
MONTROSE COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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Independent Auditors' Report

Board of County Commissioners
Montrose County, Colorado

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Montrose Memorial Hospital, which is reported as, and comprises in its entirety, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this discretely presented component unit, is based on the report of the other auditors.

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. The financial statements of the Montrose Memorial Hospital were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County, as of December 31, 2011, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, the Road and Bridge Fund, the Social Services Fund and the Public Safety Sales Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 54 as of and for the year ended December 31, 2011.

As described in Note 1 to the basic financial statements, the County has reported the Montrose County Hospital as a discretely presented component unit as of and for the year ended December 31, 2011. In years prior to 2011, this component unit had been reported as a blended component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 15 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 and the other auditors 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 and those of the other auditors, the basic financial statements and other knowledge we and the other auditors obtained during our audit and that of the other auditors 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RubinBrown LLP

September 19, 2012

MONTROSE COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

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, 2011. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the County exceeded its liabilities as of December 31, 2011 by \$134,632,051. Of this amount, \$29,626,299 may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$4,106,453, after exclusion of the Montrose County Hospital for comparative purposes.
- As of December 31, 2011, Montrose County's governmental funds reported combined ending fund balances of \$34,658,493, an increase of \$2,806,885 from 2010. Approximately 48% of this total amount, \$16,542,710 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 \$16,542,710, or 69% of total general fund expenditures (including transfers).
- The County's total bonded debt decreased by \$335,000 or 10.3% during 2011 due primarily to debt payments for Airport infrastructure.

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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 include not only the County itself (known as the primary government), but also for the Montrose County Building Authority, which is a separate legal entity and the Montrose Memorial Hospital which is a legally separate entity. Financial information for the Montrose County Building Authority is reported as a debt service fund. The Montrose Memorial Hospital is reported as a discrete component unit.

The government-wide financial statements can be found on pages 16 through 17 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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

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.

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 this report.

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 one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County Government used an enterprise fund to account for its Montrose Airport 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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

The basic proprietary fund financial statements can be found on pages 27 through 30 of this report.

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 31 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 30 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules begin on page 67 of this report.

Governmentwide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$134,632,051 at December 31, 2011.

By far the largest portion of the County's net assets (76%) 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 Assets (\$000)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 46,524	\$ 46,930	\$ 1,724	\$ 44,858	\$ 48,248	\$ 91,788
Capital assets	67,850	68,221	37,229	80,989	105,079	149,210
Total Assets	\$ 114,374	\$ 115,151	\$ 38,953	\$ 125,847	\$ 153,327	\$ 240,998
Liabilities						
Long-term liabilities outstanding	\$ 3,106	\$ 3,504	\$ —	\$ 35,475	\$ 3,106	\$ 38,979
Other liabilities	14,919	18,060	669	7,345	15,588	25,405
Total Liabilities	\$ 18,025	\$ 21,564	\$ 669	\$ 42,820	\$ 18,694	\$ 64,384
Net Assets						
Invested in capital assets, net of related debt	\$ 64,744	\$ 64,718	\$ 37,229	\$ 46,030	\$ 101,973	\$ 110,748
Restricted	3,033	11,107	—	3,956	3,033	15,063
Unrestricted	28,571	17,762	1,055	33,041	29,626	50,803
Total Net Assets	\$ 96,348	\$ 93,587	\$ 38,284	\$ 83,027	\$ 134,632	\$ 176,614

An additional portion of the County's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$29,626,299) may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2011, Montrose County is able to report positive balances in its governmental and business-type activities. The same situation held true for 2010.

The County's net assets for the Montrose Regional Airport (its business-type activity) increased by \$1,345,891 during 2011 primarily due to purchase of noncurrent assets and investments.

Governmental Activities: Governmental activities increased the County's net assets by \$2,760,562, thereby accounting for all of the total growth in the net assets of the County. Key elements of the increase are as follows:

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (Continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for services	\$ 5,122	\$ 3,624	\$ 2,586	\$ 78,398	\$ 7,708	\$ 82,022
Operating grants and contributions	8,087	7,359	34	495	8,121	7,854
Capital grants and contributions	—	1,956	3,581	2,469	3,581	4,425
General Revenues						
Property taxes	13,825	12,039	—	—	13,825	12,039
Sales and use taxes	9,093	8,807	—	—	9,093	8,807
Other taxes	5,889	6,031	—	—	5,889	6,031
Other revenue	868	(735)	114	466	982	(269)
Total Revenues	42,884	39,081	6,315	81,828	49,199	120,909
Expenses						
General government	10,111	9,787	—	—	10,111	9,787
Health and human services	8,305	8,014	—	—	8,305	8,014
Public safety and protection	10,545	10,808	—	—	10,545	10,808
Road and bridge services	11,297	8,960	—	—	11,297	8,960
Interest and fiscal charges	165	184	—	—	165	184
Airport	—	—	4,669	3,873	4,669	3,873
Hospital	—	—	—	72,239	—	72,239
Total Expenses	40,423	37,753	4,669	76,112	45,092	113,865
Increase In Net Assets Before Transfers	2,461	1,328	1,646	5,716	4,107	7,044
Transfers	300	250	(300)	(250)	—	—
Increase In Net Assets	2,761	1,578	1,346	5,466	4,107	7,044
Net Assets - January 1	93,587	91,827	36,938	77,561	130,525	169,388
Prior Period Adjustment	—	182	—	—	—	182
Net Assets - December 31	\$ 96,348	\$ 93,587	\$ 38,284	\$ 83,027	\$ 134,632	\$ 176,614

- Capital outlays exceeded depreciation by \$513,489
- Debt service reductions amounted to \$335,000

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, 2011 and the changes from the prior year.

Revenue Source	2011		2010		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Taxes	\$ 22,888	51.9	\$ 20,957	49.2	\$ 1,931	9.2
Licenses and permits	316	0.7	352	0.8	\$ (36)	(10.2)
Intergovernmental	15,103	34.2	15,306	36.0	\$ (203)	(1.3)
Charges for services	1,504	3.4	1,974	4.6	\$ (470)	(23.8)
Charges to governments	221	0.5	246	0.6	\$ (25)	(10.2)
Internal charges	3,104	7.0	2,928	6.9	\$ 176	6.0
Miscellaneous	982	2.2	812	1.9	\$ 170	20.9
Total Revenues (\$000)	\$ 44,118	100.0	\$ 42,575	100.0	\$ 1,543	3.6

Overall revenue increased by 3.6% or \$1,543,839 in 2011 over 2010.

The largest source of revenue for 2011 was derived from taxes, 51.9% of total revenues. Overall, tax revenue increased by 9.2% or \$1,930,793. Property tax revenue in 2011 increased by \$1,785,118 or 14.8% over 2010 due primarily to an adjustment to historical TABOR calculations and thus the temporary credit mill levy for 2011. Specific ownership tax revenue increased by \$25,425 from 2010. The County maintained its mill levy at 23.528 mills with a temporary mill levy reduction of 2.972 mills to remain within TABOR limits for a net mill levy of 20.599 for tax collection purposes.

Licenses and permits show a 10.2% decrease from 2010 due primarily to a decreased number of building permits issued in 2011.

Intergovernmental revenue decreased in 2011 by \$203,088 or 1.3%, due primarily to decreases in federal and state government grant funding.

Charges for services decreased 23.8% due primarily to decreased activity in jail administration, and Clerk and Recorder fees. Charges to other governments was 10.2% or \$23,945 less than 2010 due primarily to a pass-through grant for the Uravan weed program and charges to other governments for prisoner housing.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

Internal charges are 6.0% or \$176,262 more in 2011 from 2010 due largely to increases for internal fleet maintenance, purchases and charges to various departments for maintenance and weed mitigation projects.

Miscellaneous revenue was more in 2011 than 2010 due primarily to an increase in investment earnings.

The following schedule presents a summary of the governmental funds expenditures for the fiscal year ended December 31, 2011 and the changes from the prior year.

	2011		2010		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Expenditures						
General government	\$ 10,281	24.7	\$ 10,452	24.9	\$ (171)	(1.6)
Health and human services	8,431	20.2	8,890	21.2	(459)	(5.2)
Public safety and protection	10,458	25.1	10,504	25.0	(46)	(0.4)
Road and bridge services	11,910	28.6	11,531	27.5	379	3.3
Debt service	563	1.4	576	1.4	(13)	4.2
Total Expenditures (\$000)	\$ 41,643	100.0	\$ 41,953	100.0	\$ (310)	(0.7)

Overall expenditures for 2011 were \$309,971 or .7% less than 2010. Decreases in general government expenditures for 2011 include:

- Postponed replacement of computer hardware,
- Reduced staffing,
- Implemented a hiring freeze and postponed salary adjustments,
- Reductions in homeland security grant funded projects.

Health and Human Services decreased by \$459,294 or 5.2% due primarily to a reduction in labor and overall operating expenses. Public Safety and Protection activities decreased by \$45,410 or .4% primarily due to personnel savings. Road and Bridge services increased by \$378,792 or 3.3% due to the purchase of additional heavy equipment and other expenditures necessary for the expansion of services.

Business-type Activities: The increase in the net assets for the Montrose Regional Airport was \$1,345,891. The primary reason for the increase was expansion of the Airport terminal, construction of a new perimeter fence, and runway improvements at Hopkins Airport.

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.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

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.

As of December 31, 2011, the County's governmental funds reported combined ending fund balances of \$34,658,493, an increase of \$2,806,885 over the prior year. Approximately 48% 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 (\$1,525,109). (2) Assigned fund balance is constrained by the County's intent to be used for a specific purpose (\$13,557,598). (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 (\$494,276) and 2) to provide an emergency reserve as required by the TABOR amendment (\$1,234,190) 3) other restricted fund balance (\$1,304,610).

The General Fund is the chief operating fund of the County. At December 31, 2011, unassigned fund balance of the General Fund was \$16,542,710 while total fund balance reached \$17,829,815. 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 69% of total General Fund expenditures (including transfers), while total fund balance represents 75% of that same amount.

The fund balance of the County's General Fund increased by \$972,888 during 2011 as there were increases 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 \$5,381,220 of which \$1,451,502 is non-spendable for inventories and prepaid expenses. The net increase in fund balance in this fund during 2011 fund was \$173,252. The increase resulted primarily from projects that were begun but not completed by the end of the year utilizing the new sales and use tax revenue.

Fund balance in the Social Services Fund decreased by \$61,342 to a level of \$1,093,298 by the end of 2011. The decrease was due primarily to the use of fund balance to support costs associated with increasing caseloads due to economic conditions.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

The Public Safety Sales Tax Fund increased its fund balance by \$416,673 during 2011. Total fund balance for this fund was \$1,786,308 by the end of 2011.

Fund balance in the Capital Expenditures Fund increased by \$1,218,193 primarily due to a transfer in from the general fund for future facility's needs. Total fund balance for this fund was \$5,419,800 at the end of 2011.

Fund balances for all other governmental funds increased by \$87,221 during 2011.

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 assets of the Montrose Regional Airport at December 31, 2011 amounted to \$1,054,929.

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 \$646,180. The changes included:

\$200,000	for costs associated with County water rights.
\$90,764	for equipment purchased with a homeland security grant.
\$103,850	for costs associated with Justice Center security grant.
\$75,000	for capital remodeling project for the Clerk & Recorder.
\$40,500	for software upgrades for the Assessor's office.
\$136,066	for various other changes to many operating departments.

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, 2011 amounts to \$105,078,919 (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 \$1,069,492.

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (Continued)

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

Construction in progress	4,528,520
Other purchases of furniture and equipment	1,338,732
Building improvements	150,000
Infrastructure	2,030,719
Disposal and retirement of assets, net	(51,868)
Depreciation	(6,290,657)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Assets						
Land and improvements	\$ 3,155	\$ 3,155	\$ 2,539	\$ 4,059	\$ 5,694	\$ 7,214
Construction in progress	628	519	3,900	4,101	4,528	4,620
Buildings and improvements	14,640	15,015	5,519	37,237	20,159	52,252
Equipment	7,555	7,589	1,234	10,656	8,789	18,245
Infrastructure	41,872	41,944	24,037	25,000	65,909	66,944
Total Capital Assets (\$000)	\$ 67,850	\$ 68,222	\$ 37,229	\$ 81,053	\$ 105,079	\$ 149,275

Additional information on the County's capital assets can be found in Note 5 on pages 52 and 53 of the financial statements.

Long-Term Debt: At the end of 2011, the County had total bonded debt outstanding of \$2,905,000. The County has no general obligation debt.

The County's debt consists of the following:

Airport facilities	\$ 2,905,000
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	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Certificates of participation	\$ 2,905	\$ 3,240	\$ —	\$ —	\$ 2,905	\$ 3,240

Additional information on the County's long-term debt can be found in Note 6 on pages 54 through 59 of the financial statements.

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 10.5%, which is a decrease from a

MONTROSE COUNTY, COLORADO

Management's Discussion And Analysis (*Continued*)

rate of 10.6% a year ago. The County rate is higher than the state's average unemployment rate of 8.4% and is also higher than the national average rate of 8.2%.

- The Colorado Legislative Council reports that the 10-county western region's labor market saw slow improvement for the first time in two years in 2011. Consumer spending rebounded in 2011 over the prior year. Despite these gains, the housing and commercial construction markets continued to show little signs of improvement.
- Based on data from Montrose County Planning and Development, the number of housing permits decreased 3% in the County in 2011 from 2010. The value of nonresidential construction for the County increased in 2011 from 2010 by 28.7%.

All of these factors were considered in preparing the County's budget for 2012.

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, including the Montrose Memorial Hospital, a discretely presented component unit, should be addressed to Montrose County Finance Director, 1845 S. Townsend Avenue, Montrose, Colorado 81401.

MONTROSE COUNTY, COLORADO

STATEMENT OF NET ASSETS

December 31, 2011

Page 1 Of 2

	Assets			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
Cash and investments	\$ 32,122,605	\$ —	\$ 32,122,605	\$ 23,715,483
Cash and investments, restricted	123,261	277,115	400,376	284,975
Short-term investments	—	—	—	2,197,414
Cash held by trustee for debt service - current	—	—	—	1,365,000
Taxes receivable, net of allowance	11,043,036	—	11,043,036	—
Patient accounts receivable, net	—	—	—	10,002,422
Other receivables, net of allowance for uncollectible	111,078	249,194	360,272	1,475,970
Intergovernmental receivable	1,480,772	1,093,592	2,574,364	—
Inventories and prepaid expenses	1,525,109	49,226	1,574,335	3,108,891
Internal balances	2,134	—	2,134	—
Noncurrent restricted assets	—	54,353	54,353	—
Noncurrent investments	—	—	—	2,060,220
Cash held by trustee for debt service - noncurrent	—	—	—	4,169,787
Unamortized bond discount	2,750	—	2,750	—
Unamortized bond issuance costs	113,090	—	113,090	—
Capital assets				
Capital assets not subject to depreciation				
Land	3,154,842	2,538,599	5,693,441	—
Construction in progress	627,933	3,900,587	4,528,520	346,173
Capital assets subject to depreciation				
Buildings and improvements, net	14,639,597	5,519,349	20,158,946	33,327,641
Improvements other than buildings, net	—	24,036,968	24,036,968	1,490,461
Equipment, net	7,555,432	1,233,673	8,789,105	8,983,276
Infrastructure, net	41,871,939	—	41,871,939	—
Other assets	—	—	—	1,705,776
Total Assets	\$ 114,373,578	\$ 38,952,656	\$ 153,326,234	\$ 94,233,489

MONTROSE COUNTY, COLORADO

STATEMENT OF NET ASSETS

December 31, 2011

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Liabilities And Net Assets

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Montrose County Hospital
Liabilities				
Accounts payable	\$ 1,006,576	\$ 575,819	\$ 1,582,395	\$ 2,709,071
Accrued liabilities	385,461	13,160	398,621	—
Due to other governments	336,658	—	336,658	—
Accrued compensation	2,194,896	79,572	2,274,468	2,500,780
Estimated third-party payor settlements	—	—	—	1,321,090
Deferred revenue	10,015,941	—	10,015,941	—
Funds held for others	4,866	—	4,866	—
Closure and post-closure costs	606,267	—	606,267	—
Accrued gravel pit remediation costs	368,724	—	368,724	—
Other current liabilities	—	—	—	3,079,166
Long-term liabilities				
Portion due or payable within one year				
Certificates of participation	355,000	—	355,000	—
Capital leases payable	64,787	—	64,787	—
Bonds and notes payable	—	—	—	1,562,910
Portion due or payable after one year				
Certificates of participation	2,550,000	—	2,550,000	—
Capital leases payable	136,456	—	136,456	—
Bonds and notes payable	—	—	—	33,752,093
Total Liabilities	18,025,632	668,551	18,694,183	44,925,110
Net Assets				
Invested in capital assets, net of related debt	64,743,500	37,229,176	101,972,676	9,307,846
Restricted for:				
Expendable	—	—	—	5,814,762
Nonexpendable	—	—	—	5,000
Emergencies	1,234,190	—	1,234,190	—
Landfill financial assurance	776,713	—	776,713	—
Parks and recreation	60,423	—	60,423	—
Capital expenses	467,474	—	467,474	—
Debt service	494,276	—	494,276	—
Unrestricted	28,571,370	1,054,929	29,626,299	34,180,771
Total Net Assets	\$ 96,347,946	\$ 38,284,105	\$ 134,632,051	\$ 49,308,379

MONTROSE COUNTY, COLORADO

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue And Changes In Net Assets			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government			Component Unit
					Governmental Activities	Business- Type Activities	Total	Montrose County Hospital
Primary Government								
Governmental								
General government	\$ 10,111,137	\$ 3,465,781	\$ 735,838	\$ —	\$ (5,909,518)	\$ —	\$ (5,909,518)	\$ —
Health and human services	8,304,943	375,327	4,420,766	—	(3,508,850)	—	(3,508,850)	—
Public safety and protection	10,544,664	1,218,082	1,492,280	—	(7,834,302)	—	(7,834,302)	—
Road and bridge services	11,297,312	63,137	1,437,647	—	(9,796,528)	—	(9,796,528)	—
Interest and fiscal charges	165,015	—	—	—	(165,015)	—	(165,015)	—
Total Governmental Activities	40,423,071	5,122,327	8,086,531	—	(27,214,213)	—	(27,214,213)	—
Business-Type								
Montrose County Airport	4,669,829	2,585,822	33,904	3,581,471	—	1,531,368	1,531,368	—
Total Primary Government	45,092,900	7,708,149	8,120,435	3,581,471	(27,214,213)	1,531,368	(25,682,845)	—
Component Unit								
Montrose County Hospital	61,328,764	63,364,552	77,249	24,951	—	—	—	2,137,988
Total Montrose County, Colorado	\$ 106,421,664	\$ 71,072,701	\$ 8,197,684	\$ 3,606,422	(27,214,213)	1,531,368	(25,682,845)	2,137,988
General Revenues								
					13,824,572	—	13,824,572	—
					9,093,179	—	9,093,179	—
					3,552,689	—	3,552,689	—
					2,336,342	—	2,336,342	—
					—	—	—	225,000
					641,727	5,194	646,921	237,338
					(22,576)	—	(22,576)	—
					248,969	109,202	358,171	619,322
					299,873	(299,873)	—	—
					29,974,775	(185,477)	29,789,298	1,081,660
					2,760,562	1,345,891	4,106,453	3,219,648
					93,587,384	36,938,214	130,525,598	46,088,731
					\$ 96,347,946	\$ 38,284,105	\$ 134,632,051	\$ 49,308,379

MONTROSE COUNTY, COLORADO

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2011

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	17,933,353	2,999,703	1,366,572	5,608,460	1,243,874	2,967,163	32,119,125		
Other cash and investments	126,541	50	150	—	—	—	126,741		
Receivables									
Taxes	8,343,308	897,559	1,163,659	—	638,510	—	11,043,036		
Interest	17,985	—	—	—	—	58	18,043		
Intergovernmental	256,128	563,181	429,084	—	3,146	229,233	1,480,772		
Due from other funds	2,134	—	—	—	—	—	2,134		
Trade	9,939	5,452	52,403	—	2,470	22,771	93,035		
Prepaid expenses and other assets	34,539	8,064	5,774	—	136	14,782	63,295		
Inventories	18,376	1,443,438	—	—	—	—	1,461,814		
Total Assets	\$ 26,742,303	\$ 5,917,447	\$ 3,017,642	\$ 5,608,460	\$ 1,888,136	\$ 3,234,007	\$ 46,407,995		
Liabilities And Fund Equity									
Liabilities									
Accounts payable	384,492	308,969	48,412	188,660	55,462	20,581	1,006,576		
Accrued liabilities	178,706	61,656	74,072	—	46,366	24,661	385,461		
Due to other governments	—	165,602	171,056	—	—	—	336,658		
Due to other funds	—	—	—	—	—	—	—		
Funds held for others	4,866	—	—	—	—	—	4,866		
Deferred revenue	8,344,424	—	1,630,804	—	—	40,713	10,015,941		
Total Liabilities	8,912,488	536,227	1,924,344	188,660	101,828	85,955	11,749,502		
Fund Equity									
Nonspendable	52,915	1,451,502	5,774	—	136	14,782	1,525,109		
Assigned	—	3,929,718	1,087,524	5,419,800	1,786,172	1,334,384	13,557,598		
Restricted for									
Emergencies	1,234,190	—	—	—	—	—	1,234,190		
Landfill financial assurance	—	—	—	—	—	776,713	776,713		
Parks and recreation	—	—	—	—	—	60,423	60,423		
Capital expenditures	—	—	—	—	—	467,474	467,474		
Debt service	—	—	—	—	—	494,276	494,276		
Unassigned	16,542,710	—	—	—	—	—	16,542,710		
Total Fund Equity	17,829,815	5,381,220	1,093,298	5,419,800	1,786,308	3,148,052	34,658,493		
Total Liabilities And Fund Equity	\$ 26,742,303	\$ 5,917,447	\$ 3,017,642	\$ 5,608,460	\$ 1,888,136	\$ 3,234,007	\$ 46,407,995		

MONTROSE COUNTY, COLORADO

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2011**

Total Fund Balance - Governmental Funds \$ 34,658,493

Amounts reported for governmental activities on the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. 67,849,743

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 assets and amortized over the life of the bonds to which they are related.

Bond discounts, less accumulated amortization 2,750
Bond issuance costs 113,090

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences \$ (2,194,896)
Landfill closure and post-closure liability (606,267)
Gravel pit remediation (368,724)
Certificates of participation (2,905,000)
Capital lease liability \$ (201,243)

(6,276,130)

Total Net Assets - Governmental Activities \$ 96,347,946

MONTROSE COUNTY, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For The Year Ended December 31, 2011

	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	\$ 12,459,334	\$ 5,469,505	\$ 1,278,051	\$ —	\$ 3,681,008	\$ —	\$ 22,887,898
Licenses and permits	214,556	—	—	—	—	101,363	315,919
Intergovernmental	3,592,081	5,250,514	4,705,702	—	146,364	1,408,446	15,103,107
Charges for services	1,391,549	112,741	—	—	—	—	1,504,290
Charges to other governments	176,126	2,262	43,280	—	—	—	221,668
Internal charges	2,535,274	294,030	135,608	—	89,364	49,536	3,103,812
Investment earnings	524,599	48,238	478	—	1,740	1,867	576,922
Miscellaneous	45,335	23,942	189,046	—	10,855	135,812	404,990
Total Revenues	20,938,854	11,201,232	6,352,165	—	3,929,331	1,697,024	44,118,606
Expenditures							
Current							
General government	9,517,849	—	—	381,807	—	72,102	9,971,758
Health and human services	—	—	6,406,557	—	—	2,017,559	8,424,116
Public safety and protection	5,671,072	—	—	—	4,467,838	—	10,138,910
Road and bridge services	914,564	7,516,023	—	—	—	—	8,430,587
Capital outlay	309,182	3,479,371	6,950	—	319,820	—	4,115,323
Debt service							
Principal	—	62,596	—	—	—	335,000	397,596
Interest	—	—	—	—	—	165,015	165,015
Total Expenditures	16,412,667	11,057,990	6,413,507	381,807	4,787,658	2,589,676	41,643,305
Excess (Deficiency) Of Revenues Over (Under) Expenditures	4,526,187	143,242	(61,342)	(381,807)	(858,327)	(892,652)	2,475,301
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	1,701	30,010	—	—	—	—	31,711
Transfers in	3,913,360	—	—	1,600,000	1,275,000	1,099,873	7,888,233
Transfers out	(7,468,360)	—	—	—	—	(120,000)	(7,588,360)
Total Other Financing Sources (Uses)	(3,553,299)	30,010	—	1,600,000	1,275,000	979,873	331,584
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	972,888	173,252	(61,342)	1,218,193	416,673	87,221	2,806,885
Fund Balance - Beginning Of Year	16,856,927	5,207,968	1,154,640	4,201,607	1,369,635	3,060,831	31,851,608
Fund Balance - End Of Year	\$ 17,829,815	\$ 5,381,220	\$ 1,093,298	\$ 5,419,800	\$ 1,786,308	\$ 3,148,052	\$ 34,658,493

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, 2011

Net Change In Fund Balances - Total Governmental Funds \$ 2,806,885

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	\$ (4,432,634)	
Capital outlay	<u>4,115,323</u>	(317,311)

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	(22,576)	
Proceeds on sale	<u>\$ (31,711)</u>	(54,287)

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

(17,821)

Under the modified accrual basis of accounting used in the
governmental funds, expenditures for accrued compensated
absences are not recognized because they are not paid with
expendable available financial resources. In the statement of
activities, however, which is presented on the accrual basis,
these expenses and liabilities are reported regardless of when
financial resources are available. This adjustment shows the
change in the accrued compensated absences balance.

(26,553)

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 is the effect of the difference in
the treatment of this liability.

(27,947)

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 assets. This amount
is the effect of the difference in the treatment of these repayments.

397,596

Change In Net Assets Of Governmental Activities

\$ 2,760,562

MONTROSE COUNTY, COLORADO

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For The Year Ended December 31, 2011

	General Fund				Sales And Use Tax Fund				Tabor Emergency Reserve Fund				General Fund - Combined			
				Variance				Variance				Variance				Variance
				With Final				With Final				With Final				With Final
				Budget				Budget				Budget				Budget
	Budgeted Amounts		Actual	Favorable (Unfavorable)	Budgeted Amounts		Actual	Favorable (Unfavorable)	Budgeted Amounts		Actual	Favorable (Unfavorable)	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final			Original	Final			Original	Final			Original	Final		
Revenues																
Taxes	\$ 12,302,000	\$ 12,302,000	\$ 12,373,162	\$ 71,162	\$ —	\$ —	\$ 86,172	\$ 86,172	\$ —	\$ —	\$ —	\$ —	\$ 12,302,000	\$ 12,302,000	\$ 12,459,334	\$ 157,334
Licenses and permits	227,100	227,100	214,556	(12,544)	—	—	—	—	—	—	—	—	227,100	227,100	214,556	(12,544)
Intergovernmental	3,260,939	3,451,803	3,592,081	140,278	—	—	—	—	—	—	—	—	3,260,939	3,451,803	3,592,081	140,278
Charges for services	1,385,550	1,385,550	1,391,549	5,999	—	—	—	—	—	—	—	—	1,385,550	1,385,550	1,391,549	5,999
Charges to other governments	167,700	167,700	176,126	8,426	—	—	—	—	—	—	—	—	167,700	167,700	176,126	8,426
Internal charges	2,515,189	2,515,189	2,535,274	20,085	—	—	—	—	—	—	—	—	2,515,189	2,515,189	2,535,274	20,085
Interest	157,854	157,854	522,633	364,779	6,140	6,140	1,966	(4,174)	—	—	—	—	163,994	163,994	524,599	360,605
Miscellaneous	22,500	22,500	45,335	22,835	—	—	—	—	—	—	—	—	22,500	22,500	45,335	22,835
Total Revenues	20,038,832	20,229,696	20,850,716	621,020	6,140	6,140	88,138	81,998	—	—	—	—	20,044,972	20,235,836	20,938,854	703,018
Expenditures																
Current																
General government	10,187,884	10,320,096	9,517,849	802,247	—	2,360	—	2,360	—	—	—	—	10,187,884	10,322,456	9,517,849	804,607
Public safety and protection	5,700,374	5,748,888	5,668,712	80,176	—	—	2,360	(2,360)	—	—	—	—	5,700,374	5,748,888	5,671,072	77,816
Road and bridge services	720,190	931,190	914,564	16,626	—	—	—	—	—	—	—	—	720,190	931,190	914,564	16,626
Capital outlay	185,870	440,324	309,182	131,142	—	—	—	—	—	—	—	—	185,870	440,324	309,182	131,142
Total Expenditures	16,794,318	17,440,498	16,410,307	1,030,191	—	2,360	2,360	—	—	—	—	—	16,794,318	17,442,858	16,412,667	1,030,191
Excess Of Revenues Over																
(Under) Expenditures	3,244,514	2,789,198	4,440,409	1,651,211	6,140	3,780	85,778	81,998	—	—	—	—	3,250,654	2,792,978	4,526,187	1,733,209
Other Financing Sources (Uses)																
Proceeds from sale of capital assets	—	—	1,701	1,701	—	—	—	—	—	—	—	—	—	—	1,701	1,701
Transfers in	745,000	3,913,360	3,913,360	—	—	—	—	—	—	—	—	—	745,000	3,913,360	3,913,360	—
Transfers out	(3,675,000)	(3,675,000)	(3,675,000)	—	(625,000)	(2,293,360)	(2,293,360)	—	—	(1,500,000)	(1,500,000)	—	(4,300,000)	(7,468,360)	(7,468,360)	—
Total Other Financing Sources (Uses)	(2,930,000)	238,360	240,061	1,701	(625,000)	(2,293,360)	(2,293,360)	—	—	(1,500,000)	(1,500,000)	—	(3,555,000)	(3,555,000)	(3,553,299)	1,701
Excess Of Revenues And Other Financing Sources Over																
(Under) Expenditures And Other Financing Uses	314,514	3,027,558	4,680,470	1,652,912	(618,860)	(2,289,580)	(2,207,582)	81,998	—	(1,500,000)	(1,500,000)	—	(304,346)	(762,022)	972,888	1,734,910
Fund Balance - Beginning Of Year	13,149,345	13,149,345	13,149,345	—	2,207,582	2,207,582	2,207,582	—	1,500,000	1,500,000	1,500,000	—	16,856,927	16,856,927	16,856,927	—
Fund Balance - End Of Year	\$ 13,463,859	\$ 16,176,903	\$ 17,829,815	\$ 1,652,912	\$ 1,588,722	\$ (81,998)	\$ —	\$ 81,998	\$ 1,500,000	\$ —	\$ —	\$ —	\$ 16,552,581	\$ 16,094,905	\$ 17,829,815	\$ 1,734,910

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, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 5,431,250	\$ 5,431,250	\$ 5,469,505	\$ 38,255
Intergovernmental	5,162,000	5,752,206	5,250,514	(501,692)
Charges for services	67,500	67,500	112,741	45,241
Charges to other governments	1,500	1,500	2,262	762
Internal charges	195,450	195,450	294,030	98,580
Interest	19,979	19,979	48,238	28,259
Miscellaneous	5,150	5,150	23,942	18,792
Total Revenues	10,882,829	11,473,035	11,201,232	(271,803)
Expenditures				
Current				
Road and bridge services	9,530,483	10,444,915	7,516,023	2,928,892
Principal payment on debt	62,597	62,597	62,596	1
Capital outlay	300,800	1,827,940	3,479,371	(1,651,431)
Total Expenditures	9,893,880	12,335,452	11,057,990	1,277,462
Excess Of Revenues Over (Under) Expenditures	988,949	(862,417)	143,242	1,005,659
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	5,000	5,000	30,010	25,010
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	993,949	(857,417)	173,252	1,030,669
Fund Balance - Beginning Of Year	5,207,968	5,207,968	5,207,968	—
Fund Balance - End Of Year	\$ 6,201,917	\$ 4,350,551	\$ 5,381,220	\$ 1,030,669

MONTROSE COUNTY, COLORADO

SOCIAL SERVICES FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For The Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,283,000	\$ 1,283,000	\$ 1,278,051	\$ (4,949)
Miscellaneous	74,800	74,800	189,046	114,246
Internal charges	147,240	147,240	135,608	(11,632)
Intergovernmental	4,992,735	4,992,735	4,705,702	(287,033)
Interest earnings	1,500	1,500	478	(1,022)
Charges to other governments	48,400	48,400	43,280	(5,120)
Total Revenues	6,547,675	6,547,675	6,352,165	(195,510)
Expenditures				
Current				
Health and human services	6,614,784	6,608,384	6,406,557	201,827
Capital outlay	7,650	14,050	6,950	7,100
Total Expenditures	6,622,434	6,622,434	6,413,507	208,927
Excess Of Revenues Over (Under) Expenditures	(74,759)	(74,759)	(61,342)	13,417
Fund Balance - Beginning Of Year	1,154,640	1,154,640	1,154,640	—
Fund Balance - End Of Year	\$ 1,079,881	\$ 1,079,881	\$ 1,093,298	\$ 13,417

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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 3,482,000	\$ 3,482,000	\$ 3,681,008	\$ 199,008
Internal charges	97,000	97,000	89,364	(7,636)
Intergovernmental	149,100	149,100	146,364	(2,736)
Interest earnings	1,580	1,580	1,740	160
Miscellaneous income	—	—	10,855	10,855
Total Revenues	3,729,680	3,729,680	3,929,331	199,651
Expenditures				
Current				
Public safety protection	4,928,417	4,963,417	4,467,838	495,579
Capital outlay	110,340	133,170	319,820	(186,650)
Total Expenditures	5,038,757	5,096,587	4,787,658	308,929
Excess Of Revenues Over (Under) Expenditures	(1,309,077)	(1,366,907)	(858,327)	508,580
Other Financing Sources				
Transfers in	1,275,000	1,275,000	1,275,000	—
Excess Of Revenues And Other Financing Sources Over Expenditures	(34,077)	(91,907)	416,673	508,580
Fund Balance - Beginning Of Year	1,369,635	1,369,635	1,369,635	—
Fund Balance - End Of Year	\$ 1,335,558	\$ 1,277,728	\$ 1,786,308	\$ 508,580

MONTROSE COUNTY, COLORADO

STATEMENT OF NET ASSETS PROPRIETARY FUND December 31, 2011

	Business-Type Activity Enterprise Fund
	Montrose County Airport
Assets	
Current Assets	
Cash, restricted	\$ 277,115
Accounts receivable, net	249,194
Due from other governments	1,093,592
Inventories	22,034
Prepaid expenses	27,192
Total Current Assets	<u>1,669,127</u>
Noncurrent Assets	
Restricted assets	54,353
Capital assets	
Land	2,538,599
Construction in progress	3,900,587
Land improvements, net	24,036,968
Buildings and improvements, net	5,519,349
Equipment, net	1,233,673
Total Noncurrent Assets	<u>37,283,529</u>
Total Assets	<u>\$ 38,952,656</u>
Liabilities And Net Assets	
Current Liabilities	
Accounts payable	\$ 575,819
Accrued liabilities	13,160
Accrued compensating absences	79,572
Total Current Liabilities	<u>668,551</u>
Net Assets	
Invested in capital assets, net of related debt	37,229,176
Unrestricted	1,054,929
Total Net Assets	<u>38,284,105</u>
Total Liabilities And Net Assets	<u>\$ 38,952,656</u>

MONTROSE COUNTY, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended December 31, 2011**

	Business-Type Activity Enterprise Fund <u>Montrose County Airport</u>
Operating Revenue	
Charges for services	\$ 2,284,609
Operating Expenses	
Salaries and benefits	719,573
Services and supplies	2,092,235
Depreciation and amortization	1,858,021
Total Operating Expenses	<u>4,669,829</u>
Operating Loss	<u>(2,385,220)</u>
Nonoperating Revenues	
Investment income	5,194
Contributions/grants	3,615,375
Passenger facility charges	301,213
Other	109,202
Total Nonoperating Revenues	<u>4,030,984</u>
Income Before Transfers	<u>1,645,764</u>
Transfers	
Transfers in	200,000
Transfers out	(499,873)
Total Transfers	<u>(299,873)</u>
Change In Net Assets	1,345,891
Net Assets - Beginning Of Year	<u>36,938,214</u>
Net Assets - End Of Year	<u>\$ 38,284,105</u>

MONTROSE COUNTY, COLORADO

STATEMENT OF CASH FLOWS PROPRIETARY FUND For The Year Ended December 31, 2011 Page 1 Of 2

	Business-Type Activity Enterprise Fund <u>Montrose County Airport</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 2,385,502
Cash paid to suppliers	(3,040,349)
Cash paid to and for employees	(707,706)
Net Cash Used In Operating Activities	<u>(1,362,553)</u>
Cash Flows From Noncapital Financing Activities	
Transfers, net	(299,873)
Other receipts	109,202
Net Cash Used In Noncapital Financing Activities	<u>(190,671)</u>
Cash Flows From Capital And Related Financing Activities	
Grants and contributions	3,884,050
Passenger facility charges	301,213
Acquisition of capital assets	(3,299,111)
Net Cash Provided By Capital And Related Financing Activities	<u>886,152</u>
Cash Flows Provided By Investing Activities	
Investment income	5,194
Net Decrease In Cash And Cash Equivalents	(661,878)
Cash And Cash Equivalents - Beginning Of Year	<u>938,993</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 277,115</u>

MONTROSE COUNTY, COLORADO

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011
Page 2 Of 2**

	Business-Type Activity Enterprise Fund
	Montrose County Airport
	<hr/>
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities	
Operating loss	\$ (2,385,220)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	1,858,021
Decrease in accounts receivable	104,100
Increase in inventory	(6,823)
Decrease in accounts payable and accrued expenses	(923,598)
Other assets and liabilities	(9,033)
	<hr/>
Net Cash Used In Operating Activities	<u><u>\$ (1,362,553)</u></u>

MONTROSE COUNTY, COLORADO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
December 31, 2011**

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 1,186,257</u>
Liabilities	
Due to other governments	\$ 674,142
Due to other funds	2,134
Deposits held for others	<u>509,981</u>
Total Liabilities	<u>\$ 1,186,257</u>

MONTROSE COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, hospital, 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) and its component units, entities for which the County is considered to be financially accountable. The blended component unit, although a legally separate entity, is in substance part of the County's operations. The blended component unit has a December 31 year-end.

Blended Component Unit

Montrose County Building Authority

The Montrose County Building Authority (the Corporation) was incorporated in June 1994. In 1996, the Corporation entered into a lease agreement with the County to facilitate the defeasance of outstanding obligations of the Montrose County Airport Authority. Although the Corporation is a separate legal entity, the County maintains fiscal responsibility for it. For financial reporting purposes, it is a blended component unit and is included as a Debt Service Fund.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Discretely Presented Component Unit

Montrose Memorial Hospital

The Montrose Memorial Hospital (the Hospital) is a not-for-profit acute care hospital owned by the County and, effective November 1, 2011, is leased to Montrose Memorial Hospital, Inc., a nonprofit organization. The County Commissioners appoint the Board of Trustees, approve its annual budget and may levy property taxes for the Hospital. The Hospital is not considered to be a part of the primary government of the County because substantially all of its assets are leased to a legally separate entity, and it does not provide services primarily for the benefit of the County. Due to the lease agreement between the County and the Hospital commencing on November 1, 2011, which was presented in the accompanying County financial statements, the Hospital financial statements are as of and for the ten months ended October 31, 2011, unless otherwise stated. Financial statements for the Hospital may be obtained at the following address:

Montrose County
Finance Director
1845 South Townsend
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 2011, the County contributed \$602,823 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 assets and the statement of activities, which display information about the primary government (the County) and its component units. 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 revenue for the different business-type activities 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

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 and blended component unit. 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 expenditure 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 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.

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 discretely presented component unit:

Montrose Memorial Hospital. This fund accounts for the activities of the County-owned hospital.

The County reports the following fiduciary fund type:

Agency Funds. These funds account 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*)

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Fund Equity

The County implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. 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.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

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 non-spendable).

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, 2011 were \$130,529,986. The County had two supplemental appropriations totaling \$6,278,038, which increased final budget appropriations, inclusive of interfund transfers out, to \$136,808,024.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

During 2011, supplemental appropriations resulted in budget amendments as follows:

Fund	Original Amount	Amended Amount
<i>Governmental Activities</i>		
General Fund	\$ 20,469,317	\$ 21,115,492
Special Revenue Funds:		
Road and Bridge	9,893,880	12,335,451
Public Safety Sales Tax	5,038,757	5,096,587
<i>Business-Type Activities</i>		
Airport Operations	\$ 10,312,643	\$ 11,163,385

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.” 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) and cash held by the Hospital, 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.

Investments

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

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Property Taxes

Revenue Recognized in 2011

Local property taxes levied for 2010 and collected by December 31, 2011 are recognized as revenue in these financial statements as shown below:

	Assessed Valuation	Mill Levy	Amount Of Taxes			Percentage Collected Of	
			Levied	Budgeted	Collected	Levied	Budgeted
General Fund	\$ 622,667,650	18.420	\$ 11,469,538	\$ 11,471,000	\$ 11,336,806	98.84%	98.83%
Road and Bridge	622,667,650	0.113	70,361	70,250	69,529	98.82%	98.97%
Social Services	\$ 622,667,650	2.066	\$ 1,286,431	\$ 1,283,000	\$ 1,270,940	98.80%	99.06%

Assessed Valuation

The assessed valuation for property in the State of Colorado is determined using base year market values. The certified assessed valuation for 2010 property taxes remitted in 2011 decreased to \$622,667,650 from \$626,615,940 for 2009 property taxes remitted in 2010.

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 Governmental Accounting Standards Board (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. Medical supplies are stated at weighted average cost.

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 applicable governmental activities columns 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 of the primary government, as well as the component units, 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

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payor.

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue.

The Hospital agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates include:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a combination of a prospective pay system and fee schedules. Under a prospective pay system, payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Medicaid. Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare program accounted for approximately 35% of the Hospital's net patient service revenue for the ten months ended October 31, 2011. Revenue from the Medicaid program accounted for approximately 8% of the Hospital's net patient service revenue for the ten months ended October 31, 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by \$777,286 for the ten months ended October 31, 2011, due to prior-year settlements, revisions of estimates and the removal of allowances previously estimated that are no longer necessary.

Other. The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates. The Hospital has a Preferred Health Organization agreement with Rocky Mountain Health Maintenance Organization, Inc. (RMHMO). Under this agreement, RMHMO distributes certain funds to the participating physicians and the Hospital in accordance with their respective shares of the total allowed charges paid to all participating providers by RMHMO during the applicable calendar year.

The State of Colorado has implemented a provider fee on Medicaid and CICP providers which generates additional federal matching funds. Provider fees paid and supplemental payments received were as follows for the ten months ended October 31, 2011.

Supplemental payments received	\$ 5,567,320
Provider fees paid	<u>(3,353,098)</u>
Net excess of payments received over provider fees paid	<u>\$ 2,214,222</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

The provider fee payments have been recorded as an operating expense, and the supplemental payments received have been recorded as an adjustment to net patient service revenue in the accompanying financial statements.

A summary of net patient service revenue is as follows for the ten months ended October 31, 2011:

Patient service revenue:	
Inpatient	\$ 47,869,760
Outpatient	<u>75,310,791</u>
Gross patient service revenue	<u>123,180,551</u>
Contractual and other adjustments	(57,283,658)
Provision for bad debts	<u>(3,333,029)</u>
Total adjustments and bad debts	<u>(60,616,687)</u>
Net patient service revenue	<u><u>\$ 62,563,864</u></u>

Charity And Indigent Care

The Hospital is dedicated to providing services for the needy and accepts all patients regardless of their ability to pay. Such care is provided without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because these services were never expected to result in cash flows, charity care is not included in net patient service revenue. The costs incurred in providing these services are included in the Hospital's operating expenses. In addition, the Hospital provides care for medically indigent patients covered under the Colorado Indigent Care Program and Medicaid at rates substantially below standard charges.

The Hospital provided charity and indigent care based on standard charges foregone as follows for the ten months ended October 31, 2011:

Charity care	\$ 905,821
Medicaid	11,535,959
Colorado Indigent Care Program	<u>8,250,082</u>
Total	<u><u>\$ 20,691,862</u></u>

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 assets. 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.

Compensated Absences For The Hospital

The Hospital's policies permit most employees to accumulate paid time off benefits. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as social security and Medicare taxes, computed using rates in effect at that date.

Net Assets Of The Airport And The Hospital

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

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Accrued Vacation Payable

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in proprietary funds and reported as a fund liability. 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.

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, 2011, 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 the 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, 2011, the County's cash and investments, including that of the blended component unit, consist of the following:

Cash and investments - statement of net assets	\$ 32,122,605
Cash and investments, restricted - statement of net assets	400,376
Cash and investments - fiduciary funds	<u>1,186,257</u>
	<u>\$ 33,709,238</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Cash and investments of the County, including that of the blended component unit, are held as follows:

Cash on hand	\$	3,887
Deposits		13,879,693
Investments		11,824,238
Investment trusts		<u>8,001,420</u>
	\$	<u><u>33,709,238</u></u>

At October 31, 2011, the Hospital's cash and investments consist of the following:

Cash and investments	\$	23,715,483
Cash and investments, restricted		284,975
Short-term investments		2,197,414
Cash held by trustee for debt service - current		1,365,000
Noncurrent investments		2,060,220
Cash held by trustee for debt service - noncurrent		<u>4,169,787</u>
	\$	<u><u>33,792,879</u></u>

Cash and investments of the Hospital are held as follows:

Bank deposits	\$	23,968,427
Money market funds		5,534,787
U.S. government agency obligations		4,029,634
Certificates of deposit		240,616
Other		<u>19,415</u>
	\$	<u><u>33,792,879</u></u>

At December 31, 2011, the County's cash deposits, including those of the blended component unit, had a bank balance as follows:

Insured deposits	\$	3,076,001
Deposits collateralized in single institution pools		<u>11,540,311</u>
	\$	<u><u>14,616,312</u></u>

At October 31, 2011, all of the Hospital's cash deposits bank balance of \$24,518,921 was uninsured but collateralized by securities held by the pledging financial institution's trust department in other than the Hospital's name.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

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.

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest to a limited extent in equity securities.

Investments of the County and the Hospital at December 31, 2011 are as follows:

	Rating	Fair Value		Total
		County	Hospital	
Public entity investment pool	AAAm	\$ 8,001,420	\$ —	\$ 8,001,420
Certificates of deposit	Unrated	6,319,059	240,616	6,559,675
Money market funds	AAAm	483,890	5,534,787	6,018,677
U.S. government obligations	AA+	—	4,029,634	4,029,634
Corporate bonds	AA+	348,700	—	348,700
Federal Home Loan Bank bonds	AA+	4,672,589	—	4,672,589
		<u>\$ 19,825,658</u>	<u>\$ 9,805,037</u>	<u>\$ 29,630,695</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

As of December 31, 2012, the County has invested \$8,001,420 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, 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

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 and the Hospital's policy to limit its investments to U.S. Treasury obligations, repurchase agreements, certificates of deposit, government backed securities and corporate obligations. It is the Hospital's policy to limit its investments in corporate obligations to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At October 31, 2011, the Hospital's investments in U.S. government agency obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor's and Aaa by Moody's.

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.

As of December 31, 2011, the rated investments were rated by Standard & Poor's Corporation.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

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, do not allow investment maturities to exceed five years. The Hospital currently does not have a policy that limits its exposure to fair value losses arising from rising interest rates by limiting purchases to certain maturities. As of October 31, 2011, the Hospital had investments with the following maturities (excludes bank deposits):

Less than one year	\$ 7,744,817
Between one and five years	<u>2,060,220</u>
	<u><u>\$ 9,805,037</u></u>

Concentration Of Credit Risk

The County's investment policy limits its investments in U.S. Treasury obligations, U.S. government agencies securities, commercial papers, repurchase agreements, local government investment pools and money market funds to not exceed 15% of investments of funds. No single issue shall constitute more than 10% of the fund except direct or indirect obligations of the U.S. government. More than 5% of the County's investments are in public entity investment pools and Federal Home Loan bank bonds. These investments are 56% and 17%, respectively, of the County's total investments.

The Hospital does not have a policy regarding concentration in any single investment. At October 31, 2011, the Hospital's investments included obligations of various U.S. government agencies.

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 \$776,713.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Restricted Assets

Restricted assets at December 31, 2011 consist of the following:

Restricted cash and investments	
Passenger facility charges	\$ 277,115
Sheriff and Fair Board	<u>123,261</u>
	<u>\$ 400,376</u>
Restricted accounts receivable	
Passenger facility charges	<u>\$ 54,353</u>

3. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at October 31, 2011 are as follows:

Medicare	\$ 6,319,207
Medicaid	1,639,623
Other third-party payers	5,673,567
Patients	<u>5,152,404</u>
	18,784,801
Allowance for contractals	(6,998,237)
Allowance for uncollectible accounts	<u>(1,784,142)</u>
	<u>\$ 10,002,422</u>

4. Interfund Receivables, Payables And Transfers

Interfund receivables and payables consist of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund		
General Fund	\$ 2,134	\$ —
Nonmajor Fund		
Agency Fund	—	(2,134)

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

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

<u>Receiving Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
Major Funds		
General	Conservation Trust	\$ 120,000
Public Safety Sales Tax	General	1,275,000
Capital Expenditures	General	1,600,000
Airport Operations	General	200,000
Nonmajor Funds		
Airport Lease	Airport Operations	499,873
Local Public Health	General	600,000

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

5. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Balance</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,154,842	\$ —	\$ —	\$ —	\$ 3,154,842
Construction in progress	518,717	607,872	—	(498,656)	627,933
Total capital assets not being depreciated	3,673,559	607,872	—	(498,656)	3,782,775
Capital assets being depreciated					
Buildings and improvements	25,534,396	150,000	(6,505)	—	25,677,891
Infrastructure	114,222,783	2,030,719	(895,155)	498,656	115,857,003
Equipment	17,903,729	1,326,732	(246,840)	(24,188)	18,959,433
Total capital assets being depreciated	157,660,908	3,507,451	(1,148,500)	474,468	160,494,327
Less accumulated depreciation for:					
Buildings and improvements	10,519,778	518,589	(73)	—	11,038,294
Infrastructure	72,278,265	2,581,203	(874,404)	—	73,985,064
Equipment	10,315,083	1,332,842	(222,155)	(21,769)	11,404,001
Total accumulated depreciation	93,113,126	4,432,634	(1,096,632)	(21,769)	96,427,359
Capital assets being depreciated, net	64,547,782	(925,183)	(51,868)	496,237	64,066,968
Governmental Activities					
Capital Assets, Net	\$ 68,221,341	\$ (317,311)	\$ (51,868)	\$ (2,419)	\$ 67,849,743

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	44,443,585	—	—	410,347	44,853,932
Buildings and improvements	6,832,463	—	—	1,888,716	8,721,179
Equipment	2,699,530	12,000	—	24,188	2,735,718
Construction in progress	2,914,956	3,284,694	—	(2,299,063)	3,900,587
	59,429,133	3,296,694	—	24,188	62,750,015
Less accumulated depreciation					
Runway improvements	19,443,471	1,373,493	—	—	20,816,964
Buildings and improvements	2,971,898	229,932	—	—	3,201,830
Equipment	1,225,678	254,598	—	21,769	1,502,045
	23,641,047	1,858,023	—	21,769	25,520,839

Business-Type Activity

Capital Assets, Net	\$ 35,788,086	\$ 1,438,671	\$ —	\$ 2,419	\$ 37,229,176
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Component Unit

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Hospital					
Land and improvements	\$ 1,920,740	\$ —	\$ —	\$ (6,800)	\$ 1,913,940
Buildings and improvements	51,318,005	111,881	(14,140)	1,278,944	52,694,690
Equipment	39,737,913	1,683,011	(1,218,617)	(22,664)	40,179,643
Construction in progress	1,185,683	409,970	—	(1,249,480)	346,173
	94,162,341	2,204,862	(1,232,757)	—	95,134,446
Less accumulated depreciation:					
Land improvements	400,455	23,024	—	—	423,479
Buildings and improvements	18,005,198	1,376,759	(14,908)	—	19,367,049
Equipment	30,555,891	1,847,443	(1,206,967)	—	31,196,367
	48,961,544	3,247,226	(1,221,875)	—	50,986,895

Component Unit

Capital Assets, Net	\$ 45,200,797	\$ (1,042,364)	\$ (10,882)	\$ —	\$ 44,147,551
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 448,015
Public safety and protection	778,843
Road and bridge services	3,152,636
Health and human services	53,140

Total Depreciation Expense - Governmental Activities \$ 4,432,634

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	\$ 3,240,000	\$ —	\$ 335,000	\$ 2,905,000	\$ 355,000
Bond discount	(3,173)	—	(423)	(2,750)	—
Bond issue costs	(130,488)	—	(17,398)	(113,090)	—
	3,106,339	—	317,179	2,789,160	355,000
Capital lease	263,840	—	62,597	201,243	64,787
Accrued compensated absences	2,168,343	26,553	—	2,194,896	—
Accrued landfill post-closure costs	636,043	—	29,776	606,267	—
Accrued gravel pit remediation costs	311,000	57,724	—	368,724	—
Total Governmental Activities					
Long-Term Debt	\$ 6,485,565	\$ 84,277	\$ 409,552	\$ 6,160,290	\$ 419,787
Business -Type Activity					
Airport					
Compensated absences	\$ 65,008	\$ 14,564	\$ —	\$ 79,572	\$ —
Component Unit					
Hospital					
Series 2008 Subordinate Enterprise Revenue Bonds	\$ 634,180	\$ —	\$ 169,210	\$ 464,970	\$ 209,250
Series 2003 Enterprise Revenue Bonds	29,095,000	—	—	29,095,000	635,000
Series 1997 A Hospital Revenue Refunding and Improvement Bonds	3,830,000	—	—	3,830,000	465,000
Series 1997B Hospital Revenue Refunding and Improvement Bonds	2,175,000	—	—	2,175,000	265,000
	35,734,180	—	169,210	35,564,970	1,574,250
Less bond issue discount	259,418	—	9,451	249,967	11,340
Total Component Unit					
Long-Term Debt	\$ 35,474,762	\$ —	\$ 159,759	\$ 35,315,003	\$ 1,562,910

Airport Facilities Lease Purchase Certificates Of Participation

Certificates of participation, dated July 1, 2006, in the amount of \$4,735,000, were issued pursuant to a lease purchase agreement with the Montrose County Building Authority to advance refund the Airport Facilities Lease Purchase Certificates of Participation, Series 1996, and to provide additional funds for airport improvements.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Two thousand six A (2006A) Certificates were issued for \$535,000. The 2006A Certificates mature December 1, 2018 and bear interest at 4.35% per annum, interest payable semiannually on June 1 and December 1, with the first payment to be made on December 1, 2006. The 2006A Certificates maturing on December 1, 2018 are subject to mandatory sinking fund redemption on December 1, 2017 for \$20,000. The remaining \$515,000 principal matures on December 1, 2018.

Taxable Refunding and Improvement Certificates of Participation, Series 2006B, were issued for \$2,720,000, payable semiannually on June 1 and December 1, with the first payment due on December 1, 2006. The 2006B Certificates mature on December 1 as follows:

Year	Amount	Interest Rate
2012	\$ —	5.90%
2013	—	5.90%
2014	35,000	6.00%
2015	210,000	6.05%
2016	425,000	6.10%
2017	430,000	6.15%
	<u>\$ 1,100,000</u>	

Taxable Convertible to Tax-Exempt Refunding Certificates of Participation Series 2006C were issued for \$1,480,000, payable semiannually June 1 and December 1, with the first payment due on December 1, 2006. The 2006C Certificates mature as follows:

Year	Amount	Taxable Interest Rates	Tax-Exempt Interest Rates
2012	\$ 355,000	5.95%	4.25%
2013	370,000	6.00%	4.30%
2014	350,000	6.05%	4.35%
2015	195,000	6.10%	4.40%
	<u>\$ 1,270,000</u>		

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Future minimum payments under the lease purchase agreement for Series 2006 are as follows:

Year	Principal	Taxable Interest	Tax-Exempt Interest	Total
2012	\$ 355,000	\$ 67,175	\$ 78,075	\$ 500,250
2013	370,000	67,175	62,988	500,163
2014	385,000	67,175	47,077	499,252
2015	405,000	65,075	31,853	501,928
2016	425,000	52,370	23,272	500,642
2017 - 2018	965,000	26,445	45,675	1,037,120
	<u>\$ 2,905,000</u>	<u>\$ 345,415</u>	<u>\$ 288,940</u>	<u>\$ 3,539,355</u>

Future minimum payments under the lease purchase agreement for equipment as of December 31, 2011 are as follows:

Year	Principal	Interest	Total
2012	\$ 64,787	\$ 7,043	\$ 71,830
2013	67,055	4,776	71,831
2014	69,401	2,430	71,831
	<u>\$ 201,243</u>	<u>\$ 14,249</u>	<u>\$ 215,492</u>

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.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

Discretely Presented Component Unit

Montrose Memorial Hospital

Series 2008 Subordinate Hospital Enterprise Revenue Bonds

Subordinate Hospital Enterprise Revenue Bonds, Series 2008, bear interest at a variable rate equal to 70% of the London Interbank Offering Rate (LIBOR) plus 1.51%. The Hospital entered into an interest rate swap agreement resulting in a fixed rate of 3.12%. The bonds are due in graduated annual installments with interest through December 10, 2013. The Hospital is required under the terms of the indenture to maintain certain funds, which are included with restricted cash held by trustee for debt service. The bonds are secured by certain capital assets.

Series 2003 Enterprise Revenue Bonds

Enterprise Revenue Bonds, Series 2003, bear interest at rates of 2.55% to 6%. The bonds are due in graduated annual installments through December 1, 2033. The Hospital is required under the terms of the indenture to maintain certain funds, which are included with restricted cash held by trustee for debt service. The Series 2003 Bonds maturing on and after December 1, 2014, are subject to redemption prior to maturity at the option of the Hospital on or after December 1, 2013. The bonds are secured by a lien upon gross revenues, a deed of trust encumbering property located in Montrose County, Colorado, and pledge accounts, as defined. The bond indenture also requires the Hospital to maintain certain financial conditions and limits the Hospital's ability to incur additional indebtedness.

Series 1997A Hospital Revenue Refunding And Improvement Bonds

Hospital Revenue Refunding and Improvement Bonds, Series 1997A, bear interest at rates of 4% to 5.25%. The bonds are due in graduated annual installments through December 1, 2017. The Hospital is required under the terms of the indenture to maintain certain funds, which are included with restricted cash held by trustee for debt service. The Series 1997 Bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity at the option of the Hospital. The bonds are secured by a lien upon gross revenues, a deed of trust encumbering property located in Montrose County, Colorado, and pledge accounts, as defined. The bond indenture also requires the Hospital to maintain certain financial conditions and ratios and limits the Hospital's ability to incur additional indebtedness.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

Series 1997B Hospital Revenue Refunding And Improvement Bonds

Hospital Revenue Refunding and Improvement Bonds, Series 1997B, bear interest at rates of 4% to 5.25%. The bonds are due in graduated annual installments through December 1, 2017. The Hospital is required under the terms of the indenture to maintain certain funds, which are included with restricted cash held by trustee for debt service. The Series 1997 Bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity at the option of the Hospital. The bonds are secured by a lien upon gross revenues, a deed of trust encumbering property and pledge accounts, as defined. The bond indenture also requires the Hospital to maintain certain financial conditions and ratios and limits the Hospital's ability to incur additional debt.

The debt service requirements for the Hospital's long-term debt as of October 31, 2011 are as follows:

Year	Principal	Interest	Total To Be Paid
Two months ending December 31, 2011	\$ 1,398,960	\$ 2,056,578	\$ 3,455,538
2012	1,646,080	1,992,982	3,639,062
2013	1,724,930	1,918,918	3,643,848
2014	1,590,000	1,832,696	3,422,696
2015	1,675,000	1,747,751	3,422,751
2016	1,765,000	1,656,326	3,421,326
2017-2021	5,880,000	7,029,049	12,909,049
2022-2026	6,635,000	5,231,025	11,866,025
2027-2031	8,900,000	2,969,400	11,869,400
2031-2035	4,350,000	395,400	4,745,400
	<u>\$ 35,564,970</u>	<u>\$ 26,830,125</u>	<u>\$ 62,395,095</u>

Interest Rate Swap Agreement

Objective of the Interest Rate Swap

The Hospital entered into an interest rate swap agreement for its series 2008 bonds. The intention of the swap is to effectively fix the interest rate on this debt at 3.12%.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Terms

The agreement was entered into on December 18, 2008, is scheduled to end on December 18, 2013, and required no initial net cash receipt or payment by the Hospital. The agreement provides for the Hospital to receive interest from the counterparty at a rate equal to the rate of the associated debt, and pay the counterparty interest at the rate of 3.12% on the notional amount of \$464,970 at October 31, 2011. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap, and the notional amount declines by a corresponding amount each time a principal payment becomes due on the associated debt. Under the agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Fair Value

As of October 31, 2011, the agreement had an immaterial fair value, and therefore no asset or liability was recorded.

Credit Risk

The swap's fair value represents the Hospital's credit exposure to the counterparty. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Hospital has a maximum possible loss equivalent to the swap's fair value at that date. As of October 31, 2011, the Hospital was not exposed to significant credit risk because the swap had an immaterial fair value.

7. Restricted And Designated Net Assets

At October 31, 2011, Hospital restricted net assets were available for the following purposes:

Restricted Expendable	
Held by Trustee for debt service	\$ 5,534,787
Cash restricted by donors	<u>279,975</u>
Total Restricted Expendable Net Assets	<u><u>\$ 5,814,762</u></u>
Restricted Nonexpendable	
Cash restricted by donors	<u><u>\$ 5,000</u></u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

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 Colorado Revised Statutes (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.

There are no unfunded past service liabilities. All full-time employees are required to participate in the plan after six 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 five-year period.

The County's total payroll for 2011 was \$18,775,285 and covered payroll was \$17,290,373. During 2011, the County and employees each made their respective required 4% contribution amounting to \$678,817, for a total of \$1,357,634.

The Hospital participates in CCOERA's defined contribution plan (the Retirement Plan) covering substantially all full-time and many part-time employees. The Hospital contributes 3% of the employee's annual compensation on behalf of the employees who participate in the Retirement Plan. Employees become eligible for the Retirement Plan after continually working for a 12-month period and are budgeted to work at least 20 hours per week for the full year. Employees are immediately vested in their participant contributions and become vested in employer contributions to the Retirement Plan over a 5-year period. Employer contributions for the 10 months ended October 31, 2011 were \$496,891.

The Hospital also participates in the CCOERA's Deferred Compensation Plan and provides a 403(b) plan for its employees. The Hospital does not make employer contributions to these plans.

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.

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

The Hospital is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; employee disability and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

The Hospital partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for any individual claims in excess of \$75,000. Liabilities on the balance sheet include an accrual for claims which have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. Claim liability outstanding at October 31, 2011 was \$778,000.

Activity in the Hospital's accrued employee health claims liability during 2011 is summarized as follows:

Balance - beginning of year	\$ 404,469
Current period claims incurred and changes in estimates for claims incurred in prior years	3,502,754
Claims paid	<u>(3,129,223)</u>
Balance - end of year	<u>\$ 778,000</u>

The Hospital pays fixed premiums for annual medical malpractice insurance coverage under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The Hospital is not aware of any unasserted claims, unreported incidents or claims outstanding which are expected to exceed malpractice insurance coverage limits as of October 31, 2011. Further, the Hospital is subject to the provisions of the Colorado Government Immunity Act, which provides a limitation on the liability of the Hospital.

10. Commitments And Contingencies

Pending Litigation

The County is involved in various lawsuits. Where the County Attorney is the attorney of record for Montrose County, the County Attorney does not believe the potential loss to the County from any of these lawsuits would have a material impact on the financial statements.

Hospital Pending Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program or by commercial insurance.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (*Continued*)

The Hospital guarantees certain third-party obligations of the Surgical Center. The guarantees are up to 125% times its membership percentage (51% at October 31, 2011) of the Surgical Center for business loans and leases on property and equipment. The Hospital has not had to make any payments under any such guarantees and does not anticipate making any payments in the near term.

TABOR Amendment

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

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, 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.

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, 2009, based on landfill capacity used to date, is \$606,267. 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 28 years as of December 31, 2011. Actual costs may be higher or lower due to inflation, changes in technology or changes in regulations.

	Total	Approximate	
	Costs	Used	Liability
		Amount	
East End closure	\$ 470,673	31.7%	\$ 149,171
East End post-closure	294,643	31.7%	93,382
West End post-closure	<u>363,714</u>	100.0%	<u>363,714</u>
	<u>\$ 1,129,030</u>		<u>\$ 606,267</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, 2011, the Solid Waste Fund had designated cash and investments of \$776,713 for future post-closure care costs.

12. Excess Of Actual Expenditures And Other Uses Of Funds Over Appropriations

The Hospital had an excess of actual expenditures over appropriations of \$283,001.

MONTROSE COUNTY, COLORADO

Notes To Financial Statements *(Continued)*

13. Hospital Investments In Equity Basis Investees

The Hospital has investments in equity basis investees totaling \$1,230,695 as of October 31, 2011, which are recorded within other assets in the accompanying balance sheets. During the ten months ended October 31, 2011, the Hospital recorded income from the earnings of equity basis investees of \$528,102 within miscellaneous income. Such investees are discussed below.

San Juan Cancer Center, LLC

The Hospital has a 33.33% ownership in the San Juan Cancer Center, LLC (the Cancer Center). The Cancer Center is a radiation therapy center serving the residents in Montrose, Colorado and the surrounding communities. The Hospital provides certain support and management services under a management agreement in exchange for a fee, which was \$203,731 for the 10 months ended October 31, 2011, the Hospital paid \$128,242 in rent for the 10 months ended October 31, 2011 to the Cancer Center for space to provide certain cancer treatment. The Cancer Center's condensed (unaudited) financial information is shown below for the year ended October 31, 2011.

Current assets	\$ 1,317,982
Property and other long-term assets, net	<u>4,105,118</u>
Total Assets	<u>5,423,100</u>
Current liabilities	235,656
Notes payable	<u>3,272,858</u>
Total Liabilities	<u>3,508,514</u>
Members' Equity	<u>\$ 1,914,586</u>
Revenues	<u>\$ 2,879,112</u>
Net Income	<u>\$ 1,301,871</u>

MONTROSE COUNTY, COLORADO

Notes To Financial Statements (Continued)

Black Canyon Surgical Center, LLC

The Hospital has a 51% ownership in the Black Canyon Surgical Center, LLC (the Surgical Center). The Surgical Center is a surgical center serving the residents in Montrose, Colorado and the surrounding communities. Members do not have managerial authority; however, the Hospital appoints three of the seven spots on the Surgical Center's Board of Managers. As the Hospital does not have operating control of the Surgical Center, the operations are not consolidated in the financial statements of the Hospital. The Surgical Center's condensed (unaudited) financial information for the year ended October 31, 2011 is shown below:

Current assets	\$ 648,915
Property and other long-term assets, net	<u>662,425</u>
Total Assets	<u>1,311,340</u>
Current liabilities	605,117
Notes payable	<u>341,436</u>
Total Liabilities	<u>946,553</u>
Members' Equity	<u>\$ 364,727</u>
Revenues	<u>\$ 3,051,297</u>
Net Income	<u>\$ 306,264</u>

14. General Fund Combinations

As a result of the County's implementation of GASB 54 in 2011, the following funds, reported in prior years as special revenue funds, have been combined with the general fund as of and for the year ended December 31, 2011: Sales and Use Tax Fund, Tabor Emergency Fund, and the Employee Benefits and Insurance Fund. The Sales and Use Tax Fund and the Tabor Emergency Fund were closed to the general fund by December 31, 2011; therefore, the County has combined these funds with the general fund in only the statement of revenues, expenditures and changes in fund balances for 2011 (page 23) as there are no assets, liabilities or fund equity to combine at December 31, 2011. The Employee Benefits and Insurance Fund has no revenue or expenditure transactions for 2011; therefore, only this fund's assets and liabilities, consisting of \$36,142 of cash and \$36,142 of accounts payable, have been combined with the general fund at December 31, 2011.

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.

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, 2011

	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		
Assets								
Equity in pooled cash and investments	\$ 60,423	\$ 8,144	\$ 1,553,593	\$ 467,474	\$ 381,979	\$ 495,550	\$ 2,967,163	
Receivables								
Interest	—	—	53	—	—	5	58	
Intergovernmental	—	—	—	—	229,233	—	229,233	
Trade	—	—	22,671	—	100	—	22,771	
Prepaid expenses and other assets	—	8,572	—	—	6,210	—	14,782	
Total Assets	\$ 60,423	\$ 16,716	\$ 1,576,317	\$ 467,474	\$ 617,522	\$ 495,555	\$ 3,234,007	
Liabilities And Fund Equity								
Liabilities								
Accounts payable	\$ —	\$ —	\$ 1,149	\$ —	\$ 18,153	\$ 1,279	\$ 20,581	
Accrued liabilities	—	—	—	—	24,661	—	24,661	
Deferred revenue	—	—	—	—	40,713	—	40,713	
Total Liabilities	—	—	1,149	—	83,527	1,279	85,955	
Fund Equity								
Nonspendable	—	8,572	—	—	6,210	—	14,782	
Assigned	—	8,144	798,455	—	527,785	—	1,334,384	
Restricted for								
Landfill financial assurance	—	—	776,713	—	—	—	776,713	
Parks and recreation	60,423	—	—	—	—	—	60,423	
Capital expenditures	—	—	—	467,474	—	—	467,474	
Debt service	—	—	—	—	—	494,276	494,276	
Total Fund Equity	60,423	16,716	1,575,168	467,474	533,995	494,276	3,148,052	
Total Liabilities And Fund Equity	\$ 60,423	\$ 16,716	\$ 1,576,317	\$ 467,474	\$ 617,522	\$ 495,555	\$ 3,234,007	

MONTROSE COUNTY, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For The Year Ended December 31, 2011

	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	
Revenues							
Licenses and permits	\$ —	\$ —	\$ —	\$ —	\$ 101,363	\$ —	\$ 101,363
Intergovernmental	120,166	—	—	—	1,288,280	—	1,408,446
Internal charges	—	—	—	—	49,536	—	49,536
Interest earnings	927	—	871	—	—	69	1,867
Miscellaneous	—	9,226	105,133	—	21,453	—	135,812
Total Revenues	121,093	9,226	106,004	—	1,460,632	69	1,697,024
Expenditures							
Current							
General government	10,000	14,712	43,753	—	—	3,637	72,102
Health and human services	—	—	—	—	2,017,559	—	2,017,559
Debt service							
Principal	—	—	—	—	—	335,000	335,000
Interest	—	—	—	—	—	165,015	165,015
Total Expenditures	10,000	14,712	43,753	—	2,017,559	503,652	2,589,676
Excess Of Revenues Over (Under)							
Expenditures	111,093	(5,486)	62,251	—	(556,927)	(503,583)	(892,652)
Other Financing Sources (Uses)							
Transfers in	—	—	—	—	600,000	499,873	1,099,873
Transfers out	(120,000)	—	—	—	—	—	(120,000)
Total Other Financing Sources (Uses)	(120,000)	—	—	—	600,000	499,873	979,873
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	(8,907)	(5,486)	62,251	—	43,073	(3,710)	87,221
Fund Balance - Beginning Of Year	69,330	22,202	1,512,917	467,474	490,922	497,986	3,060,831
Fund Balance - End Of Year	\$ 60,423	\$ 16,716	\$ 1,575,168	\$ 467,474	\$ 533,995	\$ 494,276	\$ 3,148,052

MONTROSE COUNTY, COLORADO

**CONSERVATION TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental				
State of Colorado	\$ 120,000	\$ 120,000	\$ 120,166	\$ 166
Interest income	705	705	927	222
Total Revenues	120,705	120,705	121,093	388
Expenditures				
Culture - recreation	10,000	10,000	10,000	—
Excess Of Revenues Over Expenditures	110,705	110,705	111,093	388
Other Financing Uses				
Transfers out	(120,000)	(120,000)	(120,000)	—
Excess Of Revenues Over (Under) Expenditures And Other Financing Uses	\$ (9,295)	\$ (9,295)	(8,907)	\$ 388
Fund Balance - Beginning Of Year			69,330	
Fund Balance - End Of Year			\$ 60,423	

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, 2011**

	<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	\$ 12,000	\$ 9,226	\$ (2,774)
Expenditures				
General government	16,000	16,000	14,712	1,288
Excess Of Expenditures Over Revenues	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>(5,486)</u>	<u>\$ (1,486)</u>
Fund Balance - Beginning Of Year			<u>22,202</u>	
Fund Balance - End Of Year			<u>\$ 16,716</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, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues				
Interest income	\$ 1,600	\$ 1,600	\$ 871	\$ (729)
Miscellaneous	112,000	112,000	105,133	(6,867)
Total Revenues	113,600	113,600	106,004	(7,596)
Expenditures				
Post-closure costs	15,125	15,125	13,765	1,360
Administration	45,930	45,930	29,988	15,942
Total Expenditures	61,055	61,055	43,753	17,302
Excess Of Revenues Over Expenditures	\$ 52,545	\$ 52,545	62,251	\$ 9,706
Fund Balance - Beginning Of Year			1,512,917	
Fund Balance - End Of Year			\$ 1,575,168	

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, 2011**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Other revenues	\$ 16,150	\$ 16,150	\$ 21,453	\$ 5,303
Internal charges	77,550	77,550	49,536	(28,014)
Intergovernmental	1,318,543	1,318,543	1,288,280	(30,263)
Licenses and permits	92,000	92,000	101,363	9,363
Total Revenues	1,504,243	1,504,243	1,460,632	(43,611)
Expenditures				
Health and human services	2,184,736	2,184,736	2,017,559	167,177
Excess Of Expenditures Over Revenues	(680,493)	(680,493)	(556,927)	123,566
Other Financing Sources				
Transfers in	600,000	600,000	600,000	—
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures	\$ (80,493)	\$ (80,493)	43,073	\$ 123,566
Fund Balance - Beginning Of Year			<u>490,922</u>	
Fund Balance - End Of Year			<u>\$ 533,995</u>	

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, 2011**

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Actual	
Revenues				
Interest	\$ 1,956	\$ 1,956	\$ 69	\$ (1,887)
Expenditures				
Fees	4,600	4,600	3,637	963
Debt service				
Principal	335,000	335,000	335,000	—
Interest	165,015	165,015	165,015	—
Total Expenditures	<u>504,615</u>	<u>504,615</u>	<u>503,652</u>	<u>963</u>
Excess Of Expenditures Over Revenues	(502,659)	(502,659)	(503,583)	(924)
Other Financing Sources				
Transfers in	500,000	500,000	499,873	(127)
Excess Of Expenditures Over Revenues And Other Financing Sources	<u>\$ (2,659)</u>	<u>\$ (2,659)</u>	(3,710)	<u>\$ (1,051)</u>
Fund Balance - Beginning Of Year			<u>497,986</u>	
Fund Balance - End Of Year			<u>\$ 494,276</u>	

MONTROSE COUNTY, COLORADO

**CAPITAL EXPENDITURES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2011**

	<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	42,600	653,600	381,807	271,793
Excess Of Revenues Over (Under) Expenditures	(42,600)	(653,600)	(381,807)	271,793
Other Financing Sources				
Transfers in	1,600,000	1,600,000	1,600,000	—
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures	1,557,400	946,400	1,218,193	271,793
Fund Balance - Beginning Of Year	4,201,607	4,201,607	4,201,607	—
Fund Balance - End Of Year	\$ 5,759,007	\$ 5,148,007	\$ 5,419,800	\$ 271,793

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.

MONTROSE COUNTY, COLORADO

**MONTROSE COUNTY AIRPORT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - BUDGET AND ACTUAL
For The Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Operating Revenues				
Charges for services	\$ 2,174,150	\$ 2,174,150	\$ 2,284,609	\$ 110,459
Operating Expenses				
Salaries and benefits	825,904	801,528	719,573	81,955
Services and supplies	8,986,739	9,861,857	2,092,235	7,769,622
Capital outlay	7,608,563	8,484,183	3,299,111	5,185,072
Total Operating Expenses	17,421,206	19,147,568	6,110,919	13,036,649
Operating Loss	(15,247,056)	(16,973,418)	(3,826,310)	13,147,108
Nonoperating Revenues				
Investment income	4,011	4,011	5,194	1,183
Contributions/grants	7,391,214	8,363,503	3,615,375	(4,748,128)
Passenger facility charges	336,500	336,500	301,213	(35,287)
Other	100,105	100,105	109,202	9,097
Total Nonoperating Revenues	7,831,830	8,804,119	4,030,984	(4,773,135)
Income (Loss) Before Transfers	(7,415,226)	(8,169,299)	204,674	8,373,973
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	200,000	—
Transfers out	(500,000)	(500,000)	(499,873)	127
Total Other Financing Sources (Uses)	(300,000)	(300,000)	(299,873)	127
Net Income (Loss) - Budget Basis	\$ (7,715,226)	\$ (8,469,299)	(95,199)	\$ 8,374,100
Adjustments For GAAP Basis				
Capital outlay			3,299,111	
Depreciation			(1,858,021)	
Change In Net Assets - GAAP Basis			1,345,891	
Total Net Assets - January 1, 2011			36,938,214	
Total Net Assets - December 31, 2011			\$ 38,284,105	

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, 2011**

	Agency Funds			Total
	County Clerk Clearing	Deposits Held For Others		
Assets				
Cash and investments	\$ 676,276	\$ 509,981		\$ 1,186,257
Liabilities				
Due to other governments	\$ 674,142	\$ —		\$ 674,142
Due to other funds	2,134	—		2,134
Deposits held for others	—	509,981		509,981
Total Liabilities	\$ 676,276	\$ 509,981		\$ 1,186,257

MONTROSE COUNTY, COLORADO

DISCRETELY PRESENTED COMPONENT UNIT

Montrose Memorial Hospital

The Montrose Memorial Hospital (the Hospital) is a not-for-profit acute care hospital owned by the County and effective November 1, 2011 is leased to Montrose Memorial Hospital, Inc., a nonprofit organization.

MONTROSE COUNTY, COLORADO

**MONTROSE MEMORIAL HOSPITAL
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
For The Ten Months Ended October 31, 2011**

	Original And Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating Revenues			
Net patient service revenue	\$ 62,988,745	\$ 62,563,864	\$ (424,881)
Other operating revenue	1,026,267	1,984,548	958,281
Total Operating Revenues	64,015,012	64,548,412	533,400
Operating Expenses			
Total operating expenses (including interest expense)	57,570,778	58,040,556	(469,778)
Principal	169,210	169,210	—
Capital outlay	2,391,639	2,204,862	186,777
Total Expenditures	60,131,627	60,414,628	(283,001)
Change in Net Assets - Budget Basis	\$ 3,883,385	4,133,784	\$ 250,399
Adjustments For GAAP Basis			
Principal		169,210	
Capital outlay		2,204,862	
Depreciation		(3,288,208)	
Change in Net Assets - GAAP Basis		\$ 3,219,648	

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 2011
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This Information From The Records Of: Montrose County	Prepared By: Greg Jennings Phone: 970-252-5007
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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)	2,796,296
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	5,384,159
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	14,518
2. General fund appropriations		b. Snow and ice removal	218,930
3. Other local imposts (from page 2)	5,839,663	c. Other	259,319
4. Miscellaneous local receipts (from page 2)	152,296	d. Total (a. through c.)	492,767
5. Transfers from toll facilities		4. General administration & miscellaneous	1,230,032
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	17,021
a. Bonds - Original Issues		6. Total (1 through 5)	9,920,275
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)	5,991,959	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	4,562,235	2. Notes:	
D. Receipts from Federal Government (from page 2)	428,101	a. Interest	
E. Total receipts (A.7 + B + C + D)	10,982,294	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)	9,920,275

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
	6,135,056	10,982,294	9,920,275	7,197,075	(0)

Notes and Comments:

MONTROSE COUNTY, COLORADO

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2011

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	69,912	a. Interest on investments	48,238
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	5,314,356	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	40,640
4. Licenses		f. Charges for Services	2,761
5. Specific Ownership &/or Other	455,395	g. Other Misc. Receipts	11,750
6. Total (1. through 5.)	5,769,751	h. Other	48,907
c. Total (a. + b.)	5,839,663	i. Total (a. through h.)	152,296
	(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	3,552,689	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	331,204
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	860,331	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	149,215	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	96,897
f. Total (a. through e.)	1,009,546	g. Total (a. through f.)	428,101
4. Total (1. + 2. + 3.f)	4,562,235	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		254,183	254,183
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		2,542,113	2,542,113
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	2,542,113	2,542,113
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	2,796,296	2,796,296
			(Carry forward to page 1)

Notes and Comments: