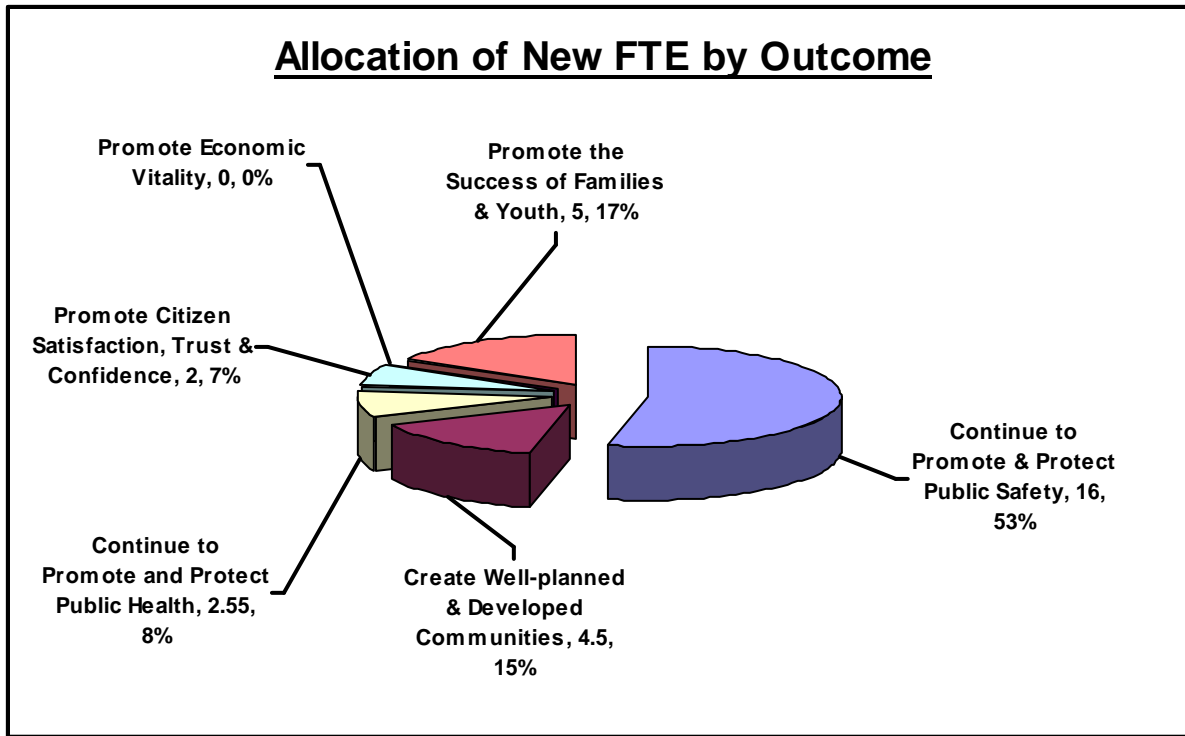
Article 10 section 20 of the Colorado Constitution (TABOR) sets forth restrictions on revenue growth for the State and its political sub-divisions. The 2007 budget includes a reduction in sales tax revenue of approximately \$152,000 as a TABOR refund (sales tax holiday). We are currently projecting a large TABOR refund in 2008, followed by lower refunds for 2009-2012 as we project slower revenue growth, and local growth and CPI allows revenue growth to catch-up under TABOR. Long-term revenue projections in the Capital Plan show revenue reductions in the form of sales tax holidays for 2007-2012. The 2008 revenue reduction is projected to be \$3,000,000, but could range anywhere from \$0-\$5.5 million depending on the categories (TABOR exempt or not) that revenues fall in, and whether the County decides to and is successful in seeking limited TABOR relief. Regardless, the 2007 budget sets a sound financial plan for Mesa County’s future, obviously a refund in excess of \$3 million in 2008 would affect reserve levels and limit growth in future budgets. However, overall operating reserves are projected to exceed 15% in future years even at the high end of TABOR refund estimates.

Appropriations:

Salary and benefits make up the majority of the County’s operating budgets. The 2007 budget includes a 3.1% increase in the number of County full time equivalent positions, for a total of 990.13, divided by outcome area as follows:



30.05 new FTE are divided by outcome area as follows:



With a booming economy, Mesa County’s unemployment has been consistently low the past two years. The most recent numbers place the County’s unemployment rate at 3.9%. As a result the County, like all organizations, is experiencing increased competition to recruit and retain qualified employees. In response we took a comprehensive look at employee compensation including: review of pay plan to market as determined by surveying both public and private sector employers with like positions; analysis of benefits such as retirement, health, dental, vision, life insurance and employee assistance program; and review of the County’s pay for performance plan. This review has led to significant changes in the employee compensation for 2007, and includes:

- Bringing all County employees within 3.5% of market (market not fully implemented).
- Reducing the available merit bonus amount from 4% to 2% (\$312,000 budget reduction)
- Paying half of the 20% increase in Health insurance costs for employees.
- Increasing retirement benefits based on longevity. Currently the County provides a 5% match with 100% vesting the first day of employment. The 2007 budget proposes the following changes to the retirement benefit plan:
 - Implementation of a three year cliff vesting period for all new employees.
 - A new contribution strategy based on longevity 0 to 5 years 5% match, 5+ to 10 years 6% match, and 10+ years 6% match with optional 1% 457 deferred compensation match.
- No changes were made in vision, dental, life or Employee Assistance program.

Changes to the employee compensation plan will increase personnel appropriations by 5.1% broken out as follows:

Salary Survey Market Adjustment	1.90%
Pay for Performance	1.64%
Health Plan	0.83%
Retirement	0.73%
Vision, Dental, Life, EAP	0.00%

Appropriations by Outcome Area:

Continue to Promote and Protect Public Safety –“I want to feel safe any time any where”

The 2007 budget includes \$39,330,341 (28% of total) in appropriations and 358.3 FTEs (16 new) for public safety. Highlights of services recommended for enhancement in the 2007 budget include law enforcement activities, traffic safety capital projects and completion of expanded CJSD campus. The 2007 budget proposes to maintain service levels in Emergency Management and Planning, Detention, alternative sentencing programs and services offered through the District Attorney’s office.

Highlights include:

- \$8,750,493 in appropriations and 101.3 total FTEs (11 new) for law enforcement activities.
 - Nine of the new FTE are Sheriffs deputies, four will enhance current patrol activities and five will create a new Street Crimes Overlap team. The Street Crimes/Overlap Unit will provide police services during a critical time during shift change between the day shift patrol team and the night shift patrol team. The Street Crimes/Overlap Unit will also provide the resources required to target specific crime problems such as neighborhood drug dealers, career criminals, burglaries, theft from autos, monitoring registered sex offenders, traffic enforcement and quick response to immediate threats to public safety. The Overlap Team will also work with Code Enforcement and local landlords to coordinate neighborhood clean-up projects in the Clifton area. The four new patrol officers will assist in deterring criminal behavior through community policing activity and programs through increased visibility, providing wider county coverage and improving response time.
 - Other enhancements to law enforcement capabilities include addition of a crimes analyst, an FTE to improve tracking of registered sex offenders and added capability to deal with dangerous animals at the animal shelter.
- \$3,025,301 in the District Attorneys Office and 44 FTEs (1 new) to ensure offenders receive appropriate punishment for their actions, and where practical receive treatment to prevent recidivism.
 - In 2000, the District Court division filed 1,064 felony cases; in 2005, 2,223 felony cases were filed. In 2000, the DA's Office had a total of **16** attorneys handling both felony and misdemeanor cases. In 2007, the office is projected to be responsible for more than double the caseload with a total of **21** attorneys. The 2007 budget includes an additional fulltime Deputy District Attorney for Community Prosecution. Community Prosecution establishes a presence, voice, and role in working with community members impacted by crime, and those playing a role in crime prevention by offering the opportunity to engage the citizens outside the four walls of a courtroom. Appropriations also continue support for the Juvenile Division which is proven to help prevent juvenile offenders from committing more serious crimes as adults through effective

intervention.

- \$13,759,580 for detention and alternative sentencing programs and facilities with 161 FTEs (0 new).
 - The 2007 budget continues an aggressive set of programs approved in the 2006 budget to better manage the jail population, including: completion of a \$6.4 million (\$937,686 in 2007) expansion of the Criminal Justice Services campus to include 120 new community corrections beds, up to 48 residential methamphetamine treatment beds, 45 Work Release beds, and 45 Workender (weekend sentencing program) beds. The County will continue to operate its 334 bed detention facility, and contract with Colorado West Mental Health for detoxification services.
 - Full implementation of alternative sentencing and treatment programs are anticipated to relieve overcrowding in the jail and save the County over \$3 million in capital and \$500,000 a year operating costs versus housing the same number of inmates in a traditional detention facility, while reducing the likelihood of recidivism.
- \$382,520 in appropriations and 2 FTEs (0 new) for a comprehensive all hazard emergency management program. The 2007 budget includes a re-write of the County's Emergency Operations Plan (EOP) to align with the National and State Response Plans and includes the completion of a Joint Information Center (JIC) plan and periodic exercises to maintain a reasonable state of readiness.
- \$6,733,063 capital appropriations for improvements to county roads, intersections and public safety facilities. There are over 41 public safety related capital projects, the majority are traffic safety improvement projects ranging from road widening, bridge replacements, sight distance improvements, and traffic control measures. \$2,885,185 is for replacement and widening of the DeBeque bridge at V.2 road. \$1,157,686 is for facility improvements including \$937,686 for completion of community correction campus improvements and \$220,000 for upgrades to SO video arraignment system and HVAC upgrades.

Create well-planned and developed communities – “I want plans and infrastructure that maintain and enhance quality of life in the face of growth”

The 2007 budget has \$34,262,187 (25% of total) in appropriations and 121 FTEs (4.5 new) to support well planned and developed communities. Highlights of enhancements in the budget include new road and multi-modal transportation capacity and maintenance activities; support for construction and expansion of sewer services in Whitewater and Gateway; additional support for land use plan reviews; additional maintenance staff for Long Family Memorial Park, and increased support for Grand Valley Transit administration. The 2007 budget proposes maintaining service levels for Building Inspection, Long Range Planning, Code Enforcement, Regional Transportation Planning and Traffic.

- \$23,198,249 in appropriations and 63 FTE (1 new) to maintain and improve multi-modal transportation infrastructure in Mesa County. A new engineering position is proposed to improve our capacity to implement the capital plan.
 - \$13,264,701 in appropriations for 36 capital projects. Major projects include \$7,050,000 for North South Corridor improvements on 29 Road; \$800,000 for bike and pedestrian improvements with a special focus on the Riverfront Trail between Fruita and Palisade; \$918,096 for widening of Monument Road to include bike lanes; \$733,192 for improvement of access at I-70B and Peachtree Shopping Center. Finally \$1,204,605 is budgeted for transportation impact fee projects.
 - \$8,868,205 for maintenance of the county's over 1400 mile transportation system, which includes 600 bridges and large culverts, and 4000 drainage structures. \$3,000,000 for the overlay program (31% increase over 2006); and
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\$2,996,585 for operating capital such as chip seal, gravel and other maintenance supplies

- \$1,787,065 for land use planning and code enforcement activities, 18 FTE (.5 new). The Planning Department is responsible for collection of data, coordination with service providers, and the review of adopted County regulations, plans, and policies to assist the Board in land use decisions for an average of 460 development applications each year. Code Enforcement provides daily services to Mesa County citizens by implementing and enforcing the Mesa County Land Development Code. Over 200 new complaints are projected for 2007 which are responded to using a two-pronged approach of efforts toward voluntary compliance with prosecution or litigation as a last resort. Code Enforcement in the Clifton/Fruitvale areas will be emphasized in 2007 to assist with Master Plan Implementation. Finally, Planning appropriations include continued work on implementation of the rural master plan, White Water Community Plan, Clifton Community Plan and development of an energy master plan that will identify impacts of energy development and provide the basis for policies and regulations to require mitigation steps be taken and/or direct energy development away from sensitive areas.
- \$1,306,348 to maintain building inspection services levels 17 FTE (0 new).
- \$3,990,257 for Regional Transportation Planning, Grand Valley Transit Administration and Traffic services, 13 FTE (1 new).

Continue to Promote and Protect Public Health – “I want a healthy Mesa County”

The 2007 budget includes \$10,721,743 (8% of total) in appropriations and 77.2 FTEs (2.55 new) for public health. Services recommended for enhancement in the 2007 budget include: immunizations, rabies control and solid waste management. Services maintained at previous levels include environmental health, family planning, pathology services through the Coroner’s office and health education. Highlights include:

- \$489,896 for immunization program 4.2 FTE (1 new). Vaccinations have been one of the most effective tools for the prevention of illness, disability and death. The Mesa County Health Department Immunization Program provides recommended adult and children's vaccine in a clinical setting and occasionally at off-site specialty clinics. All school mandated vaccines are provided to children and adolescents. The Vaccines for Children (VFC) Program assures that no child is denied access to vaccine by covering the cost of vaccine for economically disadvantaged children.
- \$1,063,818 for environmental health programs 13 FTE (0 new) The Environmental Health Division performs activities to preserve the environment and protect public health and water quality in Mesa County. To achieve these goals there are four (4) core program areas administered under the Environmental Health Division: Consumer Protection; Air Quality; Water Quality; and Zoonosis and Vector borne Disease Control. The Consumer Protection Program (CPP) principally conducts inspections of Retail Food Establishments (RFE) and Temporary Events (festivals) [some 1500 inspections in 2005], Food Warehouses and Manufacturers [70 facilities], Child Care Centers [100+ facilities], Public and Private Schools and chemistry labs [60], Non-Community Ground Water Systems [12], Body Art (Tattoo) Facilities [5], Public Accommodations (hotels/motels) and other program areas [upon complaint]. The CPP responds to approximately 150 citizen complaints each year, including about 40 alleged food illnesses in 2005.
- \$3,327,847 for a comprehensive solid waste program 6 FTE (1 new) Integrated Solid Waste Management services including: the Mesa County Landfill and Transfer Station System, the Green Waste Composting Program, the Biosolids and Animal Mortalities Composting Program, the Riverfront Recreational Corridor Program, and the

Public Outreach/Education Program. Solid Waste Management operates as a Mesa County Enterprise (business) separate and distinct from the General Fund. Revenues from the enterprise fully fund all activities of the Division in the short and long term. Solid Waste Management is a business subset of Mesa County government. Revenues generated by the system fund 100 percent of expenditures. The 2007 budget adds an Inmate Crew Supervisor/ Environmental Protection Officer to the Solid Waste Management staff under management of the Sheriff's Department. Two to three days per week, the position will supervise an inmate crew addressing labor needs within the system. Labor needs include: litter pickup, fence building and tire baling. Other days, in the role of a law enforcement officer, the position will address uncovered loads, illegal dumping and trespass/vandalism issues associated with the Solid Waste Management Campus.

- \$364,477 support for Coroner's Office the Coroner's Office is a crucial public health partner in supporting both public health and public safety functions. In the first 6 months of this year 311 deaths have been reported to the Coroner's Office, this is in comparison to a total of 395 for the entire 2005 calendar year. Of these, 6 of the deaths are determined to be homicides vs. a total of 2 for year 2005, 16 are suicides vs. the 27 total for year 2005. The 2007 year's budget reflects the anticipated increase in forensic investigations related to population growth and the potential for industrial accidents & resulting fatalities. It also reflects a shift in funding from the current underwriting of Community Hospital and the Pathology Group for the Coroner' Office actual expenses.

Promote economic vitality in Mesa County – “I want Mesa County to have a thriving economy”

The 2007 budget includes \$7,298,802 (5% of total) in appropriations and 37.05 FTEs (0 new) to promote economic vitality. The 2007 budget includes maintaining services offered through the Mesa County Workforce Center and enhancements for community partnerships to promote economic vitality.

- \$5,334,961 to maintain services through the Mesa County Workforce Center and 23.05 FTE (0 new). The Workforce Center is a unique model for the provision of workforce development activities. It is a division of the Department of Human Services and consists of 13 partner agencies dedicated to the provision of quality customer service. The primary focus of the WFC is to provide employment and training opportunities for individuals ranging from GED to skilled training such as Nursing, etc. Special emphasis is made on ensuring that individuals are receiving training in areas that are in high demand and that will provide a level of income that will sustain a quality lifestyle. As part of the One Stop delivery system, the WFC focuses on providing a variety of services related to a labor exchange system including job search assistance, referral and placement assistance to job seekers, reemployment services to unemployment insurance claimants and recruitment services to employers with job openings. The Workforce Center also improves opportunities for gainful employment by providing onsite child care and support for GVT (through use of TANF monies).
- \$713,000 to promote the (0 FTE) retention and expansion of existing business, the attraction of new business to the community, and the development of new businesses within the community through training, support facilities and low cost business loans. \$713,000 of appropriations are for 2007 including:
 - \$100,000 for Mesa State campus expansion;
 - \$100,000 contribution to the operations of the Grand Junction Economic Partnership;
 - \$250,000 for minor bridge structures in the Fruita Greenway Business Park;
 - \$200,000 contingency for the Board to support unanticipated ED opportunities;
 - \$29,000 for administration of the Enterprise Zone program;
 - \$34,000 for support of the Business incubator program.

- creating a fertile environment to businesses, agriculture and individuals. As a result, Mesa County is able to attract and retain a quality workforce. Land Use, development and planning practices are recorded within this division via resolutions by the BOCC.
- \$365,578 for noxious weed management activities that result in preventing the introduction and spread of noxious weeds by providing eradication, weed management services, education and monetary assistance to landowners. The Pest Control District protects agriculture from escalating pest control costs by conducting control and eradication programs and educating citizens about controlling fruit pests.

Promote the success of families and youth in Mesa County – “I want a community where citizens of all ages can be successful”

The 2007 budget includes \$21,418,031 (16% of total) in appropriations and 231.58 FTEs (5 new) to promote success of families and youth in Mesa County. The budget maintains service levels in this outcome area. New FTEs are in response to increased workload in the Options for Long-Term Care (2 FTEs), legal support for Dependency and Neglect prosecutions (2 FTEs), and support for fairground maintenance and event set-up (1 FTE).

Highlights of the budget include:

- \$3,174,174 for Public Assistance programs administered by the Department of Human Services provide for the basic personal needs of low-income, eligible individuals and families in Mesa County. These services include cash assistance (Colorado Works/TANF, Old Age Pension, Aid the Needy Disabled), Medical Assistance (Medicaid), Food Assistance (Food Stamps) and Energy Assistance (LEAP).
- \$7,873,943 for protection of Child Welfare including: response to child abuse and neglect referrals from the community 24 hours a day; immediate response as required in order to assure physical safety of children; legal services to protect children in dependency and neglect situations; residential placements including family foster care, group home care, kinship care, and residential treatment; and family preservation services to prevent further abuse or neglect and address issues that brought the family to the attention of Child Welfare.
- \$1,485,259 for child support enforcement to ensure Child Support Enforcement services include the establishment of support orders and activities related to the enforcement and collection of child support for families in Mesa County.
- \$2,549,736 for services to vulnerable adults and seniors including options for long-term care that allows seniors to live independently and intervene with or on behalf of at-risk adults to correct or alleviate situations in which actual or imminent danger of mistreatment and/or self-neglect exists and to utilize support systems to provide continued safety from the incident(s) of mistreatment or self-neglect.
- 403,932 to support programs for the developmentally disabled through Mesa Developmental Services. This is a funding increase from 2006 to address funding shortfalls in Medicaid reimbursements to MDS
- \$2,005,047 for capital projects, most significantly completions of Phase III of Long Family Memorial Park (\$1,773,505) and maintenance projects for Mesa and Gateway Community Centers.
- \$514,702 for operation of the Mesa County Fairgrounds and the annual County Fair.
- \$479,463 for funding of non-profit partners.

Promote citizen satisfaction, trust and confidence in County Government – “I want to know my government is working for me”

The 2007 budget includes \$25,036,428 (18% of total) in appropriations and 165 FTEs (2 new) to promote citizen satisfaction and trust in County government. This outcome area includes a broad range of activities ranging from elected

offices (Board of Commissioners, Clerk and Recorder, Treasurer, Assessor and Surveyor) to support functions (e.g., Information Technology, Facilities, Fleet Management, Finance and Administration). The Budget includes two new FTEs: Conversion of 1 contract position to a full-time County position for Channel 12 production services, and one new FTE for the Finance Department to conduct long-term financial planning, specifically analyzing how growth will impact future operating and capital needs to facilitate better long term fiscal planning.

Highlights include:

- \$1,225,000 to replace a sixteen year old software system that manages information for the Assessor, Treasurer, Building and Planning departments, and upgrades to the county GIS system. Software enhancements will improve productivity while ensuring the accuracy of assessments and determination of property tax liability as our community grows and develops.
- \$1,619,869 to maintain service levels in all divisions of the Clerk and Records Office (Elections, Motor Vehicles, Elections and Board of Equalization).
- \$3,728,745 for fleet maintenance activities.
- \$10,814,174 for administration and support services for the entire organization, including: Board of Commissioners; County Administration; all internal support services (information technology operations, human resources, purchasing, risk management, facilities, finance and accounting), legal services through the County Attorney's Office.

Conclusion:

The 2007 budget has been developed from the perspective of what purchases best furthers the strategic priorities of the County and best serves the citizens within resource limitations. 2007 appropriations are balanced with revenues and use of accumulated fund balance. Projected ending fund balances leave the County in a healthy financial condition. TABOR limitations are projected to limit growth of future budgets if TABOR relief strategies are not approved. More information about what was proposed and included in Mesa County's 2007 budget is available at www.mesacounty.us under the Finance page.

BASIS OF ACCOUNTING

The modified accrual basis of accounting is used by all governmental fund types and agency funds. 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 that 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. Recognition of revenues represented by non-current receivables is deferred until they become current receivables. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include:

1. Principal and interest on general long-term debt which is recognized when due, and
2. Accumulated unpaid vacation that is not expected to be paid within the next year.

Expenditures for insurance, membership and other services which extend over more than one accounting period are accounted for as expenditures of the period of acquisition.

Those revenues susceptible to accrual are property taxes, franchise fees, special assessments, 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.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The proprietary funds include a statement of cash flows showing cash and cash equivalents provided by and used in operating, financing and investing activities. The County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

BASIS OF BUDGET

State law requires budgets for the County's governmental and proprietary fund types. Budgets for governmental types (General, Special Revenue, Debt Services and Capital Projects) are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP—uniform, minimum standards and guidelines for financial accounting and reporting which encompasses the conventions, rules and procedures necessary to define accepted accounting practice at a particular time) with the following exceptions:

Special Revenue Funds - Food stamps and commodities are not appropriations of the County and are not included as revenues and expenditures.

Debt Service Funds - Payments on advances from the General Fund are budgeted as transfers out or expenditures to the Local Improvement District Funds. These transactions do not affect fund balance in GAAP basis accounting.

Budgets for proprietary fund types (Enterprise and Internal Services) are adopted on a Non-GAAP basis, using the same measurement focus of governmental funds.