
MONTROSE COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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Independent Auditors' Report

Board of County Commissioners
Montrose County, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Montrose County, Colorado (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Montrose County, Colorado, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 15 and 51 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RubinBrown LLP

September 24, 2013

MONTROSE COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

As management of Montrose County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the County exceeded its liabilities as of December 31, 2012 by \$145,604,993. Of this amount, \$31,082,401 may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$10,972,942.
- As of December 31, 2012, Montrose County's governmental funds reported combined ending fund balances of \$37,138,331, an increase of \$2,479,839 from 2011. Approximately 40% of this total amount, \$14,684,696 is available for discretionary spending for the benefit of county citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14,684,696, or 84% of total general fund expenditures (including transfers).
- The County's total bonded debt increased by \$490,000 or 16.9% during 2012 due to the issuance of a lease purchase agreement for the construction of the Justice Center Annex.

Overview Of The Financial Statements

This discussion and analysis is intended to serve as an introduction to Montrose County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 a private-sector business.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and 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 the County include general government, public safety, highways and streets, economic development, transportation, housing, and culture and recreation.

The government-wide financial statements can be found on pages 16 through 18 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources, which have been segregated for specific activities or objectives. The 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 the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

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.

The County maintains 12 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 fund, road and bridge fund, social services fund, public safety sales tax fund, and capital expenditures fund, all of which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements.

The County adopts an annual appropriated budget for each individual governmental fund. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19 through 21 of this report.

Proprietary Funds: The County Government maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County Government uses an enterprise fund to account for its Montrose Airport Fund. Internal Service funds are used to account for goods or services given to one department by another on a cost reimbursement basis. The County Government uses an internal service fund to account for its Internal Fleet Management Fund.

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 Montrose Airport Fund which is considered to be a major fund of the County Government, and the internal service fund.

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. 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 27 of this report.

Notes To 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 begin on page 28 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds begin on page 56 of this report.

Governmentwide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$145,604,993 at December 31, 2012.

By far the largest portion of the County's net position (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (Continued)

Montrose County's Net Position (\$000)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other						
assets	\$ 52,496	\$ 46,524	\$ (410)	\$ 1,724	\$ 52,086	\$ 48,248
Capital assets	70,440	67,850	45,123	37,229	115,563	105,079
Total Assets	\$ 122,936	\$ 114,374	\$ 44,713	\$ 38,953	\$ 167,649	\$ 153,327
Liabilities						
Long-term liabilities						
outstanding	\$ 3,588	\$ 3,106	\$ —	\$ —	\$ 3,588	\$ 3,106
Other liabilities	17,216	14,919	1,240	669	18,456	15,588
Total Liabilities	\$ 20,804	\$ 18,025	\$ 1,240	\$ 669	\$ 22,044	\$ 18,694
Net Position						
Net investment in						
capital assets						
related debt	\$ 66,852	\$ 64,744	\$ 45,123	\$ 37,229	\$ 111,975	\$ 101,973
Restricted	2,548	3,033	—	—	2,548	3,033
Unrestricted	32,732	28,572	(1,650)	1,055	31,082	29,627
Total Net Position	\$ 102,132	\$ 96,349	\$ 43,473	\$ 38,284	\$ 145,605	\$ 134,633

An additional portion of the County's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,082,401) may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2012, Montrose County is able to report positive net position balances in its governmental and business-type activities. The same situation held true for 2011.

The County's net position for the Montrose Regional Airport (its business-type activity) increased by \$5,189,136 during 2012 primarily due to the receipt of federal grant proceeds used to fund airport runway improvements.

Governmental Activities: Governmental activities increased the County's net position by \$5,783,806. Key elements of the increase are as follows:

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (Continued)

Montrose County's Changes In Net Position (\$000)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for services	\$ 9,593	\$ 5,122	\$ 2,504	\$ 2,586	\$ 12,097	\$ 7,708
Operating grants and contributions	7,901	8,087	29	34	7,930	8,121
Capital grants and contributions	—	—	10,808	3,581	10,808	3,581
General revenue						
Property taxes	10,472	13,825	—	—	10,472	13,825
Sales and use taxes	9,661	9,093	—	—	9,661	9,093
Other taxes	5,994	5,889	—	—	5,994	5,889
Other revenue	76	869	163	114	239	983
Total Revenues	43,697	42,885	13,504	6,315	57,201	49,200
Expenses						
General government	14,209	10,111	—	—	14,209	10,111
Health and human services	7,771	8,305	—	—	7,771	8,305
Public safety and protection	7,710	10,545	—	—	7,710	10,545
Road and bridge services	10,624	11,297	—	—	10,624	11,297
Interest and fiscal charges	478	165	—	—	478	165
Airport	—	—	5,436	4,669	5,436	4,669
Total Expenses	40,792	40,423	5,436	4,669	46,228	45,092
Increase In Net Position Before Transfers	2,905	2,462	8,068	1,646	10,973	4,108
Transfers	2,879	300	(2,879)	(300)	—	—
Increase In Net Position	5,784	2,762	5,189	1,346	10,973	4,108
Net Position - January 1	96,348	93,587	38,284	36,938	134,632	130,525
Net Position - December 31	\$ 102,132	\$ 96,349	\$ 43,473	\$ 38,284	\$ 145,605	\$ 134,633

- Capital outlays exceeded depreciation by \$3,140,149
- Debt service increases amounted to \$490,000

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

General Government Functions

The financial operations of the primary government - the County's general, special revenue, capital project, and debt service funds - are summarized here. The following schedule presents a summary of the governmental funds revenues from various sources for the fiscal year ended December 31, 2012 and the changes from the prior year.

Revenue Source	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Taxes	\$ 19,963	47.0	\$ 22,888	51.9	\$ (2,925)	(12.8)
Licenses and permits	325	0.8	316	0.7	9	2.8
Intergovernmental	15,553	36.6	15,103	34.2	450	3.0
Charges for services	1,681	4.0	1,504	3.4	177	11.8
Charges to other governments	4	0.0	221	0.5	(217)	(98.2)
Internal charges	1,370	3.2	3,104	7.0	(1,734)	(55.9)
Miscellaneous	3,605	8.5	982	2.2	2,623	267.1
Total Revenues (\$000)	\$ 42,501	100.0	\$ 44,118	100.0	\$ (1,617)	(3.7)

Overall revenue decreased by 3.7% or \$1,617,161 in 2012 over 2011.

The largest source of revenue for 2012 was derived from taxes, 47.0% of total revenues. Overall, tax revenue decreased by 12.8% or \$2,925,339. Property tax revenue in 2012 decreased by \$3,352,342 or 24.2% over 2011 due primarily to an increase in the temporary credit mill levy for 2012. The County maintained its mill levy at 23.653 mills with a temporary mill levy reduction of 6.774 mills to remain within TABOR limits for a net mill levy of 16.879 for tax collection purposes.

Licenses and permits show a 2.8% increase from 2011 due primarily to increased number of building permits issued in 2012.

Intergovernmental revenue increased in 2012 by \$8,712 or 3.0%, due primarily to increases in federal and state funding.

Charges for services increased 11.8% due primarily to increased Treasurer and Clerk and Recorder fees. Charges to other governments was 98.2% or \$217,094 less than 2011 due primarily to a realignment of accounts based on the County's strategic plan.

Internal charges are 55.9% or \$1,733,801 less in 2012 from 2011 due largely to the creation of a separate internal service fund for fleet management.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

Miscellaneous revenue was more in 2012 than 2011 due primarily to a performance bond forfeiture that was received by the Road & Bridge fund.

The following schedule presents a summary of the governmental funds expenditures for the fiscal year ended December 31, 2012 and the changes from the prior year.

	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Expenditures						
General government	\$ 11,635	25.9	\$ 10,281	24.7	\$ 1,354	13.2
Health and human services	7,803	17.4	8,431	20.2	(628)	(7.4)
Public safety and protection	10,545	23.5	10,458	25.1	87	0.8
Road and bridge services	11,372	25.3	11,910	28.6	(538)	(4.5)
Debt service	3,560	7.9	563	1.4	2,997	91.6
Total Expenditures (\$000)	\$ 44,915	100.0	\$ 41,643	100.0	\$ 3,272	7.9

Overall expenditures for 2012 were \$3,271,960 or 7.9% more than 2011. Increases in general government expenditures for 2012 include:

- Construction of a new Justice Center Annex Building
- Remodeling the existing Justice Center

Health and Human Services decreased by \$627,879 or 7.4% due primarily to a reduction in labor and overall operating expenses. Public Safety and Protection activities increased by \$86,124 or .8%. Road and Bridge services decreased by \$537,621 or 4.5%, due to delaying the purchase of heavy equipment and other expenditures.

Business-type Activities: The increase in the net position for the Montrose Regional Airport was \$5,189,136. The primary reason for the increase was the funding and completion of an overlay on runway 17-35, extending taxiway B to approach end of runway 31, and final completion of the expansion of the Airport terminal.

Financial Analysis Of The Government's Funds

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

Governmental Funds. The focus of the 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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

As of December 31, 2012, the County's governmental funds reported combined ending fund balances of \$37,138,331, an increase of \$2,479,839 over the prior year. Approximately 40% of this total amount constitutes unassigned fund balance, which is available for spending to meet the needs of County citizens. The remainder of fund balance is separated into three categories. (1) Non-spendable fund balance which includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact (\$3,687,572), (2) Assigned fund balance is constrained by the County's intent to be used for a specific purpose (\$15,879,476), (3) Restricted fund balance has constraints placed on the use of these resources either externally imposed by creditors, grantors, contributors, or have been imposed by law through constitutional provisions or enabling legislation, 1) to pay debt service (\$339,505), 2) to provide an emergency reserve as required by the TABOR amendment (\$1,234,190), or 3) other restricted fund balance (\$1,312,892).

The General Fund is the chief operating fund of the County. At December 31, 2012, unassigned fund balance of the General Fund was \$14,684,696 while total fund balance reached \$15,989,770. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers). Unreserved fund balance represents 84% of total General Fund expenditures (including transfers), while total fund balance represents 91% of that same amount.

The fund balance of the County's General Fund decreased by \$1,840,045 during 2012 as there were decreases in the amount of property tax revenue, grants, internal charges, and other revenue received.

The Road and Bridge Fund had a total fund balance of \$8,486,090 of which \$1,171,372 is non-spendable for inventories and prepaid expenses. The net increase in fund balance in this fund during 2012 fund was \$3,104,870. The increase resulted primarily from a performance bond forfeiture that was received by Road and Bridge.

Fund balance in the Social Services Fund decreased by \$153,376 to a level of \$939,922 by the end of 2012. The decrease was due primarily to the use of fund balance to support costs associated with increasing caseloads due to economic conditions.

The Public Safety Sales Tax Fund increased its fund balance by \$542,205 during 2012. Total fund balance for this fund was \$2,328,513 by the end of 2012.

Fund balance in the Capital Expenditures Fund increased by \$814,305 primarily due to a transfer in from the general fund for future facility's needs and the proceeds from the issuance of certificates of participation. Total fund balance for this fund was \$6,234,105 at the end of 2012.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

Fund balances for all other governmental funds increased by \$11,880 during 2012.

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

Unrestricted net position of the Montrose Regional Airport at December 31, 2012 amounted to (\$1,649,963).

Other factors concerning the finances of these entities have already been addressed in the discussion of Montrose County Government's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended appropriations budget were \$796,866. The changes included:

\$600,000	for costs associated with County water rights.
\$182,605	for equipment purchased with a homeland security grant.
\$14,261	for costs associated with Justice Center security grant.

Capital Asset And Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$115,563,254 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, construction in progress, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was \$10,484,335.

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

Construction in progress	12,547,647
Other purchases of furniture and equipment	1,388,898
Building improvements	20,221
Infrastructure	2,501,717
Disposal and retirement of assets, net	(725,936)
Depreciation	(7,822,587)

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (Continued)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Capital Assets						
Land and improvements	\$ 3,155	\$ 3,155	\$ 2,539	\$ 2,539	\$ 5,694	\$ 5,694
Construction in progress	1,090	628	11,458	3,900	12,548	4,528
Buildings and improvements	17,088	14,640	8,897	5,519	25,985	20,159
Equipment	6,966	7,555	1,630	1,234	8,596	8,789
Infrastructure	41,477	41,872	21,264	24,037	62,741	65,909
Total Capital Assets (\$000)	\$ 69,776	\$ 67,850	\$ 45,788	\$ 37,229	\$ 115,564	\$ 105,079

Additional information on the County's capital assets can be found in Note 5 on pages 43 and 44 of the financial statements.

Long-Term Debt: At the end of 2012, the County had total bonded debt outstanding of \$3,395,000. The County has no general obligation debt.

Note: The Montrose County Hospital has been excluded from 2011 business-type activities in this schedule and elsewhere in this Management Discussion and Analysis for comparative purposes.

The County's debt consists of the following:

Justice Center Annex \$ 3,395,000

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Certificates of participation	\$ 3,395	\$ 2,905	\$ —	\$ —	\$ 3,395	\$ 2,905

Additional information on the County's long-term debt can be found in Note 6 on pages 45 through 46 of the financial statements.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

Economic Factors And Next Year's Budgets And Rates

- According to the Colorado Department of Labor and Employment, the unemployment rate for the County is currently 8.6%, which is a decrease from a rate of 10.5% a year ago. The County rate is higher than the state's average unemployment rate of 7.1% and which is lower than the national average rate of 7.4%.
- The Colorado Legislative Council reports that the 10-county western region's labor market continues to post new jobs. Consumer spending continues to grow, although at a slower rate than earlier in the year. Both residential and nonresidential construction showed gains in 2012.
- Based on data from Montrose County Planning and Development, the number of housing permits increased 3% in the County in 2012 from 2011.

All of these factors were considered in preparing the County's budget for 2013.

Requests For Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montrose County Finance Director, 1845 S. Townsend Avenue, Montrose, Colorado 81401.

MONTROSE COUNTY, COLORADO

STATEMENT OF NET POSITION

December 31, 2012

Page 1 Of 2

	Assets		
	Primary Government		Total
Governmental Activities	Business-Type Activities		
Cash and investments	\$ 33,931,065	\$ 86,850	\$ 34,017,915
Cash and investments, restricted	134,321	342,624	476,945
Taxes receivable, net of allowance	12,980,553	—	12,980,553
Other receivables, net of allowance	188,990	301,588	490,578
Intergovernmental receivable	1,274,062	1,159,829	2,433,891
Inventories and prepaid expenses	1,475,109	44,258	1,519,367
Internal balances	2,400,000	(2,400,000)	—
Noncurrent restricted assets	—	54,368	54,368
Unamortized bond issuance costs	111,787	—	111,787
Capital assets			
Capital assets not subject to depreciation			
Land	3,154,842	2,538,599	5,693,441
Construction in progress	1,089,552	11,458,095	12,547,647
Capital assets subject to depreciation			
Buildings and improvements, net	17,088,094	8,897,164	25,985,258
Improvements other than buildings, net	—	21,263,701	21,263,701
Equipment, net	7,630,598	965,645	8,596,243
Infrastructure, net	41,476,964	—	41,476,964
Total Assets	122,935,937	44,712,721	167,648,658

MONTROSE COUNTY, COLORADO

STATEMENT OF NET POSITION

December 31, 2012

Page 2 Of 2

Liabilities And Net Assets

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 1,486,575	\$ 1,137,843	\$ 2,624,418
Accrued liabilities	531,254	22,720	553,974
Due to other governments	331,645	—	331,645
Accrued compensated absences	1,977,776	78,917	2,056,693
Deferred revenue	11,898,994	—	11,898,994
Funds held for others	4,866	—	4,866
Closure and post-closure costs	616,607	—	616,607
Accrued gravel pit remediation costs	368,724	—	368,724
Long-term liabilities			
Portion due or payable within one year			
Certificates of participation	305,000	—	305,000
Capital leases payable	67,055	—	67,055
Portion due or payable after one year			
Certificates of participation	3,146,287	—	3,146,287
Capital leases payable	69,402	—	69,402
Total Liabilities	20,804,185	1,239,480	22,043,665
Net Position			
Net investment in capital assets	66,852,306	45,123,204	111,975,510
Restricted for			
Emergencies	1,234,190	—	1,234,190
Landfill financial assurance	778,454	—	778,454
Parks and recreation	68,817	—	68,817
Capital expenses	465,621	—	465,621
Unrestricted	32,732,364	(1,649,963)	31,082,401
Total Net Postion	\$ 102,131,752	\$ 43,473,241	\$ 145,604,993

MONTROSE COUNTY, COLORADO

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2012

	Program Revenues				Changes In Net Position			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business- Type Activities	Total	
Governmental								
General government	\$ 14,208,636	\$ 5,105,699	\$ 641,732	\$ —	\$ (8,461,205)	\$ —	\$ (8,461,205)	
Health and human services	7,771,315	353,175	5,671,797	—	(1,746,343)	—	(1,746,343)	
Public safety and protection	7,709,757	1,251,511	146,376	—	(6,311,870)	—	(6,311,870)	
Road and bridge services	10,624,352	2,882,912	1,441,113	—	(6,300,327)	—	(6,300,327)	
Interest and fiscal charges	477,951	—	—	—	(477,951)	—	(477,951)	
Total Governmental Activities	40,792,011	9,593,297	7,901,018	—	(23,297,696)	—	(23,297,696)	
Business-Type								
Montrose County Airport	5,436,371	2,504,148	29,329	10,807,481	—	7,904,587	7,904,587	
Total Montrose County, Colorado	\$ 46,228,382	\$ 12,097,445	\$ 7,930,347	\$ 10,807,481	(23,297,696)	7,904,587	(15,393,109)	
		General Revenues						
					10,472,230	—	10,472,230	
					9,660,719	—	9,660,719	
					3,543,435	—	3,543,435	
					2,450,853	—	2,450,853	
					188,608	3,153	191,761	
					(612,298)	—	(612,298)	
					499,189	160,162	659,351	
					2,878,766	(2,878,766)	—	
					Total General Revenues And Transfers	29,081,502	(2,715,451)	26,366,051
						5,783,806	5,189,136	10,972,942
						96,347,946	38,284,105	134,632,051
						\$ 102,131,752	\$ 43,473,241	\$ 145,604,993

MONTROSE COUNTY, COLORADO

**BALANCE SHEET -
GOVERNMENTAL FUNDS
December 31, 2012**

	Assets							
	General Fund	Road And Bridge Fund	Social Services Fund	Capital Expenditures Fund	Public Safety Sales Tax	Other Governmental Funds	Total Governmental Funds	
Assets								
Equity in pooled cash and investments	\$ 16,174,864	\$ 6,304,589	\$ 1,355,628	\$ 4,030,057	\$ 2,204,862	\$ 3,042,544	\$ 33,112,544	
Other cash and investments	61,775	50	150	—	—	—	61,975	
Receivables								
Taxes	10,041,493	935,866	1,329,466	—	673,728	—	12,980,553	
Interest	2,314	—	—	—	—	—	2,314	
Intergovernmental	190,772	518,573	377,698	—	17,197	167,678	1,271,918	
Due from other funds	2,144	—	—	2,400,000	—	—	2,402,144	
Trade	3,703	82	37,498	—	112,890	28,434	182,607	
Prepaid expenses and other assets	51,922	100	5,671	—	26,084	13,561	97,338	
Inventories	18,962	1,171,272	—	—	—	—	1,190,234	
Total Assets	\$ 26,547,949	\$ 8,930,532	\$ 3,106,111	\$ 6,430,057	\$ 3,034,761	\$ 3,252,217	\$ 51,301,627	
	Liabilities And Fund Balance							
Liabilities								
Accounts payable	\$ 376,811	\$ 191,989	\$ 91,340	\$ 195,952	\$ 538,367	\$ 16,034	\$ 1,410,493	
Accrued liabilities	133,893	90,364	92,618	—	167,881	32,542	517,298	
Due to other governments	—	162,089	169,556	—	—	—	331,645	
Funds held for others	4,866	—	—	—	—	—	4,866	
Deferred revenue	10,042,609	—	1,812,675	—	—	43,710	11,898,994	
Total Liabilities	10,558,179	444,442	2,166,189	195,952	706,248	92,286	14,163,296	
Fund Balance								
Nonspendable	70,884	1,171,372	5,671	2,400,000	26,084	13,561	3,687,572	
Assigned	—	7,314,718	934,251	3,834,105	2,302,429	1,493,973	15,879,476	
Restricted for								
Emergencies	1,234,190	—	—	—	—	—	1,234,190	
Landfill financial assurance	—	—	—	—	—	778,454	778,454	
Parks and recreation	—	—	—	—	—	68,817	68,817	
Capital expenditures	—	—	—	—	—	465,621	465,621	
Debt service	—	—	—	—	—	339,505	339,505	
Unassigned	14,684,696	—	—	—	—	—	14,684,696	
Total Fund Balance	15,989,770	8,486,090	939,922	6,234,105	2,328,513	3,159,931	37,138,331	
Total Liabilities And Fund Balance	\$ 26,547,949	\$ 8,930,532	\$ 3,106,111	\$ 6,430,057	\$ 3,034,761	\$ 3,252,217	\$ 51,301,627	

MONTROSE COUNTY, COLORADO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2012

Total Fund Balance - Governmental Funds			\$ 37,138,331
Amounts reported for governmental activities on the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			69,775,578
Bond discounts, issuance costs and losses on refunding are reported as other financing items in governmental funds; however, they are recorded as assets and liabilities in the statement of net position and are generally amortized over the life of the bonds to which they are related.			
Bond premium, less accumulated amortization			(56,287)
Bond issuance costs			111,787
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.			1,632,561
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	(1,953,430)	
Landfill closure and post-closure liability		(616,607)	
Gravel pit remediation		(368,724)	
Certificates of participation		(3,395,000)	
Capital lease liability	\$	(136,457)	
			<u>(6,470,218)</u>
Net Position - Governmental Activities			<u><u>\$ 102,131,752</u></u>

MONTROSE COUNTY, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended December 31, 2012

	General Fund	Road And Bridge Fund	Social Services Fund	Capital Expenditures Fund	Public Safety Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 9,284,023	\$ 5,616,949	\$ 1,161,903	\$ —	\$ 3,899,684	\$ —	\$ 19,962,559
Licenses and permits	196,942	—	1,620	—	—	126,069	324,631
Intergovernmental	2,674,075	5,535,184	4,620,981	—	1,366,555	1,356,128	15,552,923
Charges for services	1,681,465	—	—	—	—	—	1,681,465
Charges to other governments	—	4,574	—	—	—	—	4,574
Internal charges	1,368,831	1,180	—	—	—	—	1,370,011
Investment earnings	—	29,808	435	—	—	2,110	32,353
Miscellaneous	408,080	2,876,079	104,982	—	36,597	147,191	3,572,929
Total Revenues	15,613,416	14,063,774	5,889,921	—	5,302,836	1,631,498	42,501,445
Expenditures							
Current							
General government	8,200,369	—	—	3,178,204	—	39,579	11,418,152
Health and human services	—	—	5,943,297	—	—	1,859,890	7,803,187
Public safety and protection	—	—	—	—	7,119,281	—	7,119,281
Road and bridge services	827,964	6,732,965	—	—	—	—	7,560,929
Capital outlay	217,211	3,811,408	—	—	3,425,573	—	7,454,192
Debt service							
Principal	—	64,786	—	—	—	2,905,000	2,969,786
Interest and other charges	—	7,045	—	107,773	—	474,920	589,738
Total Expenditures	9,245,544	10,616,204	5,943,297	3,285,977	10,544,854	5,279,389	44,915,265
Excess (Deficiency) Of Revenues Over (Under) Expenditures	6,367,872	3,447,570	(53,376)	(3,285,977)	(5,242,018)	(3,647,891)	(2,413,820)
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	—	57,300	—	—	6,306	—	63,606
Proceeds from certificates of participation issuance	—	—	—	3,395,000	—	—	3,395,000
Premium on certificates of participation issuance	—	—	—	56,287	—	—	56,287
Transfers in	120,000	—	—	1,200,000	5,777,917	3,779,771	10,877,688
Transfers out	(8,327,917)	(400,000)	(100,000)	(551,005)	—	(120,000)	(9,498,922)
Total Other Financing Sources (Uses)	(8,207,917)	(342,700)	(100,000)	4,100,282	5,784,223	3,659,771	4,893,659
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Services (Uses)	(1,840,045)	3,104,870	(153,376)	814,305	542,205	11,880	2,479,839
Fund Balance - Beginning Of Year	17,829,815	5,381,220	1,093,298	5,419,800	1,786,308	3,148,051	34,658,492
Fund Balance - End Of Year	\$ 15,989,770	\$ 8,486,090	\$ 939,922	\$ 6,234,105	\$ 2,328,513	\$ 3,159,931	\$ 37,138,331

See the accompanying notes to financial statements.

MONTROSE 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, 2012

Net Change In Fund Balances - Total Governmental Funds \$ 2,479,839

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of these 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.

Depreciation	\$ (4,314,043)	
Capital outlay	<u>7,454,192</u>	3,140,149

Governmental funds do not report gains or losses on disposal of capital assets.
However, in the statement of activities, the difference between the book
value of the asset and the proceeds received on disposal is recognized
as a gain or loss.

Loss on sale	(1,150,710)	
Proceeds on sale	<u>(63,606)</u>	(1,214,316)

Governmental funds report debt issuance costs as expenditures. However, in
the statement of activities, the cost of the issuance is allocated over the life
of the debt and reported as amortization expense. This is the current
year amortization expense.

Write-off of bond issuance costs and discount	(115,840)	
Current year certificates of participation issuance costs	111,787	
Premium on certificates of participation issuance	<u>(56,287)</u>	(60,340)

Internal service funds are used by management to charge the costs of certain
activities, such as fleet management to individual funds. The net revenue of
the internal service funds is reported with governmental activities.

1,632,561

In the governmental funds, accruals for compensated absences are not
recognized because they are not paid with expendable available financial
resources. In the statement of activities, however, these accruals are reported
regardless of when financial resources are available. This adjustment shows
the change in the accrued compensated absences balance.

241,465

Long-term liabilities, including landfill post-closure costs, are not due and
payable in the current period and therefore are not reported in the funds.
This adjustment shows the change in this liability.

(10,340)

Governmental funds report the repayment of principal on long-term debt as
expenditures. However, these repayments are not reported in the statement
of activities, but as a reduction of debt in the statement of net position. This
amount is the effect of the difference in the treatment of these repayments.

Payments on bonds payable and capital lease	2,969,788	
Proceeds from issuance of certificates of participation	<u>\$ (3,395,000)</u>	(425,212)

Change In Net Position Of Governmental Activities \$ 5,783,806

MONTROSE COUNTY, COLORADO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS December 31, 2012

	Proprietary Fund Types	
	Enterprise Fund	Governmental Activities
	Montrose County Airport	Internal Service Fund
Assets		
Current Assets		
Cash	\$ 86,850	\$ —
Cash, restricted	342,624	890,867
Accounts receivable, net	301,588	4,069
Due from other governments	1,159,829	—
Inventories	12,106	187,537
Prepaid expenses	32,152	—
Total Current Assets	1,935,149	1,082,473
Noncurrent Assets		
Restricted assets	54,368	—
Capital assets		
Land	2,538,599	—
Construction in progress	11,458,095	—
Land improvements, net	21,263,701	—
Buildings and improvements, net	8,897,164	—
Equipment, net	965,645	664,472
Total Noncurrent Assets	45,177,572	664,472
Total Assets	47,112,721	1,746,945
Liabilities And Net Position		
Current Liabilities		
Accounts payable	1,137,843	76,082
Due to other funds	2,400,000	—
Accrued liabilities	22,720	13,956
Accrued compensated absences	78,917	24,346
Total Current Liabilities	3,639,480	114,384
Net Position		
Net investment in capital assets	45,123,204	664,472
Unrestricted	(1,649,963)	968,089
Total Net Position	\$ 43,473,241	\$ 1,632,561

MONTROSE COUNTY, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

For The Year Ended December 31, 2012

	Proprietary Fund Types	
	Enterprise Fund	Governmental Activities
	Montrose County Airport	Internal Service Fund
Operating Revenue		
Charges for services	\$ 2,121,040	\$ 1,743,402
Operating Expenses		
Salaries and benefits	944,412	588,064
Services and supplies	1,117,935	1,491,171
Depreciation and amortization	3,374,024	134,520
Total Operating Expenses	5,436,371	2,213,755
Operating Loss	(3,315,331)	(470,353)
Nonoperating Revenues		
Investment income	3,153	—
Gain on transfer of assets	—	564,187
Loss on disposal of assets	—	(25,775)
Contributions/grants	10,836,810	—
Passenger facility charges	265,524	—
Other	277,746	64,502
Total Nonoperating Revenues	11,383,233	602,914
Income Before Transfers	8,067,902	132,561
Transfers		
Transfers in	—	1,500,000
Transfers out	(2,878,766)	—
Total Transfers	(2,878,766)	1,500,000
Change In Net Position	5,189,136	1,632,561
Net Position - Beginning Of Year	38,284,105	—
Net Position - End Of Year	\$ 43,473,241	\$ 1,632,561

MONTROSE COUNTY, COLORADO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS For The Year Ended December 31, 2012 Page 1 Of 2

	Business-Type Activity	
	Enterprise	Governmental
	Fund	Activities
	Montrose	Internal
	County	Service
	Airport	Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 4,455,471	\$ 1,739,334
Cash paid to suppliers	(550,943)	(1,602,626)
Cash paid to and for employees	(922,347)	(549,763)
Net Cash Provided By (Used In) Operating Actitivites	2,982,181	(413,055)
Cash Flows From Noncapital Financing Activities		
Transfers	(2,878,766)	1,500,000
Other receipts	277,746	64,502
Net Cash Provided By (Used In) Financing Actitivites	(2,601,020)	1,564,502
Cash Flows From Capital And Related Financing Activities		
Grants and contributions	10,770,573	—
Passenger facility charges	265,524	—
Acquisition of capital assets	(11,268,052)	(260,580)
Net Cash Used In Capital And Related Financing Activities	(231,955)	(260,580)
Cash Flows Provided By Investing Activities		
Investment income	3,153	—
Net Increase In Cash And Cash Equivalentts	152,359	890,867
Cash And Cash Equivalentts - Beginning Of Year	277,115	—
Cash And Cash Equivalentts - End Of Year	\$ 429,474	\$ 890,867

MONTROSE COUNTY, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For The Year Ended December 31, 2012
Page 2 Of 2**

	<u>Business-Type Activity</u>	
	<u>Enterprise</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Activities</u>
	<u>Montrose</u>	<u>Internal</u>
	<u>County</u>	<u>Service</u>
	<u>Airport</u>	<u>Fund</u>
Reconciliation Of Operating Loss To Net		
Cash Provided By Operating Activities		
Operating loss	\$ (3,315,331)	\$ (470,353)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,374,024	134,520
Increase in accounts receivable	(52,409)	(4,069)
(Increase) decrease in inventory	9,928	(187,537)
Increase in accounts payable and accrued expenses	584,089	114,384
Other assets and liabilities	2,381,880	—
Net Cash Provided By (Used In) Operating Actitivites	\$ 2,982,181	\$ (413,055)

MONTROSE COUNTY, COLORADO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
December 31, 2012**

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 1,263,497</u>
Liabilities	
Due to other governments	\$ 696,402
Due to other funds	2,144
Deposits held for others	<u>564,951</u>
Total Liabilities	<u>\$ 1,263,497</u>

MONTROSE COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. Summary Of Significant Accounting Policies

The basic financial statements of Montrose County, Colorado (the County), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant principles:

Financial Reporting Entity

The County was formed in 1883. The governing body of the County is a three-member Board of County Commissioners. The County provides the following services directly: general administration, sheriff, jail, coroner, roads and bridges, airport facilities and health and social services. The County provides several additional services through other governmental organizations, which are excluded or included in this report, as detailed below. As required by GAAP, these financial statements present the County (the primary government):

Montrose County
Finance Director
1845 South Townsend Avenue
Montrose, Colorado 81401

Related Entities

Public Trustee

The Public Trustee is a state statutorily mandated position, whose financial transactions are independent of the County. However, all expenditures and associated funding transactions relating to the operations of the County Office of the Public Trustee are included in the General Fund.

Jointly Funded Organization

The County, in conjunction with other counties, shares in the financial support of the District Attorney of the Seventh Judicial District of the State of Colorado. In 2012, the County contributed \$602,753 for the operation of the District Attorney.

Other

The County Commissioners are also responsible for appointing the members of the boards of the Montrose County Housing Authority (the Housing Authority) and the Montrose Library District. However, the County's accountability for these organizations does not extend beyond making the appointments.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Government-Wide And Fund Financial Statements

The government-wide statements include the statement of net position and the statement of activities, which display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Governmental Funds

Governmental funds are those through which governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income. The following are the County's major governmental funds:

General Fund - is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The following are the County's special revenue funds:

Road and Bridge Fund. This fund accounts for the maintenance and construction of County roads.

Social Services Fund. This fund accounts for the various public welfare programs administered by the County.

Public Safety Sales Tax Fund. This fund accounts for the proceeds of a County sales tax to be used to improve public safety programs.

Capital Projects Funds - are used to account for all resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities or other capital amounts. The following is the County's capital projects fund:

Capital Expenditures Fund. This fund accounts for resources to be used for County building and property improvements.

The County reports the following major enterprise fund:

Montrose Airport. This fund accounts for the County's airports at Montrose (Montrose Regional Airport) and Nucla (Hopkins Field Airport), which provide services for both commercial and general aviation.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

The County reports the following internal service fund:

Fleet Management Internal Service Fund. This fund is used to account for the capital assets, liabilities and operational management of the Montrose County Fleet. The fleet-related services are provided to other County departments on a cost reimbursement basis.

The County reports the following fiduciary fund type:

Agency Funds. This fund accounts for the monies held on behalf of other governments and agencies that use the County as a depository or for property taxes collected on behalf of the other governments or agencies and for monies held by the Sheriff's office for inmates.

Measurement Focus, Basis Of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, sales taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted assets first, then unrestricted resources as they are needed.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of County Commissioners, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of County Commissioners.

Assigned - includes amounts the County intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The Board of County Commissioners has designated the Director of Finance as the County employee with authority to assign fund equity.

Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Negative fund balances in other governmental funds are reported as unassigned once other purposes of that fund were reduced. For the General Fund, a negative fund balance would be eliminated by reducing unassigned fund balance first.

For the General Fund, in the event that an expenditure can be considered restricted or unrestricted (committed, assigned or unassigned) and both funds have available amounts, the funds will be first applied against the most restrictive fund balance classification.

The order of use of funds for special revenue funds will be from the least constrained to most constrained (i.e., unassigned, assigned, committed, restricted and then nonspendable).

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Budgets And Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15 of each year, a proposed operating budget is submitted to the County Commissioners for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the County to obtain taxpayer comments.
3. Prior to December 31, the budget is legally adopted at the fund level through passage of a resolution for all County funds, except the fiduciary fund types.
4. Any revisions that increase the expenditure of any fund or elected official budget must be approved by the County Commissioners by passage of a resolution.
5. Budgets for the governmental fund types are adopted on a basis consistent with GAAP. The proprietary fund types adopt budgets using a non-GAAP basis.

Original budget appropriations, inclusive of interfund transfers out, for the year ended December 31, 2012 were \$60,002,748. The County had a supplemental appropriation totaling \$20,035,010, which increased final budget appropriations, inclusive of interfund transfers out, to \$80,037,758.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

During 2012, supplemental appropriations resulted in budget amendments as follows:

Fund	Original Amount	Amended Amount
Governmental Activities		
General Fund	\$ 17,295,929	\$ 18,092,795
Special Revenue Funds		
Road And Bridge	11,193,916	11,289,513
Public Safety Sales Tax	10,465,811	10,949,811
Social Services	5,656,185	6,325,939
Public Health	1,939,372	1,947,372
Conservation Trust	120,000	120,000
Solid Waste	54,249	54,249
County Clerk	12,000	16,500
Impact Fee	—	2,000
Capital Projects Funds		
Capital Expenditure	3,277,000	6,903,787
Debt Service Funds		
Airport Facilities Lease Purchase	502,750	3,373,115
Justice Center	—	12,500
Business-Type Activities		
Airport Operations	6,907,768	18,372,409
Fleet Management	2,577,768	2,577,768

Receivables And Payables

All property tax and other receivables are shown net of an allowance for uncollectibles.

Activities between funds where an outstanding balance occurs are reported as “due to/from other funds” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Cash

Except for cash held by third parties (Fair Board and Sheriff’s Funds), all cash is deposited with the County Treasurer. The Treasurer invests the funds to achieve the best possible return on the investment. Investments in short-term certificates of deposit or cash equivalents are accounted for as cash in all funds. Interest income is allocated to funds as designated by the Board of County Commissioners.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Investments

In accordance with GASB Statement No. 31, investments are stated at fair value, determined from quoted market prices.

Property Taxes

Revenue Recognized in 2012

Local property taxes levied for 2011 and collected by December 31, 2012 are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount Of Taxes</u>			<u>Percentage Collected Of</u>	
			<u>Levied</u>	<u>Budgeted</u>	<u>Collected</u>	<u>Levied</u>	<u>Budgeted</u>
General Fund	\$ 563,242,320	14.813	\$ 8,343,308	\$ 8,385,500	\$ 8,306,752	99.56%	100.51%
Public Welfare	\$ 563,242,320	2.066	\$ 1,163,659	\$ 1,169,000	\$ 1,157,345	99.46%	99.00%

Assessed Valuation

The assessed valuation for property in the State of Colorado is determined using base year market values. The certified assessed valuation for 2011 property taxes remitted in 2012 decreased to \$563,242,320 from \$622,667,650 for 2010 property taxes remitted in 2011.

Property Tax Calendar

Property taxes are not due and payable until after the assessment year has ended and are not included in the budget or statement of revenues, expenditures and changes in fund balance of the assessment year.

Property taxes are recorded as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County bills and collects its own property taxes and the taxes for various other entities.

Special Assessments

The principal portions of special assessments are recognized as revenue when cash is received. The full amount of the receivable is offset by an equal deferred revenue account. This is in accordance with the GASB Statement No. 6.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Inventory

Inventories of the Road and Bridge Special Revenue Fund are valued at cost. The costs of the inventories are recorded as expenditures when purchased. The reported inventories are equally offset by nonspendable fund balance.

The inventories of the enterprise funds are stated at cost, using the first-in, first-out method, or market.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The County defines capital assets as equipment and fixtures with an initial, individual cost of more than \$5,000, land, land improvements and buildings with an initial cost of more than \$50,000 and infrastructure with an initial cost of more than \$250,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Landfill disposal systems	25 years
Drainage systems	25 years
Water systems	25 years
Roads	20 - 50 years
Buildings and improvements	7 - 40 years
Runways and access roads	15 - 20 years
Vehicles	5 - 15 years
Furniture and equipment	3 - 20 years

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Long-term debt premiums, as well as issuance costs, are deferred and amortized over the life of the related debt using the straight-line method, which approximates the effective interest method. Included in deferred charges are issuance costs being amortized over the term of the related debt and reacquisition costs of refunded debt being amortized over the remaining life of the refunded debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Of The Airport

Net position of the Airport is classified in four components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Airport. Restricted nonexpendable net position is noncapital assets that are permanently restricted. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Accrued Vacation Payable

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In the governmental fund financial statements, only the portion of vacation and sick pay that has been incurred but unpaid at December 31, 2012 is reported as a fund liability. In the proprietary funds and in the government-wide financial statements, all vacation and sick pay earned is accrued and reported as accrued compensated absences. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as liquid investments with original maturity dates of 90 days or less.

Contraband Seizures

Proceeds from the seizure of contraband are used by the County Sheriff for law enforcement activities. The funds have been audited in accordance with the Colorado Local Government Audit Law and are recorded in the general fund in these financial statements. At December 31, 2012, these assets totaled \$1,116.

2. Deposits And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2012, the County's cash and investments consist of the following:

Cash and investments - statement of net position	\$ 34,017,915
Cash and investments, restricted - statement of net position	476,945
Cash and investments - fiduciary funds	<u>1,263,497</u>
	<u>\$ 35,758,357</u>

Cash and investments of the County are held as follows:

Cash on hand	\$ 2,231
Deposits	8,086,955
Investments	21,648,981
Investment trusts	<u>6,020,190</u>
	<u>\$ 35,758,357</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

At December 31, 2012, the County's cash deposits had a bank balance as follows:

Insured deposits	\$ 3,604,704
Deposits collateralized in single institution pools	<u>5,012,585</u>
	<u>\$ 8,617,289</u>

Investments

Colorado statutes specify in which instruments the units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agencies' securities.
- Certain international agency securities.
- General obligation and revenue bonds for U.S. local government entities.
- Bankers' acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

Investments of the County at December 31, 2012 are as follows:

	Standard & Poors	
	Rating	Fair Value
Public entity investment pool	AAAm	\$ 6,020,190
Certificates of deposit	Unrated	5,182,622
Money market funds	AAAm	11,385,829
Federal Home Loan Bank bonds	AA+/AAA	<u>5,080,530</u>
		<u>\$ 27,669,171</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

As of December 31, 2012, the County has invested \$3,018,660 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes (CRS), to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Separately issued financial statements may be obtained at the following address:

COLOTRUST
999 18th Street, Suite 1230
Denver, Colorado 80202
www.colotrust.com

As of December 31, 2012, the County has invested \$3,001,530 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is a Local Government Investment Pool (LGIP) that operates similarly to COLOTRUST. Investments of the pool consist of securities of the United States Treasury, United States agencies, primary dealer repurchase agreements and United States Treasury, United States agencies, primary dealer repurchase agreements and Colorado depositories (with short term ratings of A1 or better) in which the deposits are collateralized at 102% of market value under the provisions of PDPA. The custodian's internal records identify the investments owned by the pool. Separately issued financial statements may be obtained at the following address:

CSAFE
1600 Broadway, Suite 1100
Denver, CO 80202
www.csafe.org

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the County's policy to limit its investments to U.S. Treasury obligations, repurchase agreements, certificates of deposit, government backed securities and corporate obligations.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

The County's investment policy is to apply the "prudent investor" rule, which states, "investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of a plan of like character with like aims." Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy, along with Colorado statutes, does not allow investment maturities to exceed five years.

Landfill Financial Assurance

Pursuant to federal regulations, the County has set aside funds in the Landfill Special Revenue Fund to finance post-closure costs in the amount of \$778,454.

4. Interfund Receivables, Payables And Transfers

Interfund receivables and payables consist of the following:

Fund	Interfund Receivable	Interfund Payable
Major Fund		
General Fund	\$ 2,144	\$ —
Capital Expenditure Fund	2,400,000	—
Airport Operations Fund	—	(2,400,000)
Nonmajor Fund		
Agency Fund	—	(2,144)

The \$2,400,000 interfund balance relates to funds temporarily moved between funds for debt retirement. This amount is not expected to be repaid within one year.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Transfers to and from the various funds consist of the following:

Receiving Fund	Transferring Fund	Amount
Major Funds		
General	Conservation Trust	\$ 120,000
Public Safety Sales Tax	General	5,577,917
Public Safety Sales Tax	Capital Expenditure	200,000
Capital Expenditures	General	1,200,000
Nonmajor Funds		
Airport Lease	Airport Operations	2,878,766
Local Public Health	General	550,000
Justice Center	Capital Expenditure	351,005
Internal Service	General	1,000,000
Internal Service	Road and Bridge Fund	400,000
Internal Service	Social Services Fund	100,000

Transfers to and from the various funds were to cover the costs of operations, capital and debt service.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

5. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,154,842	\$ —	\$ —	\$ —	\$ 3,154,842
Construction in progress	627,933	3,849,722	(357,168)	(3,030,935)	1,089,552
Total Capital Assets Not Being Depreciated	3,782,775	3,849,722	(357,168)	(3,030,935)	4,244,394
Capital assets being depreciated					
Buildings and improvements	25,677,891	604	—	3,030,935	28,709,430
Infrastructure	115,857,003	2,501,717	(1,089,861)	—	117,268,859
Equipment	18,959,433	1,102,149	(387,979)	(1,709,867)	17,963,736
Total Capital Assets Being Depreciated	160,494,327	3,604,470	(1,477,840)	1,321,068	163,942,025
Less accumulated depreciation for					
Buildings and improvements	11,038,293	588,188	(5,145)	—	11,621,336
Infrastructure	73,985,064	2,618,004	(811,173)	—	75,791,895
Equipment	11,404,002	1,107,851	(318,529)	(1,195,714)	10,997,610
Total Accumulated Depreciation	96,427,359	4,314,043	(1,134,847)	(1,195,714)	98,410,841
Capital assets being depreciated, net	64,066,968	(709,573)	(342,993)	2,516,782	65,531,184
Governmental Activities Capital Assets, Net	\$ 67,849,743	\$ 3,140,149	\$ (700,161)	\$ (514,153)	\$ 69,775,578
Internal Service Fund Activity					
	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Fleet					
Equipment	\$ —	\$ 260,580	\$ (257,735)	\$ 1,892,000	\$ 1,894,845
Less accumulated depreciation					
Equipment	—	134,520	(231,960)	1,327,813	1,230,373
Business-Type Activity					
Capital Assets, Net	\$ —	\$ 126,060	\$ (25,775)	\$ 564,187	\$ 664,472

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Business-Type Activity	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Airport					
Land	\$ 2,538,599	\$ —	\$ —	\$ —	\$ 2,538,599
Runway improvements	44,853,932	—	—	—	44,853,932
Buildings and improvements	8,721,179	19,617	—	3,714,792	12,455,588
Equipment	2,735,718	26,169	(16,555)	(182,133)	2,563,199
Construction in progress	3,900,587	11,272,300	—	(3,714,792)	11,458,095
	<u>62,750,015</u>	<u>11,318,086</u>	<u>(16,555)</u>	<u>(182,133)</u>	<u>73,869,413</u>
Less accumulated depreciation					
Runway improvements	20,816,964	2,773,267	—	—	23,590,231
Buildings and improvements	3,201,830	356,594	—	—	3,558,424
Equipment	1,502,045	244,163	(16,555)	(132,099)	1,597,554
	<u>25,520,839</u>	<u>3,374,024</u>	<u>(16,555)</u>	<u>(132,099)</u>	<u>28,746,209</u>
Business-Type Activity					
Capital Assets, Net	<u>\$ 37,229,176</u>	<u>\$ 7,944,062</u>	<u>\$ —</u>	<u>\$ (50,034)</u>	<u>\$ 45,123,204</u>

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

Governmental Activities	
General government	\$ 580,640
Public safety and protection	650,655
Road and bridge services	3,173,091
Health and human services	<u>44,177</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,448,563</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

6. Long-Term Debt

Following is a schedule of changes in long-term debt:

	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Airport Facilities					
Series 2006	\$ 2,905,000	\$ —	\$ (2,905,000)	\$ —	\$ —
Bond discount	(2,750)	—	2,750	—	—
Bond premium	—	—	—	—	—
Bond issue costs	(113,090)	—	113,090	—	—
Total Airport Facilities	2,789,160	—	(2,789,160)	—	—
Certificates of participation Series 2012	—	3,395,000	—	3,395,000	305,000
Certificates of participation premium	—	56,287	—	56,287	—
Certificates of participation issue costs	(113,090)	(111,787)	113,090	(111,787)	—
Capital lease	201,243	—	(64,786)	136,457	67,055
Accrued compensated absences	2,194,895	—	(217,119)	1,977,776	—
Accrued landfill post-closure costs	606,267	10,340	—	616,607	—
Accrued gravel pit remediation costs	368,724	—	—	368,724	—
Total Governmental Activities	\$ 6,047,199	\$ 3,349,840	\$ (2,957,975)	\$ 6,439,064	\$ 372,055
Business -Type Activity					
Airport					
Compensated absences	\$ 79,572	\$ —	\$ (655)	\$ 78,917	\$ —

Certificates Of Participation

Certificates of participation, dated October 1, 2012, in the amount of \$3,395,000, were issued pursuant to a lease purchase agreement with a financial institution for the construction of a Justice Center.

Future minimum payments under the lease purchase agreement as of December 31, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 305,000	\$ 82,838	\$ 387,838
2014	315,000	76,738	391,738
2015	320,000	70,438	390,438
2016	325,000	64,038	389,038
2017	335,000	57,538	392,538
2018 - 2022	1,795,000	160,226	1,955,226
	\$ 3,395,000	\$ 511,816	\$ 3,906,816

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Capital Lease

As part of operations, the County leases equipment. Future minimum payments under the lease purchase agreement for equipment as of December 31, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 67,055	\$ 4,776	\$ 71,831
2014	69,402	2,430	71,832
	\$ 136,457	\$ 7,206	\$ 143,663

Conduit Debt

During 2004, the County acted as bond issuer for a third-party development company. The bond issues were for two aggregate principal amounts totaling \$2,350,000 and \$2,250,000. The bonds for \$2,350,000 are Variable Rate Economic Development Revenue Bonds, Series 2004A, and the bonds for \$2,250,000 are Taxable Variable Rate Economic Development Revenue Bonds, Series 2004B. The Bonds mature on June 1, 2014 and do not constitute indebtedness of the County.

During 2007, the County acted as bond issuer for a third-party mental health facility. The bond issue was for a principal amount totaling \$1,600,000. The bonds are Revenue Bonds, Series 2007. The Bonds mature on June 28, 2017 and do not constitute indebtedness of the County.

8. Pension Plan

Retirement Plan

The County participates in the Colorado County Officials and Employees Retirement Association (CCOERA), a multiple-employer public employee retirement system which is a qualified plan as defined by IRS Code Section 401(A) and CRS 24.54. The plan provides retirement benefits through a defined contribution plan to participating Colorado counties, municipalities and special districts. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

There are no unfunded past service liabilities. All full-time employees are required to participate in the plan after 6 months of service. The County is required to contribute 4% of employee compensation, excluding overtime. The employee is required to contribute an amount equal to the County's contribution, and may contribute up to an additional 10% of their compensation. Employees are immediately vested in their participant contributions and become vested in employer contributions to the plan over a 5-year period.

The County's total payroll for 2012 was \$17,202,240 and covered payroll was \$15,756,499. During 2012, the County and employees each made their respectively required 4% contribution amounting to \$614,907, for a total of \$1,229,814.

9. Risk Management

Workers Compensation

County Workers Compensation Pool

The County is exposed to various risks of loss related to injuries of employees while on the job. The County joined together with other counties in the State of Colorado to form the County Workers Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The intergovernmental agreement of formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the pool will purchase insurance through commercial companies for members' claims in excess of specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to casualty and property losses. The County has joined together with other counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties.

The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the pool will purchase insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. In the past three years, the amount of settlement for any claim has not exceeded the insurance coverage in any instance.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

The County carries commercial insurance for all other risks of loss. The County has had no settlements in excess of insurance coverage for each of the past three fiscal years.

10. Commitments And Contingencies

Pending Litigation

The County is involved in various lawsuits. Management does not believe the potential loss to the County from any of these lawsuits would have a material impact on the financial statements.

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Taxpayer Bill of Rights, otherwise known as TABOR), which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of the amendment. However, the County has made certain interpretations of the amendment's language in order to determine its compliance.

In November 2006, Montrose County voters approved an exception to the TABOR limits for all revenues except property taxes.

11. Closure And Post-Closure Care Cost

The County entered into a service agreement with the contractor for operation of the current landfill, which requires the contractor to pay the County based on incoming volumes, at \$0.10 per yard. The term of the agreement is 40 years.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

State and federal laws and regulations require the County to place a final cover on its landfill site within 6 months of the date it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The private contractor is responsible for closure costs and the County for post-closure costs. Although post-closure care costs will be paid only after the date that the landfill stops accepting waste, the County reports estimated post-closure care costs as a liability. The County's estimate of the closure and post-closure care costs liability at December 31, 2012, based on landfill capacity used to date, is \$616,607. The County will recognize the remaining estimated costs of closure and post-closure as the remaining estimated landfill capacity is filled. The County estimates the remaining life of the East End landfill to be 27 years as of December 31, 2012. Actual costs may be higher or lower due to inflation, changes in technology or changes in regulations.

	Total Costs	Approximate Used Amount	Liability
East End closure	\$ 479,145	33.38%	\$ 159,932
East End post-closure	299,946	33.38%	100,117
West End post-closure	<u>356,558</u>	100.0%	<u>356,558</u>
	<u>\$ 1,135,649</u>		<u>\$ 616,607</u>

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 addition, the County is voluntarily designating certain invested funds for post-closure care. At December 31, 2012, the Solid Waste Fund had designated cash and investments of \$778,454 for future post-closure care costs.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

12. Leases

The Airport leases facilities and land to various airlines, concessionaires and others. Substantially all of the leases are operating leases for land, building and terminal space. The leases contain provisions for cancellation by either party if certain conditions are met. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2012:

Year Ending		Amount
December 31,		
2013	\$	948,820
2014		687,133
2015		436,564
2016		402,953
2017		286,750
2018 - 2022		1,433,750
2023 - 2027		<u>860,250</u>
	\$	<u><u>5,056,220</u></u>

Required Supplementary Information

MONTROSE COUNTY, COLORADO

**GENERAL FUND -
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 9,252,100	\$ 9,348,935	\$ 9,284,023	\$ (64,912)
Licenses and permits	197,950	199,800	196,942	(2,858)
Intergovernmental	2,353,273	2,827,041	2,674,075	(152,966)
Charges for services	1,539,985	1,393,260	1,681,465	288,205
Charges to other governments	—	—	—	—
Internal charges	1,324,844	1,349,144	1,368,831	19,687
Interest	—	—	—	—
Miscellaneous	265,000	505,076	408,080	(96,996)
Total Revenues	14,933,152	15,623,256	15,613,416	(9,840)
Expenditures				
Current				
General government	8,702,198	8,896,564	8,200,369	696,195
Road and bridge services	150,000	750,000	827,964	(77,964)
Capital outlay	115,814	118,314	217,211	(98,897)
Total Expenditures	8,968,012	9,764,878	9,245,544	519,334
Excess Of Revenues Over Expenditures	5,965,140	5,858,378	6,367,872	509,494
Other Financing Sources (Uses)				
Transfers in	120,000	120,000	120,000	—
Transfers out	(8,327,917)	(8,327,917)	(8,327,917)	—
Total Other Financing Sources (Uses)	(8,207,917)	(8,207,917)	(8,207,917)	—
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	\$ (2,242,777)	\$ (2,349,539)	\$ (1,840,045)	\$ 509,494

MONTROSE COUNTY, COLORADO

**ROAD AND BRIDGE FUND -
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 5,357,000	\$ 5,603,000	\$ 5,616,949	\$ 13,949
Intergovernmental	5,507,855	5,575,298	5,535,184	(40,114)
Charges for services	10,000	10,000	—	(10,000)
Charges to other governments	12,500	4,500	4,574	74
Internal charges	—	—	1,180	1,180
Interest	46,000	46,000	29,808	(16,192)
Miscellaneous	7,800	2,866,109	2,876,079	9,970
Total Revenues	10,941,155	14,104,907	14,063,774	(41,133)
Expenditures				
Current				
Road and bridge services	8,543,348	8,607,129	6,732,965	1,874,164
Principal payment on debt	72,000	72,000	71,831	169
Capital outlay	2,178,568	2,210,384	3,811,408	(1,601,024)
Total Expenditures	10,793,916	10,889,513	10,616,204	273,309
Excess Of Revenues Over Expenditures	147,239	3,215,394	3,447,570	232,176
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	30,000	10,940	57,300	46,360
Transfers out	(400,000)	(400,000)	(400,000)	—
Total Other Financing Sources (Uses)	(370,000)	(389,060)	(342,700)	46,360
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	\$ (222,761)	\$ 2,826,334	\$ 3,104,870	\$ 278,536

MONTROSE COUNTY, COLORADO

**SOCIAL SERVICES FUND -
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,166,000	\$ 1,171,000	\$ 1,161,903	\$ (9,097)
Licenses and permits	1,350	1,350	1,620	270
Miscellaneous	170,000	132,575	104,982	(27,593)
Intergovernmental	4,166,550	4,677,904	4,620,981	(56,923)
Interest earnings	1,200	425	435	10
Total Revenues	5,505,100	5,983,254	5,889,921	(93,333)
Expenditures				
Current				
Health and human services	5,556,185	6,225,939	5,943,297	282,642
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(51,085)	(242,685)	(53,376)	189,309
Other Financing Uses				
Transfers out	(100,000)	(100,000)	(100,000)	—
Excess (Deficiency) Of Revenues Over (Under) Expenditures And Other Financing Uses	\$ (151,085)	\$ (342,685)	\$ (153,376)	\$ 189,309

MONTROSE COUNTY, COLORADO

PUBLIC SAFETY SALES TAX FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For The Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 3,661,000	\$ 3,868,000	\$ 3,899,684	\$ 31,684
Intergovernmental	1,284,921	1,279,572	1,366,555	86,983
Interest earnings	(2,000)	2,000	—	(2,000)
Miscellaneous income	5,600	25,500	36,597	11,097
Total Revenues	4,949,521	5,175,072	5,302,836	127,764
Expenditures				
Current				
Public safety protection	10,465,811	10,465,811	7,119,281	3,346,530
Capital outlay	—	484,000	3,425,573	(2,941,573)
Total Expenditures	10,465,811	10,949,811	10,544,854	404,957
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(5,516,290)	(5,774,739)	(5,242,018)	532,721
Other Financing Sources				
Proceeds from sale of capital assets	—	—	6,306	6,306
Transfers in	5,577,917	5,777,917	5,777,917	—
Total Other Financing Sources	5,577,917	5,777,917	5,784,223	6,306
Excess Of Revenues And Other Financing Sources Over Expenditures	\$ 61,627	\$ 3,178	\$ 542,205	\$ 539,027

MONTROSE COUNTY, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for revenues of the County which finance specified activities as required by law or administrative action.

Conservation Trust Fund accounts for revenue received from the State of Colorado to be used for the acquisition, development and maintenance of new and existing parks and recreational sites. The funds are derived primarily from the Colorado State Lottery.

County Clerk Technical Fund accounts for a portion of fees to be used for technology advances in the Clerk and Recorder's office.

Solid Waste Fund formerly accounted for the operations of the County landfill and recycle activities. These activities were sold December 31, 1996. The fund now accounts for general government activities.

Impact Fee accounts for impact fees to be used for future capital needs.

Local Public Health Fund accounts for revenue received to be used to provide for public health services for the citizens of Montrose County, Colorado.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest related to the County's long-term debt and special assessment bond principal and interest from special assessment levies when the County is obligated in some manner for payment.

Airport Facilities Lease Purchase accounts for debt service payments on the County's 1996 certificates of participation issued to advance refund debt of the Montrose Airport.

Justice Center accounts for debt service payments on the county's 2012 certificates of participation issued to construct the Justice Center.

Capital Project Fund

Capital Projects Funds are used to account for all resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital amounts. The following is the County's Capital Project's fund:

Capital Expenditures Fund. This fund accounts for resources to be used for County building and property improvements.

MONTROSE COUNTY, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS December 31, 2012

Assets

Special Revenue

Debt Service

	Conservation Trust	County Clerk Technical	Solid Waste	Impact Fee	Local Public Health Fund	Airport Facilities Lease Purchase	Justice Center	Total Nonmajor Governmental Funds
Assets								
Equity in pooled cash and investments	\$ 68,817	\$ 7,015	\$ 1,641,238	\$ 465,621	\$ 520,348	\$ —	\$ 339,505	\$ 3,042,544
Receivables								
Interest	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	167,678	—	—	167,678
Trade	—	—	25,031	—	3,403	—	—	28,434
Prepaid expenses and other assets	—	7,700	—	—	5,861	—	—	13,561
Total Assets	\$ 68,817	\$ 14,715	\$ 1,666,269	\$ 465,621	\$ 697,290	\$ —	\$ 339,505	\$ 3,252,217

Liabilities And Fund Balance

Liabilities								
Accounts payable	\$ —	\$ —	\$ 3,774	\$ —	\$ 12,260	\$ —	\$ —	\$ 16,034
Accrued liabilities	—	—	244	—	32,298	—	—	32,542
Deferred revenue	—	—	—	—	43,710	—	—	43,710
Total Liabilities	—	—	4,018	—	88,268	—	—	92,286
Fund Balance								
Nonspendable	—	7,700	—	—	5,861	—	—	13,561
Assigned	—	7,015	883,797	—	603,161	—	—	1,493,973
Restricted for								
Landfill financial assurance	—	—	778,454	—	—	—	—	778,454
Parks and recreation	68,817	—	—	—	—	—	—	68,817
Capital expenditures	—	—	—	465,621	—	—	—	465,621
Debt service	—	—	—	—	—	—	339,505	339,505
Total Fund Balance	68,817	14,715	1,662,251	465,621	609,022	—	339,505	3,159,931
Total Liabilities And Fund Balance	\$ 68,817	\$ 14,715	\$ 1,666,269	\$ 465,621	\$ 697,290	\$ —	\$ 339,505	\$ 3,252,217

MONTROSE COUNTY, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For The Year Ended December 31, 2012

	Special Revenue				Debt Service			Total Nonmajor Governmental Funds
	Conservation Trust	County Clerk Technical	Solid Waste	Impact Fee	Local Public Health Fund	Airport Facilities Lease Purchase	Justice Center	
Revenues								
Licenses and permits	\$ —	\$ —	\$ —	\$ —	\$ 126,069	\$ —	\$ —	\$ 126,069
Intergovernmental	128,076	—	—	—	1,228,052	—	—	1,356,128
Internal charges	—	—	—	—	—	—	—	—
Interest earnings	318	—	1,764	—	—	23	5	2,110
Miscellaneous	—	10,421	105,974	—	30,796	—	—	147,191
Total Revenues	128,394	10,421	107,738	—	1,384,917	23	5	1,631,498
Expenditures								
Current								
General government	—	12,422	20,654	1,853	—	4,650	—	39,579
Health and human services	—	—	—	—	1,859,890	—	—	1,859,890
Debt service								
Principal	—	—	—	—	—	2,905,000	—	2,905,000
Interest	—	—	—	—	—	463,415	11,505	474,920
Total Expenditures	—	12,422	20,654	1,853	1,859,890	3,373,065	11,505	5,279,389
Excess (Deficiency) Of Revenues Over (Under) Expenditures	128,394	(2,001)	87,084	(1,853)	(474,973)	(3,373,042)	(11,500)	(3,647,891)
Other Financing Sources (Uses)								
Transfers in	—	—	—	—	550,000	2,878,766	351,005	3,779,771
Transfers out	(120,000)	—	—	—	—	—	—	(120,000)
Total Other Financing Sources (Uses)	(120,000)	—	—	—	550,000	2,878,766	351,005	3,659,771
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	8,394	(2,001)	87,084	(1,853)	75,027	(494,276)	339,505	11,880
Fund Balance - Beginning Of Year	60,423	16,716	1,575,167	467,474	533,995	494,276	—	3,148,051
Fund Balance - End Of Year	\$ 68,817	\$ 14,715	\$ 1,662,251	\$ 465,621	\$ 609,022	\$ —	\$ 339,505	\$ 3,159,931

MONTROSE COUNTY, COLORADO

**CONSERVATION TRUST FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
State of Colorado	\$ 119,500	\$ 129,000	\$ 128,076	\$ (924)
Interest income	500	500	318	(182)
Total Revenues	120,000	129,500	128,394	(1,106)
Expenditures				
Culture - recreation	—	—	—	—
Excess (Deficiency) Of Revenues Over (Under) Expenditures	120,000	129,500	128,394	(1,106)
Other Financing Uses				
Transfers out	(120,000)	(120,000)	(120,000)	—
Excess (Deficiency) Of Revenues Over (Under) Expenditures And Other Financing Uses	\$ —	\$ 9,500	8,394	\$ (1,106)
Fund Balance - Beginning Of Year			60,423	
Fund Balance - End Of Year			\$ 68,817	

MONTROSE COUNTY, COLORADO

**COUNTY CLERK TECHNICAL FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 12,000	\$ 10,500	\$ 10,421	\$ (79)
Expenditures				
General government	12,000	16,500	12,422	4,078
Excess (Deficiency) Of Expenditures Over (Under) Revenues	<u>\$ —</u>	<u>\$ (6,000)</u>	<u>(2,001)</u>	<u>\$ 3,999</u>
Fund Balance - Beginning Of Year			<u>16,716</u>	
Fund Balance - End Of Year			<u>\$ 14,715</u>	

MONTROSE COUNTY, COLORADO

**SOLID WASTE FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 1,500	\$ 1,000	\$ 1,764	\$ 764
Miscellaneous	110,500	98,965	105,974	7,009
Total Revenues	<u>112,000</u>	<u>99,965</u>	<u>107,738</u>	<u>7,773</u>
Expenditures				
Post-closure costs	16,000	16,000	9,156	6,844
Administration	38,249	38,249	11,498	26,751
Total Expenditures	<u>54,249</u>	<u>54,249</u>	<u>20,654</u>	<u>33,595</u>
Excess Of Revenues Over Expenditures	<u>\$ 57,751</u>	<u>\$ 45,716</u>	<u>87,084</u>	<u>\$ 41,368</u>
Fund Balance - Beginning Of Year			<u>1,575,167</u>	
Fund Balance - End Of Year			<u>\$ 1,662,251</u>	

MONTROSE COUNTY, COLORADO

**IMPACT FEE FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures</u>	\$ —	\$ 2,000	\$ 1,853	\$ 147
<u>Excess (Deficiency) Of Revenues Over (Under) Expenditures</u>	\$ —	\$ (2,000)	(1,853)	\$ 147
Fund Balance - Beginning Of Year			<u>467,474</u>	
Fund Balance - End Of Year			<u>\$ 465,621</u>	

MONTROSE COUNTY, COLORADO

**LOCAL PUBLIC HEALTH FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Other revenues	\$ 45,210	\$ 31,450	\$ 30,796	\$ (654)
Intergovernmental	1,181,670	1,147,535	1,228,052	80,517
Licenses and permits	117,000	126,500	126,069	(431)
Total Revenues	1,343,880	1,305,485	1,384,917	79,432
Expenditures				
Health and human services	1,939,372	1,947,372	1,859,890	87,482
Excess (Deficiency) Of Expenditures Over (Under) Revenues	(595,492)	(641,887)	(474,973)	166,914
Other Financing Sources				
Transfers in	550,000	550,000	550,000	—
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures	\$ (45,492)	\$ (91,887)	75,027	\$ 166,914
Fund Balance - Beginning Of Year			533,995	
Fund Balance - End Of Year			\$ 609,022	

MONTROSE COUNTY, COLORADO

**AIRPORT FACILITIES LEASE PURCHASE FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ —	\$ —	\$ 23	\$ 23
Expenditures				
Fees	2,735	4,935	4,650	285
Debt service				
Principal	335,000	2,885,000	2,905,000	(20,000)
Interest	165,015	483,180	463,415	19,765
Total Expenditures	502,750	3,373,115	3,373,065	50
Excess (Deficiency) Of Expenditures Over (Under) Revenues	(502,750)	(3,373,115)	(3,373,042)	73
Other Financing Sources				
Transfers in	502,750	2,902,750	2,878,766	(23,984)
Excess (Deficiency) Of Expenditures Over (Under) Revenues And Other Financing Sources	\$ —	\$ (470,365)	(494,276)	\$ (23,911)
Fund Balance - Beginning Of Year			494,276	
Fund Balance - End Of Year			\$ —	

MONTROSE COUNTY, COLORADO

**JUSTICE CENTER FUND -
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual	With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ —	\$ —	\$ 5	\$ 5
Expenditures				
Debt service				
Principal	—	—	—	—
Interest	—	12,500	11,505	995
Total Expenditures	—	12,500	11,505	995
Excess (Deficiency) Of Expenditures Over (Under) Revenues	—	(12,500)	(11,500)	1,000
Other Financing Sources				
Transfers in	—	352,000	351,005	(995)
Excess Of Expenditures Over Revenues And Other Financing Sources	\$ —	\$ 339,500	339,505	\$ 5
Fund Balance - Beginning Of Year			—	
Fund Balance - End Of Year			\$ 339,505	

MONTROSE COUNTY, COLORADO

**CAPITAL EXPENDITURES FUND -
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ —	\$ —	\$ —	\$ —
Expenditures				
General government	3,277,000	3,867,610	3,178,204	689,406
Debt service - interest	—	111,787	107,773	4,014
Total Expenditures	3,277,000	3,979,397	3,285,977	693,420
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(3,277,000)	(3,979,397)	(3,285,977)	693,420
Other Financing Sources (Uses)				
Proceeds from bond issuance	—	3,395,000	3,395,000	—
Net premium on bond issuance costs	—	56,287	56,287	—
Transfers in	1,200,000	1,200,000	1,200,000	—
Transfers out	—	(2,952,000)	(551,005)	2,400,995
Total Other Financing Sources (Uses)	1,200,000	1,699,287	4,100,282	2,400,995
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures	\$ (2,077,000)	\$ (2,280,110)	814,305	\$ 3,094,415
Fund Balance - Beginning Of Year			5,419,800	
Fund Balance - End Of Year			\$ 6,234,105	

MONTROSE COUNTY, COLORADO

PROPRIETARY FUNDS

Proprietary Funds are used to account for activities of the County that are managed similarly to for-profit businesses whereby the user fees are intended to cover a majority of the fund's expenses.

Montrose County Airport accounts for the County's airports at Montrose (Montrose Regional Airport) and Nucla (Hopkins Field Airport), which provide services for both commercial and general aviation.

Fleet Management Internal Service Fund accounts for the capital assets, liabilities and operational management of the Montrose County Fleet. The fleet-related services are provided to other County departments on a cost reimbursement basis.

MONTROSE COUNTY, COLORADO

MONTROSE COUNTY AIRPORT ENTERPRISE FUND - SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL For The Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Operating Revenues				
Charges for services	\$ 2,127,900	\$ 2,168,500	\$ 2,121,040	\$ (47,460)
Operating Expenses				
Salaries and benefits	919,228	919,228	944,412	(25,184)
Services and supplies	1,547,418	1,434,918	1,117,935	316,983
Capital outlay	3,938,372	13,115,513	11,268,052	1,847,461
Total Operating Expenses	6,405,018	15,469,659	13,330,399	2,139,260
Operating Loss	(4,277,118)	(13,301,159)	(11,209,359)	2,091,800
Nonoperating Revenues				
Investment income	4,080	4,080	3,153	(927)
Contributions/grants	3,799,600	12,759,888	10,836,810	(1,923,078)
Passenger facility charges	343,230	320,000	265,524	(54,476)
Other	99,500	104,000	277,746	173,746
Total Nonoperating Revenues	4,246,410	13,187,968	11,383,233	(1,804,735)
Income (Loss) Before Transfers	(30,708)	(113,191)	173,874	287,065
Other Financing Sources (Uses)				
Transfers in	—	2,400,000	—	(2,400,000)
Transfers out	(502,750)	(2,902,750)	(2,878,766)	23,984
Total Other Financing Sources (Uses)	(502,750)	(502,750)	(2,878,766)	(2,376,016)
Net Loss - Budget Basis	\$ (533,458)	\$ (615,941)	(2,704,892)	\$ (2,088,951)
Adjustments For GAAP Basis				
Capital outlay			11,268,052	
Depreciation			(3,374,024)	
Change In Net Position - GAAP Basis			\$ 5,189,136	

MONTROSE COUNTY, COLORADO

FLEET MANAGEMENT INTERNAL SERVICE FUND - SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL For The Year Ended December 31, 2012

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating Revenues				
Charges for services	\$ 2,206,766	\$ 2,155,271	\$ 1,743,402	\$ (411,869)
Operating Expenses				
Salaries and benefits	602,633	602,633	588,064	14,569
Services and supplies	1,589,135	1,587,429	1,491,171	96,258
Capital outlay	386,000	387,706	260,580	127,126
Total Operating Expenses	2,577,768	2,577,768	2,339,815	237,953
Operating Loss	(371,002)	(422,497)	(596,413)	(173,916)
Nonoperating Revenues				
Gain on transfer of assets	—	—	564,187	564,187
Loss on disposal of assets	—	—	(25,775)	(25,775)
Other	—	50,000	64,502	14,502
Total Nonoperating Revenues	—	50,000	602,914	552,914
Income (Loss) Before Transfers	(371,002)	(372,497)	6,501	378,998
Other Financing Sources				
Transfers in	1,500,000	1,500,000	1,500,000	—
Net Income - Budget Basis	\$ 1,128,998	\$ 1,127,503	1,506,501	\$ 378,998
Adjustments For GAAP Basis				
Capital outlay			260,580	
Depreciation			(134,520)	
Change In Net Position - GAAP Basis			\$ 1,632,561	

MONTROSE COUNTY, COLORADO

FIDUCIARY FUNDS

Agency Funds

Agency funds account for assets held by the County as an agency for individuals, private organizations, other governments and/or other funds.

County Clerk Clearing account for all monies collected (principally tax collections) by the Montrose County Clerk for various local government entities within the County.

Deposits Held for Others accounts for development fees collected and disbursed for the acquisition of real property needed for the expansion of school sites and/or facilities and parks, performance deposits and funds held for other organizations, including the Public Trustee.

MONTROSE COUNTY, COLORADO

**COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
December 31, 2012**

	Agency Funds			
	County Clerk Clearing	Deposits Held For Others		Total
Assets				
Cash and investments	\$ 698,546	\$ 564,951	\$	1,263,497
Liabilities				
Due to other governments	\$ 696,402	\$ —	\$	696,402
Due to other funds	2,144	—		2,144
Deposits held for others	—	564,951		564,951
Total Liabilities	\$ 698,546	\$ 564,951	\$	1,263,497

MONTROSE COUNTY, COLORADO

Financial Planning 02/01
Form # 350-050-36

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Montrose County YEAR ENDING : December 2012
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This Information From The Records Of (example - City of _ or County of _) Prepared By: _____
 Phone: _____

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	2,900,758
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	5,353,692
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	211
2. General fund appropriations		b. Snow and ice removal	233,149
3. Other local imposts (from page 2)	6,171,044	c. Other	415,609
4. Miscellaneous local receipts (from page 2)	122,237	d. Total (a. through c.)	648,968
5. Transfers from toll facilities		4. General administration & miscellaneous	1,173,576
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	23,620
a. Bonds - Original Issues		6. Total (1 through 5)	10,100,615
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	6,293,281	b. Redemption	
B. Private Contributions Bond Forfeiture	2,841,489	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	4,451,613	2. Notes:	
D. Receipts from Federal Government (from page 2)	528,934	a. Interest	
E. Total receipts (A.7 + B + C + D)	14,115,317	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	10,100,615

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	7,197,075	14,115,317	10,100,615	11,211,777	0

Notes and Comments:

MONTROSE COUNTY, COLORADO

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	277	a. Interest on investments	29,808
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	5,749,800	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	63,436
4. Licenses		f. Charges for Services	6,488
5. Specific Ownership &/or Other	420,966	g. Other Misc. Receipts	19,426
6. Total (1. through 5.)	6,170,766	h. Other	3,079
c. Total (a. + b.)	6,171,044	i. Total (a. through h.)	122,237
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	3,543,435	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	437,410
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	872,670	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	35,508	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	91,525
f. Total (a. through e.)	908,178	g. Total (a. through f.)	528,934
4. Total (1. + 2. + 3.f)	4,451,613	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		264,672	264,672
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		2,636,086	2,636,086
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	2,636,086	2,636,086
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	2,900,758	2,900,758
			(Carry forward to page 1)

Notes and Comments: