

Budget Policy

Moffat County adheres to the provisions of the Local Government Budget Law of Colorado as set forth in Colorado Revised Statutes (C.R.S.) §29-1-101 et seq. in preparing its budget for the fiscal year which begins January 1 and concludes December 31. Each fund and account group is a separate and legal fiscal entity, and the total of all funds is the County Budget.

Local Government Budget Law (C.R.S. §29-1-103) requires the County budget to:

- Be balanced— expenditures cannot exceed total available revenues and beginning fund balances;
- Identify all proposed expenditures for administration, operations, maintenance, debt service, and capital projects to be undertaken or executed by any spending agency during the budget year;
- Classify expenditures by object and revenue source;
- Estimate beginning and ending fund balances;
- Show the corresponding actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year, including disclosure of all beginning and ending fund balances, consistent with the basis of accounting used to prepare the budget;
- Include a budget message which describes the important features of the proposed budget, including a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year; and
- For all payment obligations under all lease-purchasing agreements, the budget must set forth the total amount to be expended during the ensuing fiscal year and the maximum payment liability, including optional renewals terms.



Moffat County's budget preparation, review, adoption and budget change procedures have been structured in accordance to the Local Government Budget Law of Colorado (C.R.S. §29-1-105 through C.R.S. §29-1-110);

- The County cost centers (departments or programs within a department) and public service agencies requesting county funding prepare and submit their expenditure requirements by object and estimated revenues by source for the budget year, corresponding actual figures for the last completed fiscal year, and the estimated figures projected through the end of the current fiscal year.
- The budget is submitted to the Board of County Commissioners no later than October 15th.
- The Board publishes a public notice that states the date and time of the hearing at which the adoption of the proposed budget will be considered, designates the office where the budget is available for public inspection, and provides notice that any interested elector may file an objection to the proposed budget prior to the final adoption of the budget.
- The Board holds a hearing to consider the adoption of the proposed budget and deliberate on any objections of electors.
- The Board revises, alters, increases or decreases the proposed budget as it deems necessary in view of the needs of the various cost centers and public agencies and in light of the anticipated revenues.
- The Board adopts the budget, appropriates funds for the budget by resolutions and certifies the mill levy by resolution.
- After complying with public notices provision of C.R.S §29-1-108, the County may amend the budget during the year through adoption of resolutions for the budgetary transfers detailing the amounts to be transferred or through the adoption of supplemental budgets and appropriations which set forth the sources and amounts of revenues, the purpose of the appropriation, and the fund or spending agency which shall make the supplemental expenditure.
- During the fiscal year, the County's spending authorities may not expend or contract to expend any money or incur any liability in excess of the amounts appropriated.
- The County's budget is filed with the Division of Local Government in the Department of Local Affairs within thirty days following the beginning of the fiscal year; and the County must file a certified copy of any resolution for the budget transfer or supplemental appropriations.

In cases of emergency which could not have been reasonably foreseen at the time of adoption of the budget, the Board may authorize the expenditure of funds in excess of the appropriation by resolution adopted at a public meeting. Such resolution shall set forth the facts concerning such emergency and shall be documented in detail in the minutes of the Board meeting and shall be filed with the Division of Local Government (C.R.S. §29-1-110). Additionally, the Taxpayer's Bill of Rights, (Article X Section 20 of the Colorado Constitution) mandates that emergencies must be officially declared and refunded within 180 days after the emergency ends. This article requires the County to retain emergency reserves in the amount of 3 percent of relevant fiscal year spending.

Records of expenditures are maintained in the Accounting Department. These records show budgeted funds as compared with actual expenditures, all authorized transfers between funds and the unexpended balance in each fund at all times.

Basis of Budgeting and Accounting

Moffat County uses the *modified accrual basis* of accounting for all governmental (General, Special Revenue, Debt Service and Capital Projects) and agency funds. Revenues are recognized when they become measurable and available as net current assets. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-current receivables are not recognized until they become current receivables. Expenditures are recorded when the related fund liability is incurred, except;

General Long-term Debt: Principal and interest on general long-term debt is recognized when due; and

Accumulated Unpaid Vacations: that is not expected to be paid within the next year is accrued on the General Long-Term Debt Account Group.

Expenditures for memberships, insurance and other services which extend over more than one accounting period are accounted for as expenditures of the period of acquisition.



Those revenues subject to accrual are property taxes, interest revenues, special assessments and charges for services. Sales Tax collected and held by the State of Colorado at year end on behalf of the County also is recognized as revenue. Fees, permits, fines, entitlements and shared revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned.

Moffat County utilizes *accrual basis* of accounting for all proprietary funds such as the Maybell Sanitation, Internal Service Fund and Health and Welfare Fund. Furthermore, the Counties two component units, The Memorial Hospital and the Housing Authority use the accrual basis. The accrual basis of accounting require the revenues to be recorded when earned and expenses are recorded when the liabilities are incurred. The proprietary funds include a statement of cash flows showing cash and cash equivalents provided and used in operating, financing and investing activities. The County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Budgets for proprietary funds--Enterprise and Internal Services--are adopted on a Non-GAAP basis, using the same measurement focus as government funds. A reconciliation between budgetary basis and GAAP is presented when annual statements are prepared. The two main differences between budgetary basis and GAAP basis are the way depreciation and capital acquisitions are treated. Depreciation is not budgeted and capital acquisitions are treated as expenditures in the budget rather than as a trade of cash for an asset.

Annual Budget Procedures

The budget process begins in June when the Administration Department distributes budget packets to Elected Officials and Department Heads. The budget packets include instructions for the upcoming budget, five-year capital spreadsheets and justification questionnaires, previous year's expenditures, current year's expenditures, justification questionnaires for requested increases in operating, personnel expenditures and capital outlay. Budgets are due to Administration in August. The Budget Analyst reviews each budget with the elected officials and department heads over a four week period. The Administration Department also prepares budget packets for outside agencies in June. These packets contain applications for funds and instructions. Agencies are required to submit information including program description accomplishments, goals, proposed use of funds, approximate number of citizens served and how these programs may positively affect other County expenditures (for example: programs which train and encourage people may lead to less crime and therefore a reduction in law enforcement costs.)

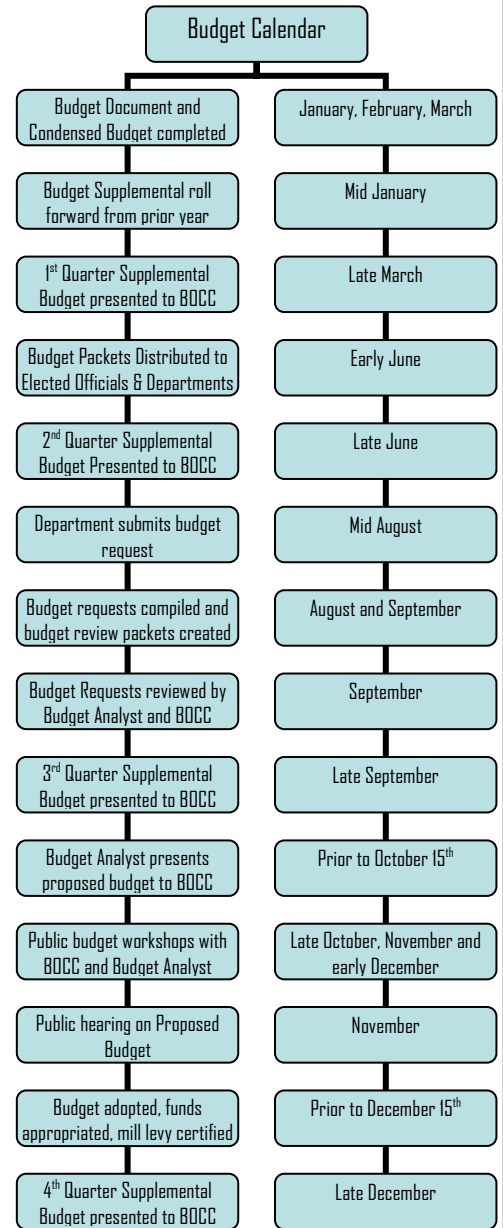
During September each cost center meets with the County Commissioners and the Budget Analyst to review their budget requests. Outside agencies must submit their fund requests during August as well. After reviewing the departmental budget requests, the County Commissioners provide their recommendations to Administration for preparation of the proposed budget.

During October and November, the Board holds budget hearings with Elected Officials, Department heads and other cost center managers to discuss budget recommendations. Late in November and early in December the Administration staff finalizes a balanced budget pursuant to Board direction. Prior to December 15, the budget is adopted, funding is appropriated, and the mill levies are certified by formal resolutions of the Board.

The Administration staff prepares the published budget document and condensed budget during the first quarter of the budget year. The budget document comprehensively covers the financial plan for the year and serves as an operations guide and communication tool. The budget document provides fiscal information for the past three years, as well as a description of each cost center's mission, duties, goals, and performance output measures. It contains summaries and detailed fund budgets including a schedule of the approved staffing levels and the capital expenditure plan. The five-year capital expenditure budget and plan is presented with the amounts for the 2006 budget being legally appropriated funds. The years 2007 to 2010 are presented as a plan and represent no legal spending authority of any County office or department.

Graphs, charts and schedules have been prepared to more clearly present the operating plan. The Road and Bridge capital outlay and the personnel schedules are examples. Information provided by fund is intended to give the reader the detail necessary to understand the overall budget as well as to guide elected officials and department heads in the administration of their programs. This information is an integral part of the financial reporting system of the County.

Budget supplements which will increase a fund's adopted budget, such as to expend unanticipated revenues or to transfer appropriated monies to another fund, require Board approval at a duly noticed public meeting. Budget supplements or transfers are generally submitted to the Board five times a year; in January and each quarter thereafter. All annual appropriations lapse at the end of each fiscal year.



Financial Management Policy

Moffat County takes its responsibility as trustee of public funds very seriously: we believe we must utilize our resources wisely in order to continue to provide quality services to our constituents and to build and maintain infrastructure which will meet present and future needs. This policy is a guide to achieve the financial stability necessary to achieve our mission to:

- Provide a natural and social environment suitable for a variety of commercial, recreational, agricultural and personal pursuits in which people can live, work, play, grow up and grow old, reasonably safe from crime and harm;
- Reduce the hurt and suffering of the less fortunate, recognizing the worth of all people and value of all elements of our diverse community;
- Elevate the trust and understanding of citizens through informed public consent, irreproachable stewardship of public resources and proactive pursuit and protection of shared values, without undue interference in their lives.

And thereby protect and enrich the quality of life of current and future generations of Moffat County residents and private and public-based industries through:

- Minimize the cost of government
- Maintain quality service levels
- Reduce financial risk
- Provide accurate and timely financial information
- Promote sound financial management
- Insure compliance with state law
- Protect the County's credit rating
- Save money through intergovernmental and private cooperation and privatization

This policy is divided into eight areas: financial planning, operating, revenue, expenditure, debt service, reserve, funds, and capital investment.

Financial Planning

- **Operating Budget:** The operating budget will be prepared for a one-year period.
- **Five-Year Capital Improvement Plan:** The Capital Improvement Plan will be prepared for a five-year period, with the first year of the Plan being the Capital Budget and the second through fifth year being a plan. The Airport Department has a separate six-year airport project plan in addition to its five-year capital equipment improvement plan.
- **Rolling Stock Plan:** The County shall maintain an inventory of its vehicles and heavy equipment with a ten-year "rolling" projection in order to plan for future expenditures.
- **Status Report:** Regular monthly status reports on revenues and expenditures are made available to County staff and the public during the course of the year.
- **Other Planning Processes:** All departments are encouraged to prepare a business or master plan. Other planning processes, which affect the budget process, are building and office space planning, five-year capital equipment plan and the airport six-year capital improvement plan. Community telecommunications users are also included in this planning process to enhance information exchange and flow and economize on infrastructure such as fiber optic connections with other agencies. All of these planning processes tie in with the annual budget preparation.

Operating

- **Elected Official's Goals:** The Operating and Capital Budgets will be consistent with the Board's goals and policies and will incorporate other elected official's goals.
- **Productivity Improvements:** The County will maintain and improve productivity of staff through a proper work environment, on-going training, safe and effective equipment, and adequate supplies.
- **Property Management:** Moffat County will carefully maintain and replace County owned assets in order to preserve their value and functionality.

- **Wages and Benefits:** The County will strive to provide wages and benefits at a level appropriate for attracting and retaining qualified individuals.
- **Privatizing:** The organization will routinely evaluate its programs to determine whether a service may be better provided by staff or contract.

Revenues

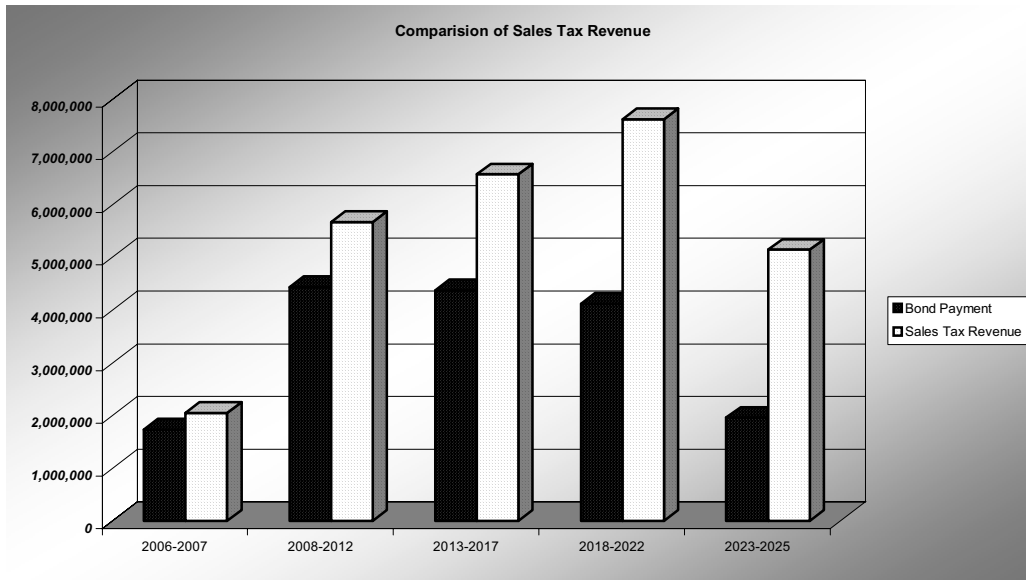
- **One-time Revenues:** To the extent possible, one-time revenues will not be used to finance on-going programs, but rather they will be utilized to support one-time expenditures.
- **Discretionary Revenue:** Unless otherwise directed explicitly by the Board, the County will not normally designate discretionary revenues for specific purposes. Consequently, the Board will have the flexibility to determine the best use of available revenues to meet changing service requirements.
- **Charges for Services:** Services being provided by the County should be paid for primarily by the users and beneficiaries for the services and not the general public. When there is a benefit for the general public, tax dollars may be used to subsidize the service. The County will recalculate service costs periodically, and fees will be adjusted accordingly.
- **Revenue Diversity:** The County will strive to diversify its revenues in order to maintain needed services during periods of declining economic activity.

Expenditures

- **Operating Contingencies:** The Operating Budget will include appropriate contingency funding to meet unexpected requirements, which may arise during the year.
- **Equipment Replacement:** The County will maintain an equipment replacement program to ensure sufficient resources are available annually to replace vehicles and equipment. See also Rolling Stock Plan under Financial Planning.
- **Purchasing:** All County purchases will be made to ensure that the County is getting the best item or service for the least amount of money and the overall economic impact to the community. This does not mean that the County will always purchase the least expense item but will weigh the cost against the quality of the item or service.
- **Supplementals:** The County does not allow a department to spend any money that it has not appropriated in the personnel, operating or capital category in their department. The County requires a supplement if a department anticipates being over expended in a department category. Supplementals are done five times a year. The last working day of January, March, June, September and December. The supplemental in January is to correct any errors in the budget, appropriate for items and situations occurred after the adoption of budget and to carry over any funds that had been anticipated to be spent in the previous year but was not.

Debt Service

- **Cash:** To the extent possible, Moffat County will pay cash for major projects rather than borrowing.
- **Debt.** If is not possible to fund major projects with cash reserves or current revenue, the Board of County Commissioners (BOCC) may authorize the following as stated in Article 10, Section 20 of the State Constitution:
 1. Debt instruments not requiring voter approval such as lease-purchase contracts or certificates of participation;
 2. Revenue bond financing requiring voter approval; or
 3. General obligation bond financing requiring voter approval.



The remaining COP's payment including interest is \$16,608,288 and the total anticipated sales tax revenue is \$27,026,488.

Current Debt and Legal Debt limits. The Lease-Purchase Fund accumulates for payment of the 1998 series and 2001 series certificates of participation ("COP's"). The 1998 series was for \$10,000,000 and the 2001 series was for \$2,100,000. The 1998 series and approximately \$675,000 of the net proceeds of the 2001 series of the COP's were issued for the construction of a public safety center. The rest of the net proceeds of the 2001 series were issued for telecommunications and other capital projects. The certificates are in \$5,000 denominations. The 1998 series have an interest ranging from 4.2% to 5.125%. The 2001 series have an interest rate ranging from 3.25% to 5.05%. Principal payments for the 2001 series began May 15, 2001, and principal for the 1998 series began May 15, 2002. The COP's are insured by Ambac.

The County held an election on November 4, 1997, where the voters approved a measure to reallocate the sales tax distribution from the City of Craig and the Town of Dinosaur to Moffat County. This increase of sales tax is allocated to make the COP's payments. 2001 was the first year that the County received the additional sales tax and it was \$900,753. Historical data has shown that sales tax increases approximately 3% per year. However the estimate for 2004 shows only a 2% increase from 2003. This appears to have been due to the down turn in the economy. The last quarter of 2005 sales tax has increased well over projections due to a temporary increase in the population of pipeline construction workers. Until sales tax becomes more constant we budgeted a conservative 2% projected sale tax increase for 2006.

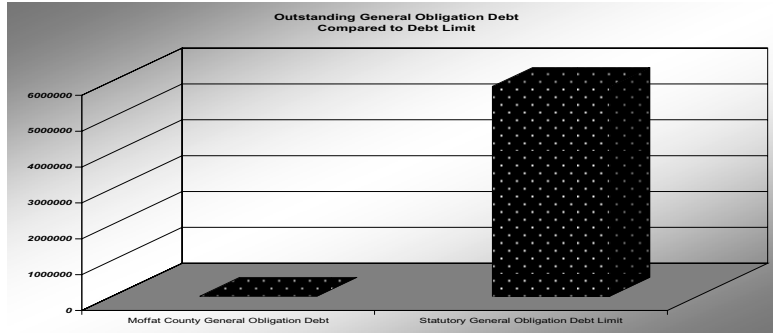
The current debt outstanding for the COP's is \$10,640,000 (1998 series—\$8,855,000 and 2001 series—\$1,785,000). The final payment for the 1998 series will be made in 2023 and the final payment for the 2001 series will be made in 2025.

The Base Rental Principal Component and the Base Rental Interest Component for the 1998 series and 2001 series Certificates of Participation.

Year	Principal May 15	Interest May 15	Interest Nov. 15	Total
2006	340,000	266,400	258,790	865,190
2007	360,000	258,790	250,567	869,357
2008	370,000	250,567	242,005	862,572
2009	375,000	242,005	233,116	850,121
2010	470,000	233,116	222,088	925,204
2011	485,000	222,088	210,576	917,664
2012	470,000	210,576	198,926	879,502
2013	515,000	198,926	186,163	900,089
2014	530,000	186,163	172,696	888,859
2015	510,000	172,696	159,656	842,352
2016	570,000	159,656	145,087	874,743
2017	585,000	145,087	130,114	860,201
2018	575,000	130,114	115,376	820,490
2019	625,000	115,376	99,348	839,724
2020	650,000	99,348	82,682	832,030
2021	665,000	82,682	65,638	813,320
2022	700,000	65,638	47,696	813,334
2023	1,075,000	47,696	20,020	1,142,716
2024	370,000	20,020	10,400	400,420
2025	400,000	10,400		410,400
Total	10,640,000	3,117,344	2,850,944	16,608,288

The Base Rental Principal Component and the Base Rental Interest Component for the 1998 series and 2001 series Certificates of Participation.

While there is not statutory limit on debt incurred for certificates of participation, Colorado statutes limit general obligation debt to 1.5% of assessed valuation. Moffat County's 2006 assessed valuation is \$3390,341,691. If the voters authorized general obligation debt through an election as required by Article X, Section 20 of the Colorado Constitution, the debt limitation would be \$5,124,081.



Reserves

- **Emergency Reserve:** The County maintains an emergency reserve of not less than 3% of fiscal year spending pursuant to Article X, Section 20 of the Colorado Constitution and is held in reserve in the General Fund.
- **General Fund:** An unreserved fund balance equal to 15%-20% of the annual General Fund appropriation shall be maintained and utilized as follows:
 1. The first 10% is defined as a cash-flow reserve to ensure that obligations can be met as they become due.
 2. The second 5%-10% is defined as counter cyclical reserve, available to either maintain current service levels or to provide a temporary cushion when expenditure adjustments are necessary due to shortages in projected revenue. The following conditions may necessitate the utilization of this reserve.
 - A significant decline in assessed valuation causing a decrease in property tax collection.
 - A significant decrease in projected sales tax revenue.

The Board should begin to restore the counter cyclical reserve within 12-24 months of its first use if conditions allow.

- **Other Reserves:** Reserves will be established in other funds and/or for other purposes, as required by law or deemed appropriate by the Board.

