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12/31/82

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

We have examined the balance sheet of the City of Grand Junction/Mesa County, Colorado Joint Sewer System at December 31, 1984, and the related statements of revenue, expenses and changes in retained earnings and changes in financial position for the year then ended. 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 designated above present fairly the financial position of the City of Grand Junction/Mesa County, Colorado Joint Sewer System at December 31, 1984, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 9 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 auditing 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.

Allen Ross & Company

Grand Junction, Colorado
April 5, 1985

CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
 JOINT SEWER SYSTEM
 BALANCE SHEET
 December 31, 1984

ASSETS

Current assets:		
Cash		\$ 250
Investments and equity in pooled cash		3,946,041
Accounts receivable, net of allowance for doubtful accounts of \$11,598		294,884
Due from other governmental entities		485,126
Deferred charges		10,053
Accrued interest receivable		<u>115,716</u>
Total current assets		4,852,070
Restricted cash and investments		489,178
Deferred charges		201,051
Property, plant and equipment:		
Land	\$ 124,891	
Plant and system	35,520,564	
Equipment	44,623	
Construction in progress	<u>246,807</u>	
	35,936,885	
Less accumulated depreciation	<u>1,865,583</u>	<u>34,071,302</u>
		<u>\$39,613,601</u>

LIABILITIES AND FUND EQUITY

Current liabilities:		
Current portion of long-term debt		\$ 66,470
Accounts payable		77,970
Accrued interest payable		125,847
Accrued wages and compensated absences payable		<u>39,623</u>
Total current liabilities		309,910 4,542,160
Long-term debt		7,804,399
Fund equity:		
Contributed capital	<u>\$28,827,970</u>	
Retained earnings:		
Reserved for bond retirement	731,662	
Unreserved	<u>1,939,660</u>	
	<u>2,671,322</u>	<u>31,499,292</u>
		<u>\$39,613,601</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
JOINT SEWER SYSTEM

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year ended December 31, 1984

Operating revenue:		
Charges for service, net of refunds of \$7,720		\$2,252,538
Operating expenses:		
Personal services	\$805,179	
Operating expenses	268,540	
Other charges	784,298	
Contract fees	64,381	
Depreciation	<u>503,960</u>	
		<u>2,426,358</u>
Operating income (loss)		(173,820)
Nonoperating revenue (expenses):		
Interest income	480,451	
Interest expense	(766,612)	
Amortization of deferred charges	(10,053)	
Gain (loss) on disposition of property and equipment	(1,139)	
Miscellaneous	<u>7,226</u>	
		<u>(290,127)</u>
Net income (loss) before subsidy to other governmental entity		(463,947)
Subsidy to other governmental entity		<u>(157,602)</u>
Net income (loss)		(621,549)
Retained earnings at January 1, 1984		<u>3,292,871</u>
Retained earnings at December 31, 1984		<u><u>\$2,671,322</u></u>

The accompanying notes are an integral
part of the financial statements.

CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
JOINT SEWER SYSTEM

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1984

Financial resources were applied to:	
Net loss	\$ 621,549
Items not affecting working capital:	
Depreciation and amortization	(514,013)
Loss on disposition of property and equipment	<u>(1,139)</u>
Working capital applied to operations	106,397
Reduction of long-term debt	66,469
Acquisition of property, plant and equipment	<u>871,514</u>
	<u>1,044,380</u>
Financial resources were provided by:	
Contributed capital:	
Grants	192,002
Sewer tap charges	257,983
Decrease in restricted cash and investments	<u>181,672</u>
	<u>631,657</u>
Decrease in working capital	<u>\$412,723</u>
Decrease (increase) in working capital:	
Cash, investments and equity in pooled cash	\$682,796
Accounts receivable	61,657
Due from other governmental entities	(117,001)
Accrued interest receivable	(13,153)
Accounts payable	(188,352)
Accrued interest payable	(1,400)
Accrued wages and compensated absences payable	<u>(11,824)</u>
Decrease in working capital	<u>\$412,723</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
JOINT SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

December 31, 1984

1. Summary of significant accounting policies

This summary of significant accounting policies of Grand Junction/Mesa County Colorado Joint Sewer System (the Joint Sewer System) is presented to assist in understanding the Joint Sewer System's financial statements. The financial statements and notes are representations of the Joint Sewer System's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

History and activity

The City of Grand Junction/Mesa County, Colorado Joint Sewer System was organized under an agreement, dated May 1, 1980, between the City Council of the City of Grand Junction and the Board of County Commissioners of Mesa County, Colorado. The Sewer System was organized as a joint venture to provide sewer collection and treatment facilities for the metropolitan area in the Grand Valley. The city contributed certain assets which were included in its Sewer Fund while Mesa County contributed funds through the issuance of revenue bonds.

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Investments

Cash in excess of immediate operating requirements is invested in time deposits and short-term United States Government obligations. These investments are carried at cost which approximates market value.

Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is provided on the straight-line method over the following estimated useful lives:

	<u>Estimated lives</u>
Plant and system	10-50 years
Equipment	10 years

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property, plant and equipment are included in income.

1. Summary of significant accounting policies (continued)

Amortization of bond discounts and issuance costs

Bond discounts and issuance costs are being amortized on the straight-line method over the 25 year maturity of the bond issues.

Grant revenue

Grant revenue from the Environmental Protection Agency of the United States Government, which is funding 75% of certain portions of the system expansion, is recorded as contributed capital.

2. Cash and investments

Cash and investments including restricted cash and investments at December 31, 1984, consist of the following:

Cash	\$ 30,400
Certificates of deposit	100,000
U.S. Treasury notes and bonds	359,028
Equity in pooled cash with City of Grand Junction, Colorado	<u>3,946,041</u>
	<u>\$4,435,469</u>
Restricted for debt service	\$ 489,178
Unrestricted	<u>3,946,291</u>
	<u>\$4,435,469</u>

The above investments bear interest at rates from 8.25% to 12.2%.

3. Long-term debt

Long-term debt at December 31, 1984, consists of the following:

Mesa County Sewer Improvement Revenue Bonds, series 1980 A, maturing in varying amounts through 2005, interest at 6.8% to 10% pay- able on May 1 and November 1, annually	\$7,270,000
Mesa County Sewer Refunding Revenue Bonds, series 1980 B, maturing in varying amounts through 2005, interest at 6.8% to 10% pay- able on May 1 and November 1, annually	<u>780,000</u>
	8,050,000

3. Long-term (continued)

Less bond discounts	<u>\$ 179,131</u>
	7,870,869
Less current portion of long-term debt	<u>66,470</u>
	<u><u>\$7,804,399</u></u>

Bonds mature as follows:

<u>Year</u>	<u>Amount</u>
1985	75,000
1986	75,000
1987	75,000
1988	100,000
1989	100,000
1990-1994	1,100,000
1995-1999	1,965,000
2000-2004	3,360,000
2005	<u>1,200,000</u>
	<u><u>\$8,050,000</u></u>

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

Additionally, bonds of both series maturing November 1, 2000, 2003, 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, 1984, have been met.

The Bonds and interest of both series are payable solely from the net revenues, after payment of the costs of operations and maintenance, of the Joint Sewer System.

Proceeds from the Mesa County Sewer Refunding Revenue Bonds, Series 1980 B have been placed in an escrow account at the First National Bank in Grand Junction. The proceeds were used to purchase securities of the United States Government which together with interest earnings are calculated to be sufficient to redeem interest coupons and bonds of the City of Grand Junction Sewer Refunding Revenue Bonds, Series 1978 A, as they come due. The amount of debt outstanding that is considered extinguished at December 31, 1984, is \$1,080,000.

ADDITIONAL INFORMATION

Summary of revenues, expenditures and changes in
fund equity - budget (non-GAAP budgetary basis) and actual
Year ended December 31, 1984

	<u>Budget</u>	<u>Actual</u>	<u>Variance- favorable (unfavorable)</u>
Revenues:			
Charges for service	\$2,060,000	\$2,252,538	\$192,538
Sewer tap fees	305,000	257,983	(47,017)
Federal grants	175,000	117,002	(57,998)
Colorado grant	75,000	75,000	-
Miscellaneous	-	7,226	7,226
Interest income	<u>50,000</u>	<u>480,451</u>	<u>430,451</u>
	<u>2,665,000</u>	<u>3,190,200</u>	<u>525,200</u>
Expenditures:			
Personal services	915,385	805,179	110,206
Operating expenditures	146,615	268,540	(121,925)
Other charges	727,242	784,298	(57,056)
Contract fees	361,057	64,381	296,676
Debt retirement and interest expense	879,020	833,082	45,938
Capital outlay	895,111	871,514	23,597
Subsidy to other governmental entities	<u>298,290</u>	<u>157,602</u>	<u>140,688</u>
	<u>4,222,720</u>	<u>3,784,596</u>	<u>438,124</u>
Increase (decrease) in fund equity	<u>\$(1,557,720)</u>	<u>\$ (594,396)</u>	<u>\$963,324</u>

Note: The budget basis differs from generally accepted accounting principals in that contributed capital is shown as revenue, outlays for debt retirement and acquisition of fixed assets are shown as expenditures and depreciation and amortization are not included in expenditures.