



Quarterly Financial Report 2019 – Second Quarter (January to June 2019)

Preliminary and Unaudited

Executive Summary

During the first half of 2019, most revenue sources were received at, or above, what was expected, after taking seasonal variations and timing issues into consideration.

Positive Revenue developments include:

- PILT (Payment in Lieu of Taxes) revenue has come in \$495,570 over budget. This Federal funding is appropriated by the Federal government one year at a time, and is too uncertain to budget at a full amount.
- Sales Tax revenue was about \$1.9M during the first 5 months of 2019. This is 9.5% (\$169,500) over the seasonally adjusted budget. About \$56,000 of this revenue is from a source new to the County, being “Remote Sellers”. Note that this revenue is split 50/50 between the General Fund and Road & Bridge Fund. If this revenue continues to come in about 9.5% higher than budget, it could exceed budget by \$450,000+.

Two departments are expected to go over spend their budgets, but one is generating unanticipated revenue that will greatly exceed the over spending. Another seven departments are on the “watch list”, as they might end the year overspent, and they are not bringing in new revenue to compensate.

The two departments expected to go over budget are:

- **County Treasurer:** Bank charges are currently projected to push this department over budget by a few thousand dollars. However, they are expected to generate interest revenue in excess of budget by more than \$150,000 by year end.
- **Solid Waste – Administration:** We expect this department to be modestly over budget at year end. This is being caused by higher than expected Workman’s Compensation expenses, beyond the control of the Solid Waste Manager. And because new storage cabinets were purchased, in order to facilitate safe storage of flammable material (a safety concern).

Within the General Fund, four departments are on the “watch list”, as they will end up over budget at year end, unless adjustments are made to prevent that. They are:

- **Human Resources:** Moving and Recruitment expense is well over budget, but there is a possibility of staying within budget, if other categories are not fully consumed.
- **Sheriff – Administration:** Several categories are over budget, especially Utilities, but also Body Armor, Uniforms, and Dues & Subscriptions. Many other categories are under budget, mostly compensating at this point.
- **Sheriff-Detention:** At the moment, this department looks under budget, but only because May and June inmate housing invoices have not been received. Inmate Housing is expected to exceed budget by \$155,000. Many categories of this budget are coming in low and it is unknown if this will be enough to keep the department within budget by year’s end.
- **Transportation – Mountain Express:** Wages and Fuel/Fleet costs might cause this budget to be modestly overspent.

The following funds will be reported in detail within this report: General; Road & Bridge; Dispatch; Solid Waste and Fleet.

General Fund:

Revenue Detail

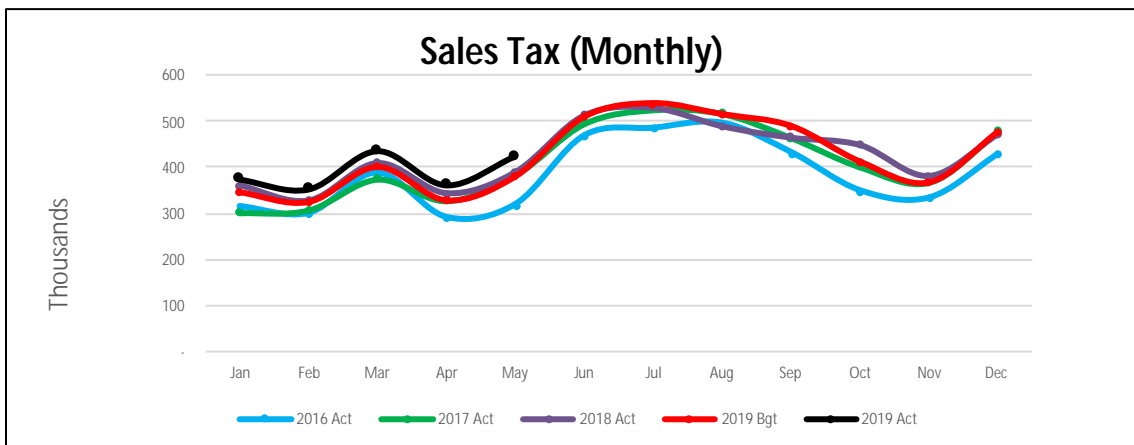
During the first half of 2019, 66.4% of the 2019 General revenue had been received. Most of the “apparent” excess revenue is the result of expected “net” seasonal variations, though some revenues will finish the year higher than budget. Compared to the first half of 2018, revenue in the first half of 2019 was up \$363,685 (4.91%).

Revenue in Excess of Budget:

A few sources of revenue are coming in over the amounts budgeted. The largest of these is PILT funding (Payments in Lieu of Taxes) which are received in two payments during the first half of the year and which came in \$495,570 (63.4%) over budget. The increase was due to the Feds deciding, once again, to continue “full” funding for this program. In recent years this program has required specific appropriations by the Federal government, and full funding has been uncertain. As a result, the County budgets only the amounts that it deems certain to be received.

Other forms of revenue coming in over budget are:

- **Interest Income** is \$164,737 (81.7%) higher than during the same period in 2018 and stands at 104% of the 2019 total amount budgeted. We are currently estimating that 2019 interest income is likely be around \$283,000 higher than budgeted by year end.
- **Sales Tax Revenue** is collected in arrears. During the first half of 2019, only five months of Sales Tax revenue were actually received (and appears on the statement on page 4). During that time period, Sales Tax revenue in the General Fund was \$169,495 (9.5%) over the seasonally adjusted 2019 budget. This revenue is expected to finish the year strong.



Seasonal Revenue:

Certain revenue streams are received during limited time frames within each year; that is, they are “seasonal” in nature. This complicates the analysis of whether they are being received in adequate amounts. The following revenues have received the majority of their annual budgeted amounts as of June 31, 2019, but are not considered to be coming in over budget.

- **Property Tax:** During the first half of 2019, about 92% of the budgeted property tax was received. During the same period in 2018, 92% of budgeted property tax was also received. While property owners may pay their property tax in a single installment (due on or before April 30), most exercise the option of paying in two installments, the first being due by Feb. 28th and the second by June 15th.

- **Treasury Fees:** During the first half of 2019, about 72% of treasury fees were collected. During the same period in 2018, 72% of the budgeted fees were also collected. These fees are assessed against a wide range of revenues, including Property Tax and Sales Tax. We do not expect Treasury Fees to be under budget by year end.

Expense Detail:

During the first half of 2019, 43.5% of the General Fund expense budget was utilized. About 11% (4 out of 36) of the individual departments were actually over budget during the first half of the year, on a year-to-date basis.

One department is expected to over spend their budgets by year end, but that overspending is expected to be covered by unanticipated revenue, as follows:

- **County Treasurer 55% expended:** The Treasurer Fee expense account is disproportionately expended (as expected) during the first half of the year. They are not expected to be over budget at year end. Bank charges are expected to be over budget by year end. Higher than budgeted interest revenue will easily cover the excess.

Four department budgets are on the County's "watch list", as they are projected to *modestly* over spend their budgets by year end, and little (or no) unanticipated revenue has been identified to cover that over spending:

- **Human Resources is 51% expended:** Moving and Recruitment expense is about \$8,400 over the annual budget, as of mid-year and is expected to be over about \$10,000 at year end. Savings in other budget categories might be sufficient (with the right effort) to keep the department as a whole under budget, by year end.
- **Sheriff – Administration is 51% expended:** Nothing was budgeted for Utilities expense, but in excess of \$10,000 will likely have been spent by year's end. Body Armor, Uniforms and Dues & Subscriptions are also overspent.
- **Sheriff – Detention is 45% expended:** The Detention budget appears to be about 5% *under* budget, but this is only because only four months of Inmate Housing invoices were submitted for payment by mid-year. This particular line item has been trending much higher than budget and is expected to end the year about \$155,000 over budget. Note that this cost is not treated as under the direct control of the Sheriff's Office. Currently, there are savings in other parts of the Detention budget, (directly under the Sheriff's control) and those might be sufficient to offset much of the higher than expected inmate housing costs. The outcome is uncertain at this time.
- **Transportation Mountain Express is 51% expended:** Both Wages and Fuel/Fleet costs are about 2% over budget mid-year.

The General Fund report appears on the next page.

Governmental Fund - General

YTD Percent = 50%

as of June 30, 2019

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	7,318,272	7,318,272	4,560,474	2,757,798	62%
Licenses and Permits	569,689	569,689	225,163	344,526	40%
Intergovernmental	1,050,035	1,050,035	1,479,767	(429,732)	141%
Charges for Services	2,033,346	2,033,346	1,112,490	920,856	55%
Interest	350,405	350,405	366,421	(16,016)	105%
Misc	385,750	385,750	28,126	357,624	7%
Total Revenues	11,707,497	11,707,497	7,772,440	3,935,057	66%
Expenditures					
Administration	319,486	319,486	119,654	199,832	37%
Attorney	270,941	270,941	101,231	169,710	37%
Building & Grounds	284,908	284,908	108,149	176,759	38%
County Assessor	673,692	673,692	323,790	349,902	48%
County Clerk & Recorder	605,775	605,775	283,102	322,673	47%
County Clerk- Elections	160,168	160,168	59,809	100,359	37%
County Commissioners	863,556	863,556	361,930	501,626	42%
County Coroner	109,195	109,195	42,821	66,374	39%
County Fair Board	82,609	82,609	2,080	80,529	3%
County Surveyor	18,797	18,797	9,326	9,471	50%
County Treasurer	586,107	586,107	321,020	265,087	55%
County Treasurer - Public Trustee	14,721	14,721	3,630	11,091	25%
CSU Extension	181,233	181,233	79,382	101,851	44%
CSU Extension Checking	20,000	20,000	7,003	12,997	35%
Development Services-Building	258,389	258,389	104,732	153,657	41%
Development Services-Planning	210,605	210,605	80,572	130,033	38%
District Attorney	429,213	429,213	110,593	318,620	26%
Finance	385,651	385,651	175,338	210,313	45%
Human Resources	161,267	161,267	82,627	78,640	51%
IT/GIS	467,216	467,216	222,759	244,457	48%
Jail Bonding/Commissary	50,000	50,000	760	49,240	2%
Livestock Auction	281,000	281,000	-	281,000	0%
Pass-Thru	-	-	-	-	N/A
Sheriff Administration	404,778	404,778	207,833	196,945	51%
Sheriff Animal Control	111,990	111,990	54,920	57,070	49%
Sheriff Court Security	74,935	74,935	32,878	42,057	44%
Sheriff Detention	1,381,425	1,381,425	619,151	762,275	45%
Sheriff Emergency Management	383,413	383,413	167,205	216,208	44%
Sheriff Investigations	232,380	232,380	113,445	118,935	49%
Sheriff Patrol	1,140,492	1,140,492	575,232	565,260	50%
Tourism Fund	204,670	204,670	46,261	158,409	23%
Transportation Administration	80,710	80,710	39,866	40,844	49%
Transportation Mountain Express	133,971	133,971	67,834	66,137	51%
Veterans Services	87,139	87,139	43,525	43,614	50%
Weed & Pest	212,583	212,583	60,217	152,366	28%
Non-Departmental	2,481,432	2,481,432	1,175,342	1,306,090	47%
Total Expenditures	13,364,447	13,364,447	5,804,014	7,560,433	43%
Revenue over (under) Expenditures	(1,656,950)	(1,656,950)	1,968,426		

Road & Bridge Fund:

Revenue Detail

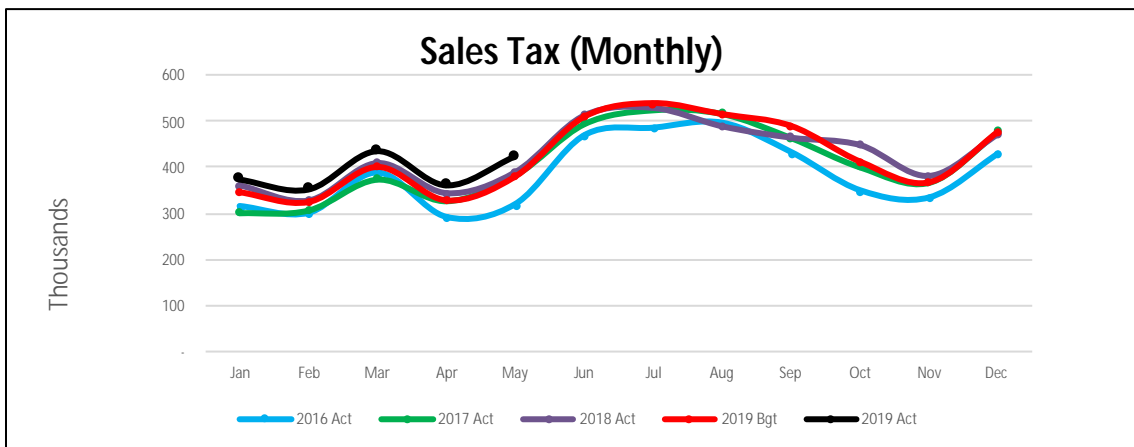
During the first half of 2019, Road & Bridge revenue was at 50% of the current year annual budget. In the detail, individual types of R&B revenue are subject to seasonal variation, just as they are in the General fund. The most material seasonal variations include:

Property Tax:

The Road & Bridge portion of County property tax comes in during the first half of the year, just as it is explained in the General Fund narrative. (It is the same tax, just the Road & Bridge portion thereof). During the first half of the year, 92% was actually received, which is quite normal.

Sales Tax:

Sales Tax revenue is collected in arrears, just as explained in the General Fund narrative. (It is just the Road & Bridge portion of the same tax). During the first half of 2019, only five months of Sales Tax revenue were actually received (and shows on the statement). During that time period, Sales Tax revenue was \$169,495 (9.5%) over the seasonally adjusted 2019 budget. This revenue is expected to finish the year strong.



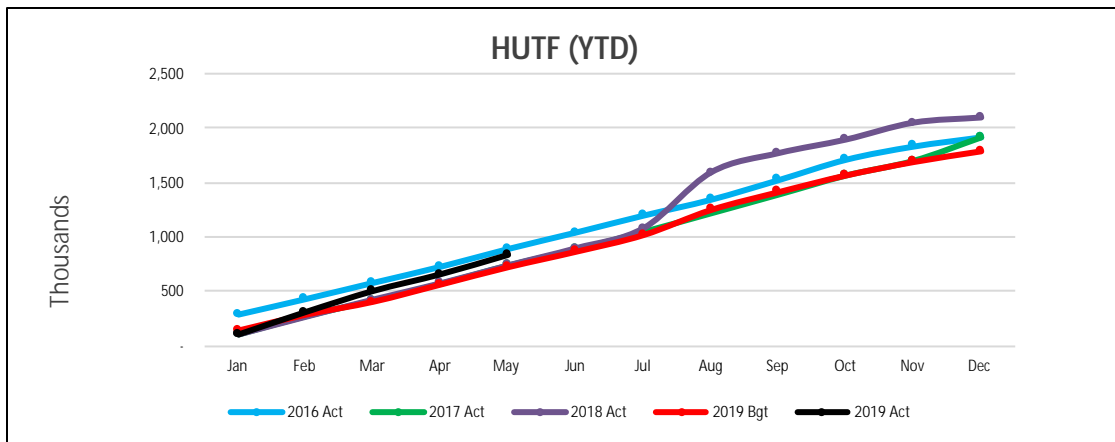
Licenses and Permits Revenue:

This refers to Road Cut & Driveway Permits. During the first half of 2019, about 63% of the annual budget was received. While it is a bit early to project, we think it likely that this source of revenue will exceed budget by a modest 5% (\$1,500) by year end.

Intergovernmental Revenue:

The largest source of Road & Bridge funds within the "Intergovernmental" category is known as HUTF (Highway Users Tax Fund) revenue. As of June 30, 2019, 54% of the annual total budget was received. By year end, this revenue stream is projected to come in 10% higher than budget, generating as much as \$179,000 more revenue than expected.

See the graph on the next page.



All things considered, Road & Bridge Fund revenue streams are expected to come in over budget during 2019, possibly by around 6% (\$350,000).

Expense Detail:

During the first half of 2019, 30% of the Road & Bridge Fund expense budget was utilized. Six out of seven departments were under budget, as expected. Note that significant road maintenance and construction occurs during the summer months, and invoices associated with those major projects typically do not come due until well into the third quarter.

The R&B Administration department did incur a disproportionate amount of expense during the first half of the year, being 54% expended. Within this budget the annual budget for Treasurer Fees was 92% expended during the first half of the year, which is normal.

Most of the other expense categories were at or under budget by comfortable amounts, and if any categories finish the year over budget, the amounts are unlikely to material. None of the 2019 Capital Projects are expected to go over budget at this time.

Governmental Fund - Road & Bridge

YTD Percent = 50%

as of June 30, 2019

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	4,148,046	4,148,046	1,976,371	2,171,675	48%
Licenses and Permits	30,000	30,000	18,751	11,249	63%
Intergovernmental	1,867,203	1,867,203	998,507	868,696	53%
Misc	30,000	30,000	63,784	(33,784)	213%
Total Revenues	6,075,249	6,075,249	3,057,413	3,017,836	50%
Expenditures					
Administration	557,365	557,365	293,391	263,974	53%
Road Maintenance	2,992,806	2,992,806	1,117,536	1,875,270	37%
RCI (General)	503,414	503,414	231,234	272,180	46%
RCI (Paving)	930,000	930,000	21,654	908,346	2%
RCI (Pavement Maintenance)	496,530	496,530	3,695	492,835	1%
RCI (Bridges)	436,500	436,500	18,461	418,039	4%
Unallocated	411,405	411,405	186,007	225,398	45%
Total Expenditures	6,328,020	6,328,020	1,871,977	4,456,043	30%
Revenue over (under) Expenditures	(252,771)	(252,771)	1,185,435		

Dispatch Fund:

Revenue Detail

During the first half of 2019, 46% of the annual total budgeted Dispatch revenue was received.

Intergovernmental Revenue:

Intergovernmental revenue in this fund is from the Town of Pagosa Springs Police Department, the Upper San Juan Health District and the Pagosa Fire Protection District; which all contribute funding to the Dispatch fund according to an indicator of proportionate use of the service (being the three-year average proportion of “calls for service”). Amounts are received in quarterly installments. As of June 30, 2019, 52% of the budgeted revenue had been received, because the Pagosa Fire Protection District had prepaid their third quarter installment.

Charges for Services:

Charges for Services in this fund are “911 Surcharges”, collected from telephone service providers. As of June 30, 2019 about 31% of these charges had been collected. While 31% looks low, there is a normal time lag in collections, and we currently don’t have reason to think that this income will be low at year end.

Expense Detail

During the first half of 2019, about 41% of the annual Dispatch expense budget was utilized. Personnel costs were slightly underspent, but are expected to be slightly over budget by year end. (The new Dispatch Manager was not hired until well into the year). Debt expense will be spot on budget. No Capital Outlay costs were incurred during the first half of the year, but are expected to be expended during the third or fourth quarter. There are a number of pricy software license payments which will be due and payable, prior to year-end. Due to the irregular nature of the budget expenditures, it is not yet clear if this department be under or over budget at year end. The Finance Department hopes to work closely with the new Dispatch Manager on 2019 spending decisions, since if this fund were to go over budget by year end, it would be a violation of state statutes. ***The County will not expend funds in excess of amounts appropriated for 2019.***

Governmental Fund - Archuleta County Combined Dispatch

YTD Percent =	50%
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as of June 30, 2019

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Intergovernmental	341,127	341,127	178,027	163,100	✓ 52%
Charges for Services	227,000	227,000	70,243	156,757	⚠ 31%
Misc	-	-	1,417	(1,417)	N/A
Transfers In	355,052	355,052	177,526	177,526	✓ 50%
Total Revenues	923,179	923,179	427,213	495,966	⚠ 46%
Expenditures					
Combined Dispatch					
Personnel Costs	690,568	690,568	325,175	365,393	✓ 47%
Materials & Services	241,156	241,156	66,084	175,072	✓ 27%
Capital Outlay	31,930	31,930	-	31,930	✓ 0%
Debt Service	57,664	57,664	28,832	28,832	✓ 50%
Total Expenditures	1,021,318	1,021,318	420,091	601,227	✓ 41%
Revenue over (under) Expenditures	(98,139)	(98,139)	7,121		

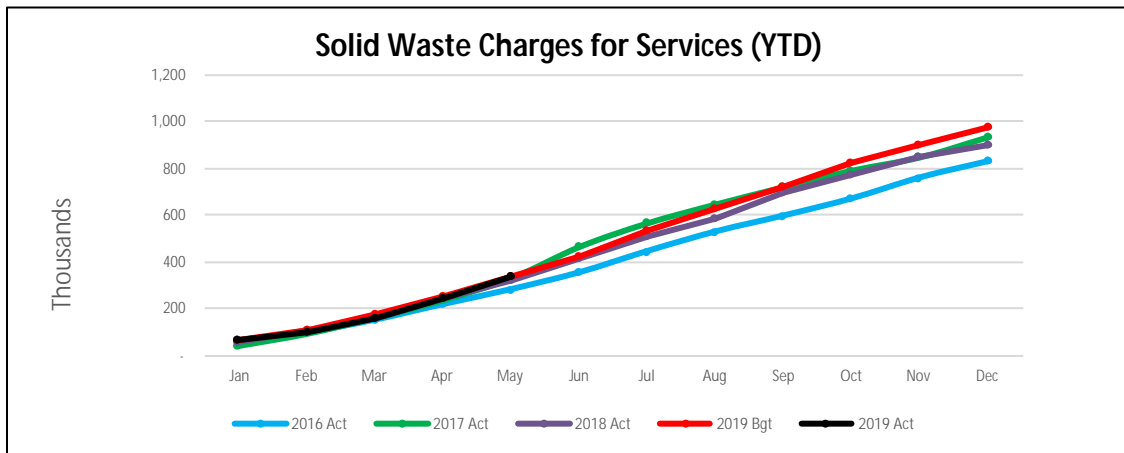
Solid Waste Fund:

Revenue Detail

During the first half of the year, 43% of the annual budgeted Solid Waste revenue was received. While this seems quite low, it is not far from what we would expect, given the (predictable) seasonal variations within the largest revenue stream within this fund.

Charges for Services:

Most Solid Waste fund revenue is Charges for Services, being fees collected when waste is deposited at the landfill. While the landfill receives significant amounts of material year round, the amounts being deposited do vary with the seasons and in a predictable way. The year to date amount actually received was \$999 (less than ½ of 1%) higher than the seasonally adjusted budget for this time period. The graph below shows this revenue through May. We are currently projecting this revenue to come in almost exactly as budgeted.



Misc. Revenue:

Misc. Revenue refers to a fee collected by the County upon receipt of recyclable materials, and also, the revenue later received by the County after selling those same materials. Such material is sold only when large quantities have been accumulated, which is done on an irregular basis. During the first half of the year, sales of recyclable material (at \$2,493) was about 38% of the annual budget.

Expense Detail:

During the first half of the year, 31% of the Solid Waste Fund expense budget was utilized. Four of the five individual departments were *under* budget during the first half of the year. One department was over budget and one (significantly) under budget, as follows:

The Administration budget was 54% expended, due to unbudgeted expenses, including purchase of two “flammable material” storage cabinets and unexpected Workman’s Comp expense. It is likely this department will be over budget by a modest amount at year end.

The Landfill department was only 26% expended at mid-year. This appears quite low, but a significant part of this departments budget are for items paid one time during the year, and which have not yet been recorded, including Landfill Post Closure accrual costs, Principle and Interest cost on a Compactor and the Capital Outlay budget.

The Solid Waste Fund report appears on the next page.

Enterprise Fund - Solid Waste

as of June 30, 2019

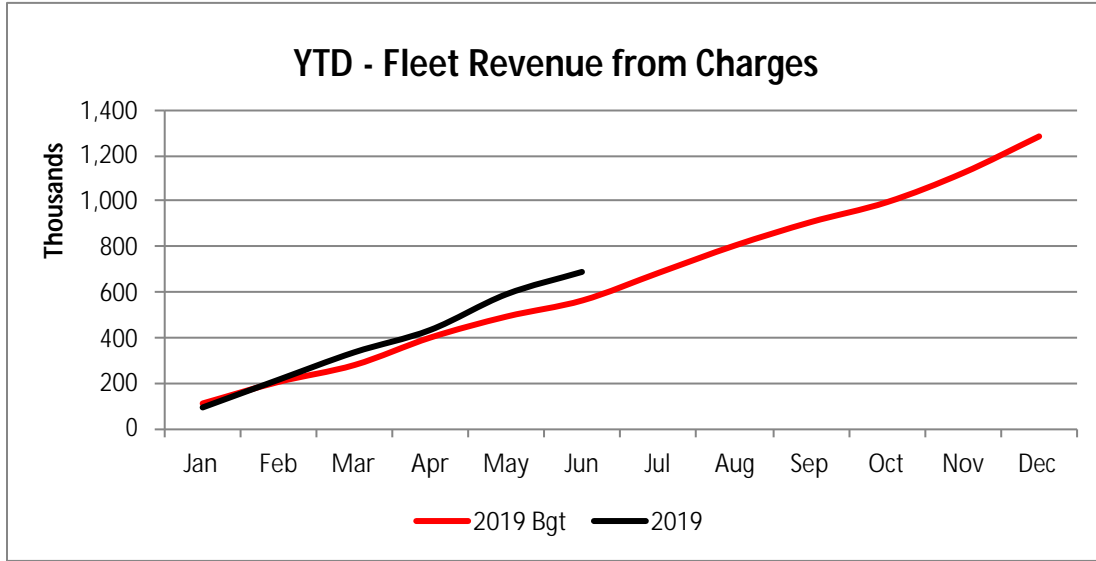
YTD Percent =	50%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	989,059	989,059	429,082	559,977	⚠ 43%
Misc	6,600	6,600	2,493	4,107	⚠ 38%
Transfers In	-	-	-	-	N/A
Total Revenues	995,659	995,659	431,575	564,084	43%
Expenditures					
Administration	85,309	85,309	45,816	39,493	⚠ 54%
Arboles Transfer Station	20,114	20,114	7,859	12,255	✅ 39%
Landfill	622,931	622,931	160,107	462,824	✅ 26%
Pagosa Transfer Station	155,222	155,222	66,642	88,580	✅ 43%
Recycling	-	-	600	(600)	N/A
Total Expenditures	892,576	892,576	281,025	611,551	✅ 31%
Revenue over (under) Expenditures	103,083	103,083	150,550		

Fleet Fund:

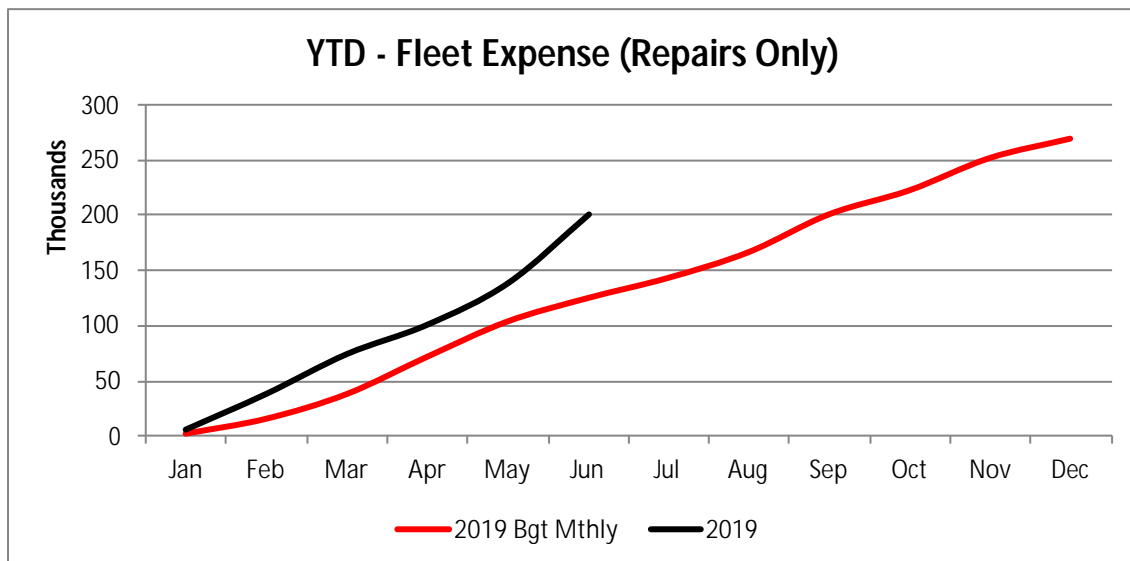
Revenue Detail

Fleet revenue comes from charges to County departments for fuel and services. From month to month, they are highly variable, depending upon the need for major repairs on heavy equipment. That said, during the first half of 2018, Fleet revenue was about 54% of the 2019 budgeted amount, but 22% above the seasonally adjusted year to date budget. See the graph below.



Expense Detail

Overall, Fleet expense were 63% expended during the first half of 2019. In particular, the Capital Outlay budget was 83% expended, but this is because most budgeted equipment was procured early in the year. This part of the Fleet budget will not be overspent at year end. One expense account in the Fleet Fund is used as a proxy for overall fleet repair costs. That account is 60% over the seasonally adjusted budget, due to especially expense repairs made in June. Among other things, the department had multiple trucks down for expensive repairs, during the season when Mag Chloride is applied to County roads, which necessitated the rental of a truck to keep applications on schedule. See the graph below:



Internal Services Fund - Fleet

as of June 30, 2019

YTD Percent =	50%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	1,287,982	1,287,982	688,679	599,303	✓ 53%
Misc	-	-	13,327	(13,327)	N/A
Transfers In	100,000	100,000	50,000	50,000	⚠ 50%
Total Revenues	1,387,982	1,387,982	752,007	635,975	✓ 54%
Expenditures					
Fleet Services					
Personnel Costs	318,394	318,394	136,084	182,310	✓ 43%
Materials & Services	862,677	862,677	444,774	417,903	⚠ 52%
Capital Outlay	803,172	803,172	664,990	138,182	⚠ 83%
Total Expenditures	1,984,243	1,984,243	1,245,848	738,395	⚠ 63%
Revenue over (under) Expenditures	(596,261)	(596,261)	(493,841)	(102,420)	

Finance Department Performance Measures

This section shows progress on various Performance Measures being used within the Finance Department, in a “table” format. Some categories are only relevant during one quarter of the year.

<u>Activity</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Audit (Good Opinion)	N/A	N/A	_____	_____
Budget	N/A	N/A	_____	_____
Expenditures/Fund (Within Budget)	100%	100%	_____	_____
<i>Core Processes on Schedule:</i>				
Audit Prep	90%	98%	_____	_____
Accounts Payable	100%	100%	_____	_____
Budget	N/A	N/A	_____	_____
Human Services Accounting	83%	92%	_____	_____
Payroll	100%	100%	_____	_____
Quarterly Reporting	100%	100%	_____	_____
Year End Close Process	90%	100%	N/A	N/A

Highlights from the second quarter include:

- Did a “Ratings Presentation” to Moody’s; pursuant to obtaining a financial rating of Archuleta County (needed to facilitate COP financing of the jail). This resulted in:
 - Aa3 bond rating
 - A1 COP rating

These are considered good ratings for a small county such as Archuleta County.

- Assisted in the “closure” of the COP financing for the Detention Center project, resulting in \$13.151M to the project fund; financed over 25 years (with a 7 year call feature) at a low 3.078% true interest rate, obtained via a competitive process.
- Completed and submitted to the State, the Cost Allocation Plan that will be used for calendar year 2020 allocations.
- Completed most of the scheduled 2018 audit field work.
- Accounts Payable and County Payroll were processed accurately and on time.
- The AP/PR Clerk continues to negotiate savings on various utility contracts and has completed a project to re-engineer (and simplify!) the coding/payment processes of the same.
- Year End Close work was completed and the auditors arrived and conducted the majority of their field work during the month of June.
- Expenses were monitored closely and various analysis were performed, seeking ways to cope with various budget challenges.

Outstanding Issues include:

- The Combined Dispatch Board has instructed their Chair to expend up to \$5,000 for procurement of the services of an Attorney. No such funding is included in the 2019 budget and no corresponding cuts in other expenses (to compensate) were proposed ahead of that decision. The Dispatch Department usually expends nearly the full amount of its expended budget and any overspending of that budget would be contrary to the law.

Larry Walton (Finance Director)