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FINANCIAL STATEMENTS AND AUDITORS' REPORT
CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
JOINT SEWER SYSTEM
December 31, 1980

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CHADWICK, STEINKIRCHNER, DAVIS & CO.

Certified Public Accountants

March 20, 1981

Members of the City Council and Board of County Commissioners
City of Grand Junction, Colorado and Mesa County, Colorado

We have examined the financial statements of the City of Grand Junction/Mesa County, Colorado Joint Sewer System listed in the foregoing table of contents for the year ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the City of Grand Junction/Mesa County, Colorado Joint Sewer System as of December 31, 1980, and the results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied, except for the change in reporting entity from the Sewer Fund of the City of Grand Junction to the City of Grand Junction/Mesa County Joint Sewer System as described in Note F, on a basis consistent with that of the preceding year.

Chadwick, Steinkirchner, Davis & Co.

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City of Grand Junction/Mesa County, Colorado
Joint Sewer System

BALANCE SHEET

December 31, 1980

ASSETS		
CURRENT ASSETS		
Cash		\$ 2,013
Investments - Note B		1,765,766
Accounts receivable		44,934
Unbilled accounts receivable		60,832
Due from other government units		1,095,909
	Total current assets	<u>2,969,454</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant and system		5,111,181
Equipment		14,804
		<u>5,125,985</u>
Less accumulated depreciation		(779,545)
		<u>4,346,440</u>
Land		124,891
Construction in progress		3,873,532
		<u>8,344,863</u>
OTHER ASSETS		
Restricted investments - Note B		<u>5,219,047</u>
		<u>\$16,533,364</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		\$ 790
Accrued interest payable		131,902
	Total current liabilities	<u>132,692</u>
LONG-TERM OBLIGATIONS		
Revenue bonds payable (net of unamortized discount) - Note C		7,760,434
		<u>7,893,126</u>
FUND EQUITY		
Contributed capital		7,559,893
Retained earnings (deficits)		
Reserved for bond retirement - Note C		520,100
Reserved for construction - Note D		4,698,947
Unreserved (deficit)		(4,138,702)
		<u>8,640,238</u>
		<u>\$16,533,364</u>

The accompanying notes are an integral part of this statement.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

Year ended December 31, 1980

Operating revenues	
Service charges	\$1,090,986
Operating expenses	
Salaries and wages	225,458
Employee benefits	32,389
Supplies	44,611
Repair and maintenance	24,031
Utilities	87,482
Equipment rental	43,854
Contractual services	9,895
Miscellaneous	2,572
Depreciation	103,510
Transfers - services	106,568
	<u>680,370</u>
	OPERATING INCOME
	410,616
Other income (expense)	
Miscellaneous	1,425
Interest earnings	190,724
Interest expense	(152,288)
Sales and use taxes - Note G	1,479,792
	<u>1,519,653</u>
INCOME BEFORE TRANSFERS AND EXTRAORDINARY GAIN	1,930,269
Transfers in	7,845
Transfers (out) - Note G	<u>(2,368,620)</u>
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	(430,506)
Extraordinary gain - Note E	222,780
	<u>NET (LOSS)</u>
	(207,726)
Retained earnings at beginning of year - Note F	1,811,706
Adjustments to retained earnings	<u>(523,635)</u>
Retained earnings at end of year	<u><u>\$1,080,345</u></u>

The accompanying notes are an integral part of this statement.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

STATEMENT OF CHANGES IN RETAINED EARNINGS

Year ended December 31, 1980

	<u>Reserved for Revenue Bond Retirement</u>	<u>Reserved for Construction</u>	<u>Unreserved</u>	<u>Total</u>
Retained earnings at beginning of year - Note F	\$179,706	\$ 514,506	\$ 1,117,494	\$1,811,706
Adjustment Less reduction of estimated funding from \$523,635 to \$-0-			(523,635)	(523,635)
Net (Loss)			(207,726)	(207,726)
Increase in reserve for bond retirement	340,394		(340,394)	
Amount reserved for construction	<u> </u>	<u>4,184,441</u>	<u>(4,184,441)</u>	<u> </u>
Retained earnings (deficit) at end of year	<u>\$520,100</u>	<u>\$4,698,947</u>	<u>\$(4,138,702)</u>	<u>\$1,080,345</u>

The accompanying notes are an integral part of this statement.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1980

Sources (uses) of working capital	
Used by operations	
Net loss	\$ (207,726)
Items not requiring (providing)	
working capital	
Depreciation	103,510
Extraordinary gain	(222,780)
WORKING CAPITAL (USED) BY OPERATIONS	<u>(326,996)</u>
Contributions from others	3,576,781
Proceeds from Mesa County Sewer	
Revenue Bonds	7,715,050
	<u>10,964,835</u>
Applications of working capital	
Increase in restricted assets	5,036,139
Additions to plant	12,486
Additions to equipment	6,039
Additions to construction	
in progress	3,145,637
Adjustment of estimated funding	
for Persigo Plant project	523,635
Transfer to escrow for Refunded Sewer	
Refunding Revenue Bonds - Note C	811,836
	<u>9,535,772</u>
INCREASE IN WORKING CAPITAL	<u>1,429,063</u>
Working capital at beginning of year	<u>1,407,699</u>
Working capital at end of year	<u><u>\$2,836,762</u></u>
CHANGES IN COMPONENTS OF WORKING CAPITAL	
Increase (decrease) in current assets	
Cash	\$ 1,730
Investments	921,766
Accounts receivable	21,818
Unbilled accounts receivable	(2,736)
Due from other government units	560,565
	<u>1,503,143</u>
(Increase) decrease in current	
liabilities	
Accounts payable	41,652
Accrued interest payable	(120,432)
Due to other governmental units	4,700
	<u>(74,080)</u>
INCREASE IN WORKING CAPITAL	<u><u>\$1,429,063</u></u>

The accompanying notes are an integral part of this statement.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

NOTES TO FINANCIAL STATEMENTS

December 31, 1980

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Joint Sewer System is a governmental proprietary type enterprise fund. It uses accrual method of accounting.

2. Property, Plant, and Equipment

Property, plant, and equipment are presented at cost or estimated cost where historical cost is not available. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

3. Unbilled Accounts Receivable

The Joint Sewer System follows cyclical billing procedures. As of December 31, 1980, sewer services in the amount of \$60,832 had been provided but not yet billed.

NOTE B - INVESTMENTS

Investments consist of the following:

	<u>Cost</u>
Treasury notes	\$3,875,727
Treasury bills	2,630,488
Treasury bonds	378,598
Certificates of deposit	100,000
	<u>\$6,984,813</u>
Restricted for debt service	\$ 520,100
Restricted for construction	4,698,947
	<u>5,219,047</u>
Unrestricted	1,765,766
	<u>\$6,984,813</u>

The estimated market value at December 31, 1980 is \$6,999,856.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

NOTES TO FINANCIAL STATEMENTS

December 31, 1980

NOTE C - MESA COUNTY SEWER IMPROVEMENT REVENUE BONDS, SERIES 1980 A
AND MESA COUNTY SEWER REFUNDING REVENUE BONDS, SERIES 1980 B

In a joint sewerage service agreement (Note F) dated May 1, 1980, the City Council of the City of Grand Junction and the Board of County Commissioners of Mesa County, Colorado agreed to refund the City of Grand Junction Sewer Refunding Revenue Bonds, Series 1978 A. The refunding was accomplished on November 20, 1980 by issuing Mesa County Sewer Refunding Revenue Bonds, Series 1980 B in the amount of \$805,000, and placing the proceeds in an escrow account at First National Bank of Grand Junction. The proceeds were used to purchase securities which together with interest earnings are calculated to be sufficient to redeem the City interest coupons and bonds as they mature according to their original terms.

The joint sewerage service agreement further provided for the issuance of Mesa County Sewer Improvement Revenue Bonds, Series 1980 A in the amount of \$7,420,000 for the purpose of providing funds for the construction of a new sewage treatment facility.

The above 1980 A and 1980 B bonds are in denominations of \$5,000 with interest of 6.8 - 10.0% payable on May 1 and November 1. The bonds mature in varying amounts starting November 1, 1982 until November 1, 2005.

Bonds of both Series maturing in the years 1996 through 2005, inclusive, are redeemable in advance of their maturity at the option of the County on November 1, 1995 and on any interest payment date thereafter, in inverse order of maturity.

In addition, bonds of both Series maturing on November 1, 2000, November 1, 2003, and November 1, 2005, are subject to mandatory sinking fund redemption by lot, on November 1, 1996 and each November 1 thereafter. Bond reserve requirements as of December 31, 1980 have been met.

The bonds and interest of both Series are payable solely from the net revenues, after payment of the costs of operation and maintenance, of the Joint Sewer System. Net revenues are pledged on the bond and interest obligations.

NOTE D - RESERVE FOR CONSTRUCTION

As of December 31, 1980 the Joint Sewer System had various contracts outstanding for the design and construction of the new sewage treatment facility. The unbilled portion of these contracts is shown as reserved for construction.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

NOTES TO FINANCIAL STATEMENTS

December 31, 1980

NOTE E - EXTRAORDINARY GAIN

As explained in Note C, the City of Grand Junction Sewer Refunding Revenue Bonds, Series 1978 A, were defeased upon refunding using proceeds from Mesa County Sewer Refunding Revenue Bonds, Series 1980 B. The difference between proceeds necessary to refund the City bonds and carrying value of the City bonds resulted in a gain of \$222,780. This gain did not result from the ordinary course of operations and is classified as an extraordinary item.


NOTE F - FORMATION OF JOINT SEWER SYSTEM

In a joint sewerage service agreement dated May 1, 1980, the City Council of the City of Grand Junction and the Board of County Commissioners of Mesa County, Colorado agreed to participate in a joint venture arrangement called the City of Grand Junction/Mesa County Joint Sewer System in order to provide sewer collection and treatment facilities for the metropolitan area in the Grand Valley. The City has contributed the assets included in its Sewer Fund to the Joint Sewer System. The County has issued sewer revenue bonds for the purpose of constructing a new treatment plant and refunding the City of Grand Junction Sewer Refunding Revenue Bonds, Series 1978 A - see Note C. Additional funds are anticipated in the form of grants from the federal government. The City has contracted to operate and maintain the joint system. Assets and liabilities of the City Sewer Fund were transferred to the Joint Sewer System in 1980.

NOTE G - SALES AND USE TAXES AND TRANSFERS

During 1980, certain sales and use tax revenues of the City of Grand Junction were received and recorded as revenue in the Sewer Fund of the City. These revenues, along with certain other assets not pertaining to the joint sewer system, were then transferred to other funds of the City and are shown as transfers out on the Statement of Revenues, Expenses, and Changes in Retained Earnings.

SUPPLEMENTAL INFORMATION



March 20, 1981

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Members of the City Council and Board of County Commissioners
City of Grand Junction, Colorado and Mesa County, Colorado

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole of the City of Grand Junction/Mesa County, Colorado Joint Sewer System, for the year ended December 31, 1980 which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chadwick, Steinkirchner, Davis & Co.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

COMPARISON TO BUDGET

Year ended December 31, 1980

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues			
Service charges	\$ 988,090	\$ 1,090,986	\$ 102,896
Sewer tap fees	150,000	579,958	429,958
Transfers from other funds		7,845	7,845
Federal and state grants	11,780,640	2,454,959	(9,325,681)
Interest earnings	1	190,724	190,723
Sale of revenue bonds	3,696,067	7,715,050	4,018,983
Miscellaneous	1,820	1,425	(395)
Sales and use tax collections	<u>1,419,120</u>	<u>1,479,792</u>	<u>60,672</u>
	<u>\$18,035,738</u>	<u>\$13,520,739</u>	<u>\$ (4,514,999)</u>
Expenditures			
Salaries and wages	\$ 265,435	\$ 225,458	\$ (39,977)
Employee benefits	41,459	32,389	(9,070)
Supplies	41,482	44,611	3,129
Repairs and maintenance	24,833	24,031	(802)
Utilities	69,053	87,482	18,429
Equipment rental	44,476	43,854	(622)
Contractual services	13,486	9,895	(3,591)
Capital outlay	14,636,666	3,189,792	(11,446,874)
Debt retirement and interest expense	403,820	964,124	560,304
Transfers to other funds	2,313,953	2,475,188	161,235
Miscellaneous	<u>2,026</u>	<u>2,572</u>	<u>546</u>
	<u>\$17,856,689</u>	<u>\$ 7,099,396</u>	<u>\$ (10,757,293)</u>

The accompanying notes are an integral part of this statement.