

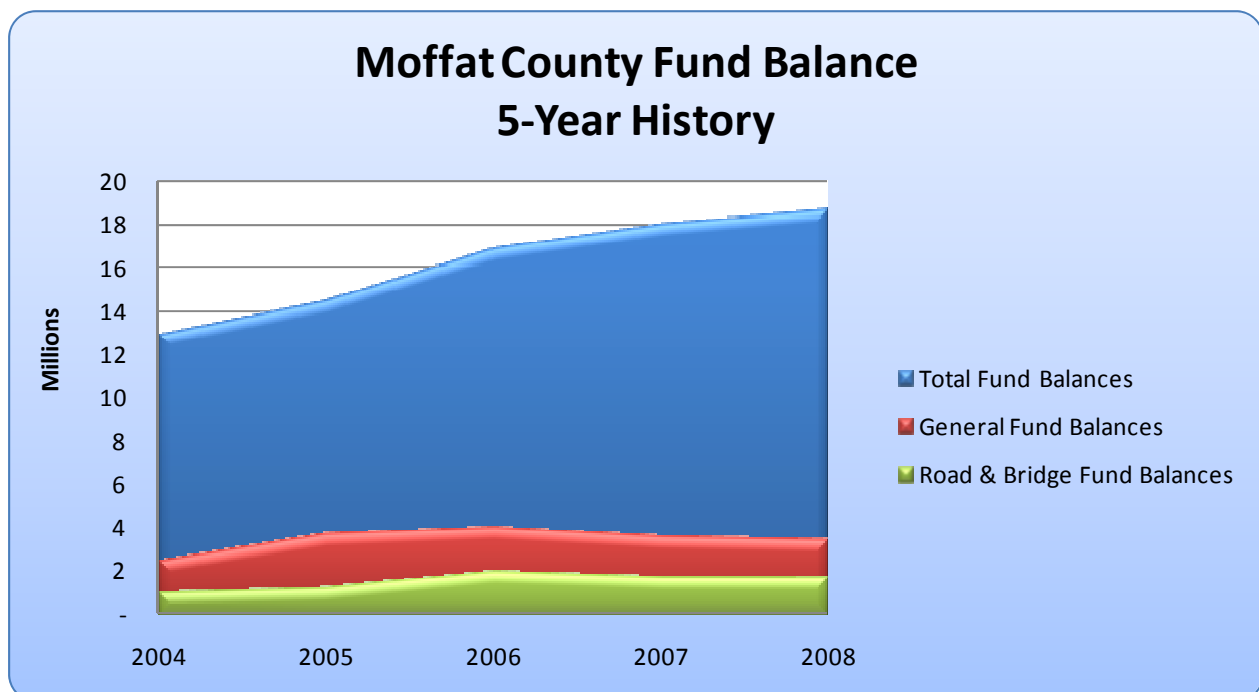


Board of County Commissioners
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2008 Budget Message

Introduction

The 2008 Budget balances the need to maintain the current roads, facilities, and equipment while ensuring adequate reserves in all funds to offset any possible decreases in natural resource revenue sources. Two of the overwhelming goals of the Board of County Commissioners this year were to work towards a 40% reserve in the General Fund balance and to evaluate the current road maintenance program. The goal of working towards a 40% reserve in the General Fund balance was met with a 38% General Fund Balance an increase of 3%. The second goal of evaluating the current road maintenance program is accounted for in the 2008 Road and Bridge budget with an increase of \$200,000 in additional funding for dust control and the addition of a new employee for the road maintenance crew.



Overview of the Budget

Revenues are anticipated to increase 15.70% in 2008, due mainly to the passing of an additional 3 mils for construction of a new county hospital. Property tax revenue is anticipated to increase 35.90% from \$8,255,884 to \$11,219,392. This increase along with the additional mil levy can be attributed to the 5.5% increase allowed by statute as well as the exemption for increased production due to oil and gas that was granted from the Department of Local Affairs. Moffat County will issue another property tax credit to citizens in the amount of \$142,683. Sales tax reflects a slight decrease from 2007 estimates by 0.75%; however, 2007 was a very strong year bringing in over \$440,000 more than anticipated. The intergovernmental revenue is anticipated to decrease 24.90%. This decrease is due to a decrease in the number of grants that were awarded prior to the budget process.

Moffat County continued to expand the five year capital improvement plan this year with the addition of equipment and vehicles. It is our belief that this plan will help us analyze the effects of additional staff, plan better for capital projects and capital equipment and help foresee financial problems in the future. Furthermore, a lot of our time is spent in pursuit of improvements and refinements in the delivery of our services. In the following paragraphs, I will share our 2008 goals, thoughts on some challenges, as well as thoughts on the more prominent initiatives which are underway or which will be initiated shortly.

2008 Goals

The County Commissioners set both strategic goals, which are broad statements of where the organization wants to be in the future, and tactical objectives, which are the results that major divisions and departments within the organization intend to achieve. Below are a list of the strategic goals and tactical objectives for 2008.

Strategic Goals

- Provide excellent customer service
- Increase employee recognition and participation
- Maintain adequate reserves in all funds
- Continue the County's involvement with Natural Resource issues
- Assist or support our existing taxpayers and tax base by diversifying our economy
- Moffat County will not raise taxes

Tactical Objectives

- Maintain a 30% of operating expenditures fund balance in all funds while working towards a 40% fund balance.
- The General Fund will maintain a 10% of operating expenditures reserved for emergencies.
- Continue maintenance of County Infrastructure
- Evaluate the current road maintenance program including the mag-water protion

Basis of Budgeting and Accounting

Moffat County uses the modified accrual basis of accounting for all government (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 Vacation** that is not expected to be paid within the next year is accrued in 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 revenue, special assessments, and charges for services. Sales taxes collected and held by the State of Colorado at year end on behalf of the County are also recognized as revenue. Fees, permits, fines, entitlements, and share 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, The Memorial Hospital, the Housing Authority, Central Duplicating, and Health and Welfare Fund: revenues are recorded when earned and expenses are recorded when the liabilities are incurred. The propriety funds include a statement of cash flows showing cash and cash equivalents provided by 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 of governmental funds. Reconciliation between budgetary basis and GAAP is presented when annual statements are prepared.

Significant County Initiatives and Concerns

Economic Concerns

Moffat County had remained rather flat economically since 1980. This flat economy can be related to smaller population growth, a high unemployment rate, and a growth in the percentage of persons commuting to Routt County for employment. This is changing due to the increase in oil and gas activity in the area. With the addition of three new pipelines in the last several years and another one this year, Moffat County is not just a place for exploration of natural gas, but is becoming more and more a place for production. This can be seen in the increase of intent to drill permits from national and international companies like Questar and Entrega. According to an article in the Craig Daily Press, it is estimated that Northwest Colorado contains 800 billion recoverable barrels of oil, with 70 percent of that lying under federally controlled land. The possibilities of oil and gas activity in the area will depend on the state policies being reviewed over the next year.

Retail business growth in the county is also increasing with the addition of a Wal-Mart in 2007 and the construction of a Walgreens, which will be complete in 2008. One of the biggest issues for all local businesses is the shortage of employees. These increases in retail stores and the sales to the oil and gas companies have brought our sales tax to record numbers.

Property Tax

Property tax, which is the largest revenue source for Moffat County, also tends to fluctuate significantly due to the top ten taxpayers making up 70% of the total assessed value for the county. All of these entities are involved in the energy business with the public utilities being assessed by the State. Over the past 10 years the State Assessed valuation of these public utilities has decreased. Moffat County has protested with the State Board of Assessment Appeals for the last several years with some success.

The 2007 assessed valuation shows increases in all categories except agriculture and oil and gas. Moffat County is limited by the amount of increased property tax that can be kept above the revenue limit of the prior year. This is also known as the 5.5% revenue limit. Therefore Moffat County has issued a temporary property tax credit of 0.301 mills or \$142,683 for 2007. Moffat County is looking at several more years of increased assessed valuation due to increases in oil and gas production in the county. Moffat County did apply for and receive an oil and gas exemption for the 2008 Budget. This exemption will help cover \$278,729 of the additional cost; however, it is estimated to cost much more in total impacts for departments like the Sheriff, Ambulance, and Road and Bridge to maintain the current service levels.

County Jail

The County Jail operations have improved drastically over the last several years. The Jail staff has continued to increase the number of Colorado Department of Corrections and outside county prisoners that were held in 2007. The most recent contract with the

Bureau of Indian Affairs will transport prisoners from Reno, Nevada to the jail. This contract will replace many of the prisoners housed from the Colorado State Department of Corrections.

Capital Outlay/Capital Improvement Plan

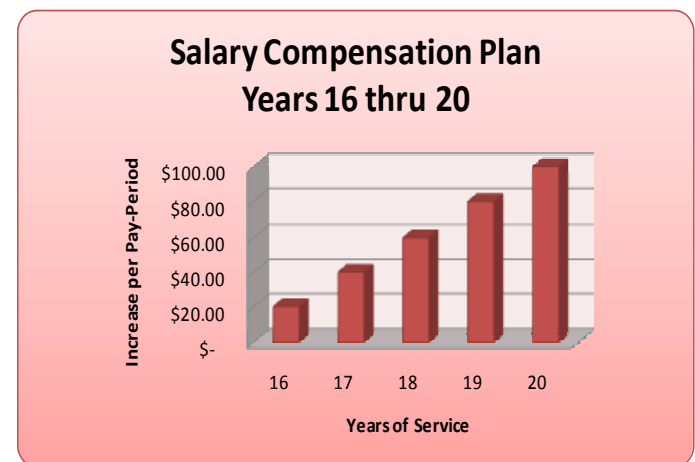
Moffat County’s capital improvement plan has decreased slightly from 2007. This decrease is due to no projects budgeted for road maintenance. In the 2008 Budget we have \$2.2 million in approved capital items including vehicle replacement, equipment replacement, and building improvements. Moffat County has been awarded several more energy impact grants to help capitalize on current funding levels.

Organizational Development

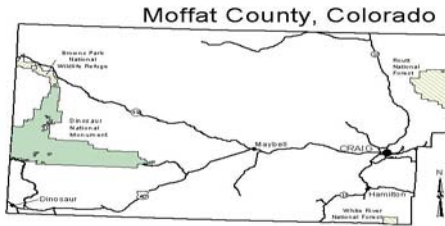
Over the last several years, Moffat County has rearranged management and operations in many departments. In order to insure we are utilizing our resources in a prudent fashion and providing for the professional growth and development of our employees, certain areas within our organization should be reviewed. Toward that end, Human Resources will continue providing continuing education and management training seminars for our employees.

Employee Compensation

Maintaining compensation equity is key to recruiting and retaining a responsive and competent work force. It was the goal of the Board of County Commissioners to give cost of living increases based on the Denver-Boulder Consumer Price Index (CPI). The Denver-Boulder CPI for the last half of 2006 to the first half of 2007 increased 2.5 percent. The cost of living increase is achieved by shifting the compensation chart each year. After reviewing the budget, the Board of County Commissioners decided to shift the chart by 4.0%. In addition to the cost of living increases, we have completely implemented step system based on years of service. The step system will begin with new hires starting at 80% of the mid-point of the position hired for. However this starting step can vary depending on experience and education. On the employees’ 1 year anniversary, they will receive a 4% increase. This increase will continue through year 5 at the same rate until the employee is at the mid-point of their position. From years 6 thru 15, employees will remain at 100% of their mid-point with increases coming from the yearly chart shifts only. Employees that have completed 16 years will receive a \$20.00 per pay period increase up to \$100.00 per pay period at the end of 20 years of service. In the past employees who have earned over 960 hours of sick leave have been compensated monthly at the employee’s current daily pay scale. As of January 1, 2006, the Board of County Commissioners has decided to not compensate employees for sick leave, but replace this pay with the above step system.



Moffat County, Colorado



Moffat County, located in the northwest corner of Colorado, lies midway between Denver, Colorado, and Salt Lake City, Utah. Grand Junction is 150 miles south of Craig, and the Wyoming border is less than an hour's drive to the north. Visitors and local businesses use the Yampa Valley Airport, a mere 20 miles from Craig, to commute to Denver for direct flights to major cities and for connections to overseas destinations. The Moffat railroad provides transportation for locally mined coal, which is shipped throughout the United States.

Agriculture and mining are a vital part of the local economy; oil, natural gas, coal, and other minerals abound. Energy producers have joined the historical ranching and agricultural economy and are now the largest group of Moffat County employers. Northwest Colorado welcomes relocating businesses and new industries. The Chamber of Commerce is the primary information center, providing comprehensive information for businesses and individuals interested in visiting or relocating to the area. Business training and start-up services are provided by Colorado Northwestern Community College, a member of the state community college system.

Recreation activities abound for those in Northwest Colorado. Elkhead Reservoir, minutes from town, is a favorite destination for water skiing, fishing, swimming, and after-work picnics. A miniature golf course, a movie theatre, a skateboard park and a bowling alley are located in Craig. Locals ice-skate at the Olympic-sized rink, walk and bike nature trails, and attend baseball games at the Loudy Simpson recreation complex. Developed parks totaling 120 acres are within walking distance from Craig. Swimming and wave pools, basketball, tennis, and volleyball courts are located in the centralized city park. Racquetball courts and a climbing wall are housed in community-used, college-owned Trapper Health Club. Youth and adults play baseball, soccer, volleyball, football, and basketball organized by the local parks and recreation department. Youngsters raise animals of all kinds and learn vocational skills and crafts through 4-H and FFA. Visitors and locals frequent the beautiful 18 hole, Yampa Valley Golf Course, not only to golf, but to dine and view resident bald eagles and other wildlife. Rafting, fly-fishing, and fishing for pike, trout, and catfish abound. This region has attracted hunters for elk, deer, antelope, bear, and mountain lion. Fun in the snow includes sledding, snowmobiling, cross-country skiing, and snow shoeing. World class downhill skiing is available at Steamboat Springs, 45 miles east of Craig. Dinosaur National Monument, Routt National Forest, and vast Bureau of Land Management acreage provide campers, hikers, photographers, and day-trippers access to wilderness, wild horses, scenic landscapes, and pre-historic dinosaurs.

One of the world's outstanding collections of Western Americana is housed in the Museum of Northwest Colorado. The museum facilitates the preservation of historical structures and artifacts, education of citizens, and sponsorship of individuals and groups interested in family and historical research. Cowboy gear dating to the early 1800's includes guns, gun leather, chaps, spurs, saddles, and other accoutrements. Parts of the collection have been featured in numerous publications, including "Cowboy and Gunfighter Collectibles." Global visitors, school children, and community members view an array of displays depicting the reality of western life in Moffat County. Museum staff members, including senior citizens from the Yampa Valley, are on hand to provide visitors with information and personal accounts of local history.

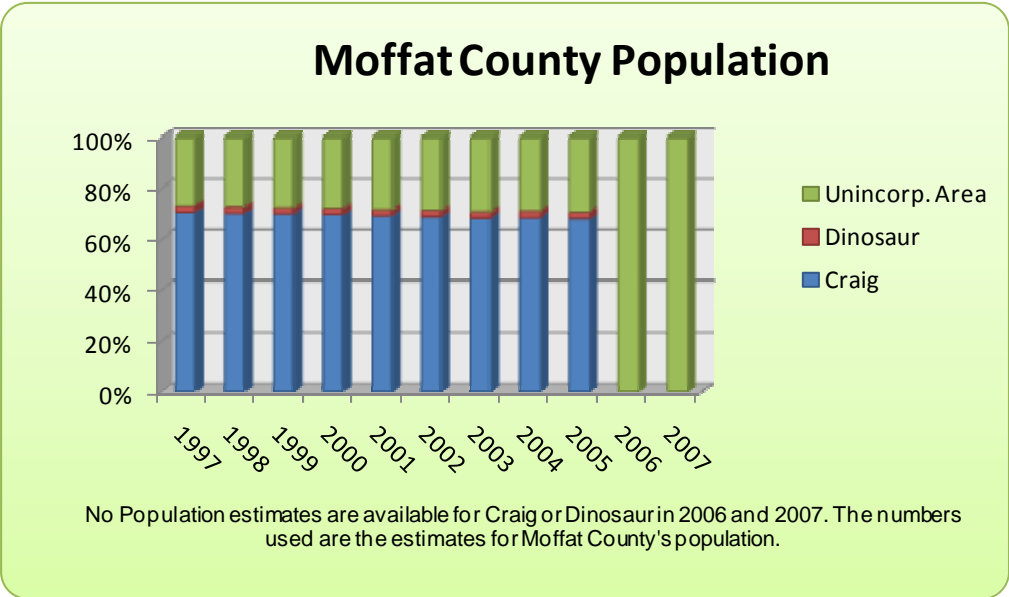
The Ute Indians were the last Native American tribe inhabiting the Yampa Valley before settlers moved into the area in the 1800's. Earlier tribes left records of their existence with petroglyphs in various sites. Cattle and sheep men carved out their niche, leaving a colorful western history complete with range wars and gunfights. Grand Old West Days (Memorial Day Weekend), Little Britches Rodeo (4th of July Weekend), and Ride-n-Tie Rodeo, continue to pass on these old west traditions to community members and visitors to Craig.

Wide-open spaces are a thing of the present in Moffat County. From Black Mountain's golden aspens to rugged canyons in legendary Browns Park, the region offers diversity in landscape and is home to some of the largest deer and elk herds in North America. The Yampa and Snake River valleys, mountains, and high plains desert cover an area 93 miles long and 52 miles wide, bordering Wyoming and Utah. Newcomers and visitors to Northwest Colorado enjoy western hospitality and a friendly way of life. Moffat County is a lifetime experience, a great place to grow-up and be a grown-up!

Moffat County Community Profile

| Population | | |
|----------------|---------------|--|
| Area | 2006 | |
| Craig | 9,198 | |
| Dinosaur | 340 | |
| Unincorp. Area | 4,197 | |
| Total | 13,735 | |

| Population Estimates | |
|-----------------------------|--------|
| <u>Moffat County</u> | |
| 2005 | 13,426 |
| 2006 | 13,526 |
| 2007 | 13,659 |

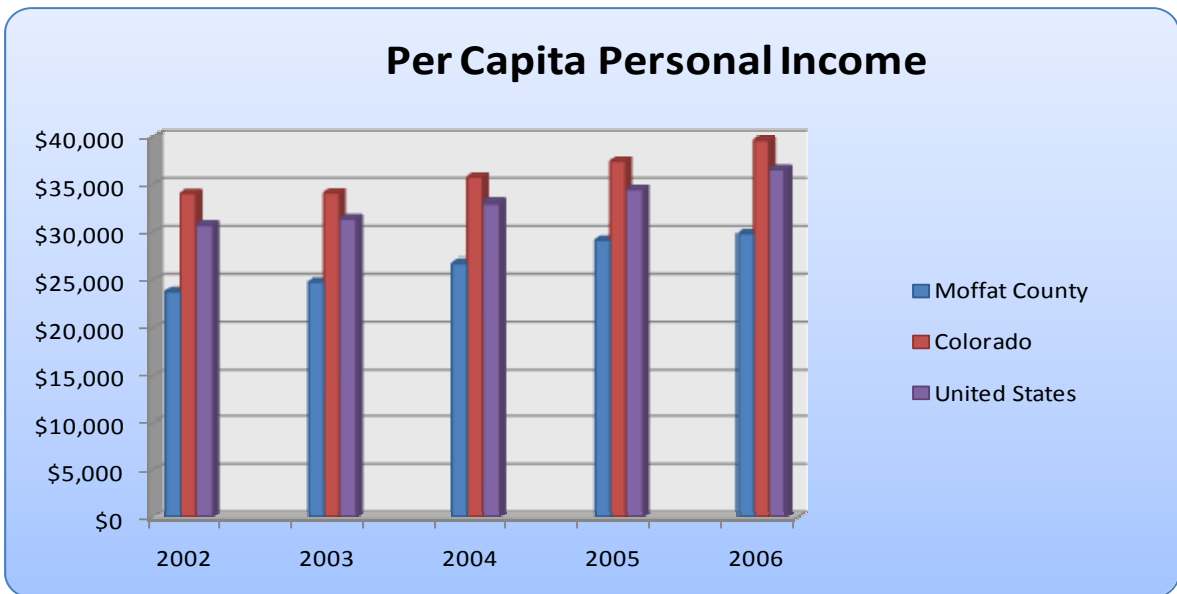


| Ethnic Groups | | | | | | |
|---------------------------|--------|------------|--------|------------|---------------|----------------|
| | 1990 | % of Total | 2000 | % of Total | 2006 est. | % of Total |
| Population 2006 Estimate | | | | | 13,735 | 100.00% |
| White (non-Hispanic) | 10,923 | 96.2% | 12,341 | 93.6% | 11,628 | 85.0% |
| Hispanic or Latino | | | | | 1,737 | 12.7% |
| Black/African American | 11 | 0.1% | 28 | 0.2% | 55 | 0.4% |
| American Indian | 87 | 0.8% | 116 | 0.9% | 123 | 0.9% |
| Asian | 37 | 0.3% | 44 | 0.3% | 55 | 0.4% |
| Pacific Islander | 3 | 0.0% | 3 | 0.0% | 0 | 0.0% |
| Two or More Races (other) | 296 | 2.6% | 652 | 4.9% | 137 | 1.0% |
| TOTALS | 11,357 | | 13,184 | | 13,735 | |

Data from US Census Bureau web site: <http://quickfacts.census.gov/qfd/states/08/08081.html>

Moffat County Community Profile

| Labor Force | | | | | |
|----------------------|-------|-------|-------|-------|-------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Employed | 5,987 | 6,137 | 7,250 | 7,531 | 8,149 |
| Unemployed | 369 | 462 | 407 | 367 | 315 |
| Total | 6,356 | 6,599 | 7,657 | 7,898 | 8,464 |
| Unemployment Rate, % | 5.8% | 7.0% | 5.3% | 4.6% | 3.7% |



| Per Capita Personal Income | | | | | |
|----------------------------|----------|----------|----------|----------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Moffat County | \$23,768 | \$24,803 | \$26,826 | \$29,133 | \$29,852 |
| Colorado | \$34,014 | \$34,059 | \$35,810 | \$37,510 | \$39,587 |
| United States | \$30,795 | \$31,466 | \$33,090 | \$34,471 | \$36,629 |

Source: Bureau of Economic Analysis, www.bea.gov.

Moffat County Community Profile

| Property Valuation | |
|---------------------------------|--------------------|
| Vacant Land | 9,770,177 |
| Residential | 52,264,993 |
| Commercial | 29,857,371 |
| Industrial | 2,133,928 |
| Agriculture | 7,093,562 |
| Natural Resources | 63,439,042 |
| Oil & Gas | 112,824,617 |
| State Assessed | 196,645,100 |
| Total Property Valuation | 474,028,790 |

| Miscellaneous | |
|-----------------------------------|--------|
| Miles of County Roads Maintained | 1,700 |
| Motor Vehicle Registration | 13,388 |
| Registered Voters | 8,535 |
| Property Tax Parcels | 21,475 |
| Special Districts/Taxing Entities | 8 |

| REGISTERED VOTERS | | | | | |
|-------------------|------|------|------|------|------|
| YEAR | 2002 | 2003 | 2004 | 2005 | 2006 |
| TOTALS | 9243 | 8260 | 8712 | 8196 | 8458 |

| CLERK & RECORDER MISC. RECORDS | | | | |
|--------------------------------|-------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| TITLES | 6043 | 6244 | 6460 | 6496 |
| REGISTRATIONS | 21255 | 21672 | 22547 | 22759 |
| AUTO LIENS | 2032 | 2049 | 2027 | 2031 |
| RECORDING | 5922 | 6312 | 7163 | 6934 |
| MARRIAGE LICENSE | 132 | 115 | 100 | 104 |

Moffat County Organizational Chart

