

Gen W.

CHADWICK, STEINKIRCHNER, DAVIS & CO.
Certified Public Accountants

Memo of meeting May 6, 1981, with various City and County officials, concerning the reporting of the joint sewer system operations.

The purpose of this memo is to recap my understanding of the items covered in the above referenced meeting. My understanding is as follows:

1. Section V of the joint sewer system agreement dated May 1, 1980 between the City of Grand Junction and Mesa County indicates that the City will continue to function as it has in the past and that the terms of cited agreement are not in effect until the new system is constructed and operating. However, because revenues are now being received which are pledged on the revenue bond obligations (as outlined in the official statement dated November 13, 1980 of Mesa County Sewer Revenue Bond, Series 1980A and 1980B) it appears that at least part of the joint agreement must be considered in effect.
2. The starting date of January 1, 1981 as provided in the agreement does not necessarily govern as to the financial reporting requirements. The date is considered flexible to accommodate what is felt to be the best accounting and reporting method by the City, County, and auditors.
3. That there are no legal or contractual problems with reporting the operations and financial position of the joint system under a separate audit report and financial statements separate from either the City or the County. With the understanding, of course, that adequate disclosure of the existence of the separate report would be made in each entity's financial statements.
4. It was contemplated originally to form a metropolitan district to effect the joint sewer system. However, State statutes did not permit the County entity to become a part of such a district. Therefore, the joint venture arrangement was devised to accomplish the same objectives as the metropolitan district. Therefore, because of the intent to create an entity different from either the City or the County, it appears reasonable that separate financial statements and auditors' report on the joint operation of the system would be in accordance with the intent of the parties involved.
5. All parties present at this meeting agreed to the issuance of financial statements and auditors' report on those financial statements under a separate cover, separate from either the City or the County financial statements. It is intended that 1980 be the first year to be reported separately.

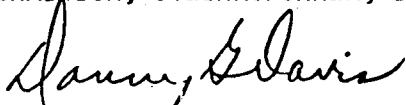
Jerald E. Chadwick, C.P.A. Joseph D. Steinkirchner, C.P.A. Danny G. Davis, C.P.A. Richard D. Genova, C.P.A.
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6. It is understood that auditors for the City will perform the audit of the joint system since accounting for the system will be done by the City and will be subject to the internal control procedures and accounting procedures of the City. This would be the most economical and efficient way to handle the audit of the system. The audit report for the joint system would be subject to acceptance by the County Commissioners.

If your understanding of any of these items is different than stated above, please let me know as soon as possible.

CHADWICK, STEINKIRCHNER, DAVIS & CO.



Danny G. Davis

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