

Archuleta County, Colorado

Financial Statements
with Independent Auditors' Report

December 31, 2019



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Archuleta County, Colorado

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December 31, 2019

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Archuleta County, Colorado

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Independent Auditors' Report

Board of County Commissioners
County of Archuleta
Pagosa Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Archuleta County, Colorado as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County of Archuleta, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Archuleta County, Colorado as of December 31, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the managements' discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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, who 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 have applied certain limited procedures to the 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, the basic financial statements, and other knowledge we obtained during our audit 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (Continued)

The combining and individual fund statements and schedules and the local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2021, 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* in considering the County's internal control over financial reporting and compliance.

Hick & Company, PC

Greenwood Village, Colorado
April 9, 2021

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

The following discussion and analysis of Archuleta County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. Management encourages readers to consider the information presented here in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Archuleta County exceeded its liabilities and deferred inflows of resources at December 31, 2019 by \$67,986,030. Of this amount, \$29,536,800 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$3,599,920 or 5.59% during 2019. The governmental net position increased by \$4,119,801 or 11.41% and the business-type net position decreased by (\$519,881) or (1.84%).
- The combined governmental fund balances at December 31, 2019 were \$31,188,791, an increase over 2018 of \$9,985,576. The unassigned combined fund balance is \$16,850,545 and is available for spending.
- The unassigned fund balance within the General Fund is \$5,319,412 and is 48.13% of the total General Fund expenditures, excluding Transfers Out.
- The County's total long term liabilities increased \$13,197,422 or 434.67%, \$13,365,000 is attributed to the addition of the \$14,055,000 Certificate of Participation for the Detention Center; \$13,695,000 of which is a long-term or noncurrent liability and \$360,000 is a current liability.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to Archuleta County's basic financial statements. The County's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and 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 Archuleta County's finances, in a manner similar to a private-sector business.

The **Statement of Net Position** presents information on all of Archuleta County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the categories reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Archuleta County is improving or deteriorating.

The **Statement of Activities** presents information showing how Archuleta County's net position changed during the most recent fiscal year. All changes in net position 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 expenditures reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Government-wide financial statements distinguish functions of Archuleta 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 Archuleta County include general government, public safety, highway and streets, health and welfare, economic development, and recreation. The Business-type Activities of Archuleta County include Solid Waste and Airport.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or bond covenants. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Most of the County's basic services are reported in governmental funds, which focus on how spendable resources flow into and out of those funds and the balances left at year-end that are available for future years. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations, and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

Proprietary funds – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds (components of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The County uses an internal service fund (the other component of proprietary funds) to account for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds – Resources held for the benefit of parties outside the government are reported in fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found within the basic financial statements, just before the Notes to the Basic Financial Statements.

Notes to the Basic 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 basic financial statements can be found immediately after the basic financial statements.

Archuleta County, Colorado
 Management's Discussion and Analysis
 For the Year Ended December 31, 2019

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with non-major Governmental Funds and Internal Service Funds. Schedules that compare actual revenues and expenditures/expenses to budget amounts are also included. Combining and individual fund statements and schedules can be found after the notes in the financial section.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets exceeded liabilities and deferred inflows of resources by \$67,986,030 at December 31, 2019.

The following table provides a summary comparison of the County's governmental and business-type net position at December 31, 2019.

	<u>Net Position</u>					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 40,413,595	\$ 29,239,785	\$ 2,303,593	\$ 2,508,302	\$ 42,717,188	\$ 31,748,087
Capital assets	24,749,517	16,678,402	26,308,860	27,167,504	51,058,377	\$ 43,845,906
Total assets	<u>65,163,112</u>	<u>45,918,187</u>	<u>28,612,453</u>	<u>29,675,806</u>	<u>93,775,565</u>	<u>75,593,993</u>
Current liabilities	3,394,637	1,828,176	91,685	650,119	3,486,322	2,478,295
Noncurrent liabilities	15,462,440	2,279,980	771,188	756,226	16,233,628	3,036,206
Total liabilities	<u>18,857,077</u>	<u>4,108,156</u>	<u>862,873</u>	<u>1,406,345</u>	<u>19,719,950</u>	<u>5,514,501</u>
Deferred inflows of resource	6,069,585	5,693,382	-	-	6,069,585	5,693,382
Net position:						
Net investment in capital assets	8,725,461	14,209,475	26,216,906	27,046,740	34,942,367	41,256,215
Restricted	3,506,863	3,683,222	-	-	3,506,863	3,683,222
Unrestricted	28,004,126	18,223,952	1,532,674	1,222,721	29,536,800	19,446,673
Total net position	<u>\$ 40,236,450</u>	<u>\$ 36,116,649</u>	<u>\$ 27,749,580</u>	<u>\$ 28,269,461</u>	<u>\$ 67,986,030</u>	<u>\$ 64,386,110</u>

The largest portion of Archuleta County's net position, about 51.40%, reflects its investment in capital assets (e.g., land, buildings, equipment, etc.), less any related debt still outstanding (current and long-term), that was used to acquire those assets. 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.

About 5.16% of the County's net position is subject to restrictions on how it may be used. About 43.44% is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors. Note that "unrestricted" funds are not the same as "unassigned". Some of the "unrestricted" funding is assigned or committed to specific uses or include internal reserves.

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Governmental Activities

The Governmental Activities total revenues of \$27,132,310 exceeded expenditures of \$23,012,509, resulting in an increase in net assets of \$4,119,801 at December 31, 2019.

The following table provides a summary comparison of the County's governmental and business-type net position at December 31, 2019.

	<u>Changes in Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$ 4,493,303	\$ 2,673,829	\$ 1,038,184	\$ 1,089,297	\$ 5,531,487	\$ 3,763,126
Operating grants	7,436,529	7,350,489	-	-	7,436,529	7,350,489
Capital grants/Contributions	-	-	149,548	-	149,548	-
General revenues:						
Property & specific ownership taxes	5,914,170	6,281,766	-	-	5,914,170	6,281,766
Sales and use taxes	6,803,217	5,309,711	23,274	-	6,826,491	5,309,711
Other taxes	1,306,366	1,244,204	-	-	1,306,366	1,244,204
Other general revenues	1,377,625	1,264,123	85,644	-	1,463,269	1,264,123
Transfers	(198,900)	(695,000)	198,900	695,000	-	-
Total revenues	27,132,310	23,429,122	1,495,550	1,784,297	28,627,860	25,213,419
Program expenses:						
General Government	7,579,665	5,412,191	-	-	7,579,665	5,412,191
Public Safety	5,409,685	4,832,496	-	-	5,409,685	4,832,496
Health and Welfare	4,220,748	4,218,745	-	-	4,220,748	4,218,745
Highways and Streets	4,930,607	4,462,659	-	-	4,930,607	4,462,659
Economic Development	185,093	199,977	-	-	185,093	199,977
Recreation and Culture	278,206	327,573	-	-	278,206	327,573
Interest Expense	408,505	69,341	-	-	408,505	69,341
Airport	-	-	1,152,738	1,127,208	1,152,738	1,127,208
Solid Waste	-	-	862,693	894,417	862,693	894,417
Total expenses	23,012,509	19,522,982	2,015,431	2,021,625	25,027,940	21,544,607
Change in Net Position	4,119,801	3,906,140	(519,881)	(237,328)	3,599,920	3,668,812
Beginning Net Position	36,116,649	32,210,509	28,269,461	28,506,789	64,386,110	60,717,298
Ending Net Position	40,236,450	36,116,649	27,749,580	28,269,461	67,986,030	64,386,110

Expenditures exceeded Program Revenues for Governmental Activities by \$11.1 million in 2019. In 2018 expenditures exceeded Program Revenues by \$9.5 million.

Total revenues for governmental activities are made up of 44.0% of program revenues and 56.0% general revenues. In 2018, program revenues were 42.8% of the total revenues and general revenues represented 57.2%.

Governmental Activities Program Revenues increased \$1,905,514 or 19.0% in 2019 compared to 2018. The overall increase is due to a 68.0% increase in Charges for Services and 1.2% increase in Operating Grants.

General revenues, primarily property taxes and sales taxes, were used to pay for \$11,082,677 of expenses that were not covered by program revenues.

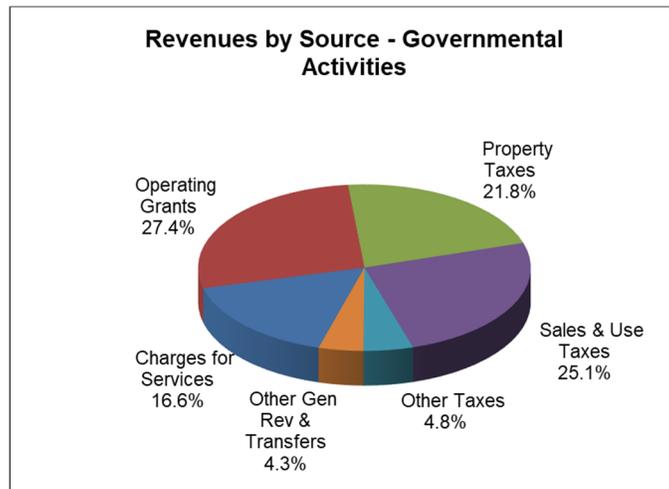
Archuleta County, Colorado
 Management's Discussion and Analysis
 For the Year Ended December 31, 2019

The following illustrates program revenues, expenses, and amounts covered by general revenues, by function:

Governmental Activities	Net Program Cost to Taxpayers		Net (Expense) Revenue
	Program Revenues	Expenses	
General Govt	3,491,811	7,579,665	(4,087,854)
Public Safety	1,860,004	5,409,685	(3,549,681)
Health & Welfare	3,713,425	4,220,748	(507,323)
Highways & Streets	2,678,247	4,930,607	(2,252,360)
Economic Dev	-	185,093	(185,093)
Recreation	186,345	278,206	(91,861)
Interest Exp	-	408,505	(408,505)
Totals	11,929,832	23,012,509	(11,082,677)

Governmental Activities Total Revenues increased \$3,703,188 or 15.81% in 2019.

The following illustrate revenues by sources:



The percentages of total County expenses in each function are as follows:

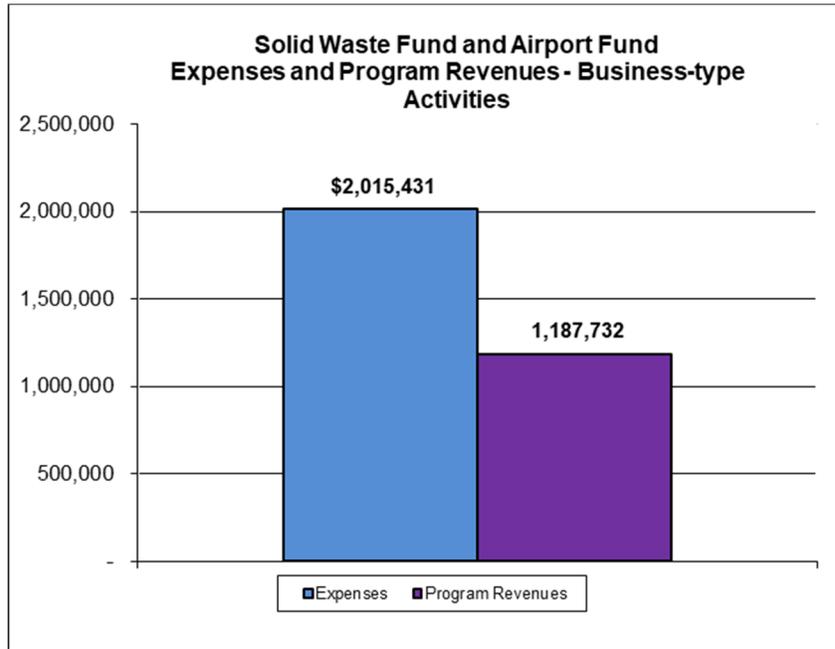
	<u>2019</u>	<u>2018</u>
General Government	32.9%	27.7%
Public Safety	23.5%	24.8%
Health & Welfare	18.3%	21.6%
Highways & Streets	21.4%	22.9%
Economic Dev	0.8%	1.0%
Recreation	1.2%	1.7%
Interest Expense	1.8%	0.4%

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

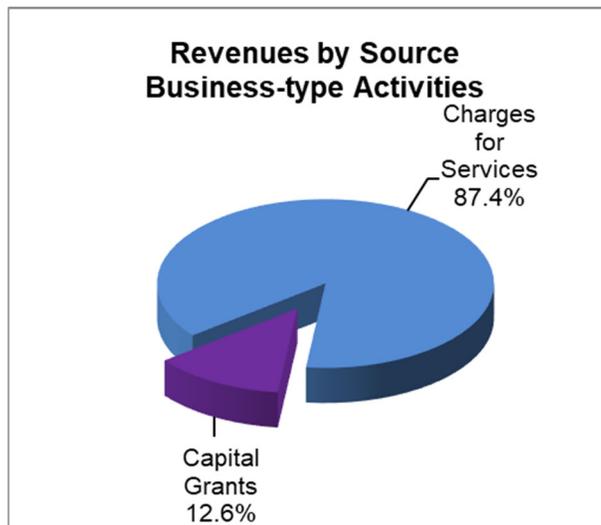
Business-type Activities

Net position in Business-type Activities decreased by (\$519,881) in 2019.

The following illustrates the Business-type Activities, showing program revenues and expenses:



Charges for Services for business-type activities were 87.4% of operating revenues and Other revenues were 12.6% of operating revenues.



Archuleta County, Colorado
 Management's Discussion and Analysis
 For the Year Ended December 31, 2019

THE COUNTY'S FUNDS

At year-end, the County's Governmental Funds reported a combined fund balance of \$31,188,791, an increase of \$9,985,576 compared to 2018. Fund balances in the Governmental Funds are as follows:

Governmental-Type Fund Balances Comparison					
	2019	2018	2017	2016	2015
General Government Fund	12,180,285	11,595,886	12,435,543	12,159,081	10,366,121
Road & Bridge Fund	7,348,184	5,444,650	5,284,125	4,472,920	5,247,450
Dept. of Human Services Fund	704,390	801,281	806,407	697,705	571,359
Justice System Capital Fund *	9,724,490	-	-	-	-
Other Governmental-Type Funds	1,231,442	3,361,398	1,103,269	921,088	880,068
Combined Governmental-Type Fund Balance	31,188,791	21,203,215	19,629,344	18,250,794	17,064,998

** For years 2015-2018 the Justice System Capital Fund was included in the Other Governmental-Type Funds total*

The Proprietary Funds ended 2019 with total unrestricted net position of \$2,336,120, a decrease of (\$4,956) from 2018. The total net position, including net invested in capital assets, was \$30,339,493, a decrease of (\$625,743).

Proprietary Funds Net Positions are as follows:

Solid Waste Fund	\$2,562,967
Airport Fund	\$25,150,600
Fleet Fund (Internal Service)	\$2,625,926

GENERAL FUND BUDGETARY HIGHLIGHTS

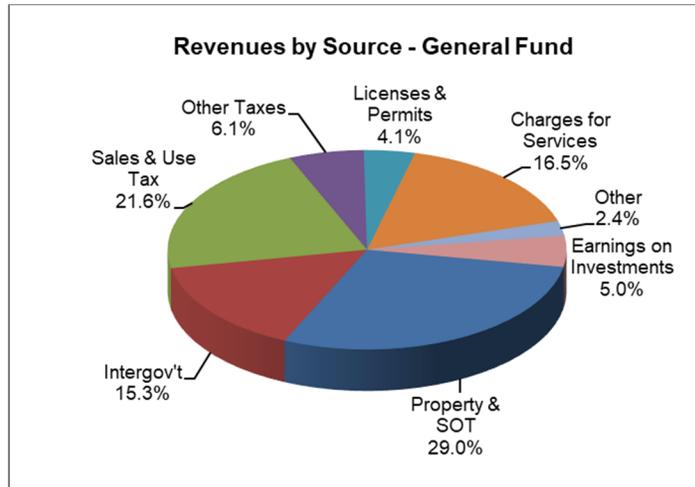
The General Fund accounts for all of the general services provided by Archuleta County. At the end of 2019, the General Fund's fund balance totaled \$12,180,285. This is an increase of \$584,399 compared to 2018.

A comparison of unrestricted fund balance to total fund expenditures is often a useful measure of the ability to continue financial operations. At December 31, 2019 the unrestricted fund balance in the General Fund represented 48.1% of the General Fund expenditures.

2019 General Fund revenues increased \$947,220 from 2018. Most categories of revenue increased. The most significant increase was in Taxes, which was up \$651,364. Another \$673,868 in increases came from Licenses and Permits, Charges for Services and Earnings on Investments. Other was down \$320,601, and Intergovernmental was down \$57,411

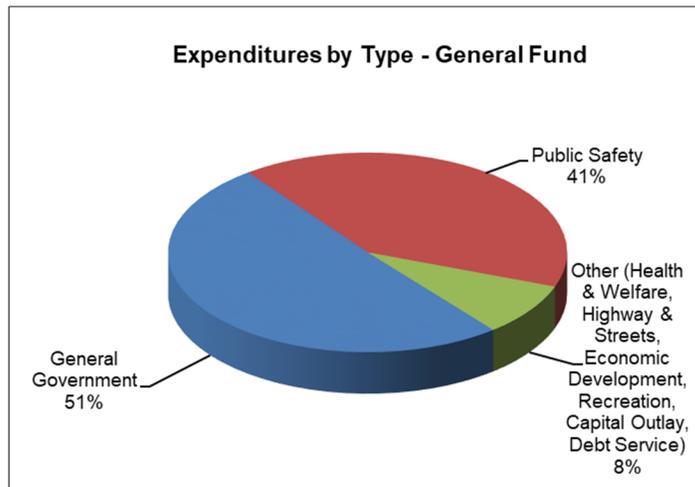
Archuleta County, Colorado
 Management's Discussion and Analysis
 For the Year Ended December 31, 2019

The following illustrates revenues by sources in the General Fund:



General Fund expenditures include General Government (such as the Treasurer, Assessor and Clerk & Recorder functions, as well as administrative functions including finance, attorney, human resources, IT/GIS, etc.). Most Public Safety, and all Economic Development and Culture/Recreation expenditures also occur in the General Fund, Total General Fund expenditures increased \$814,322, about 7.95%, in 2019.

The following illustrates expenditures by type for the General Fund:



During 2019, the County Commissioners approved budget amendments that included changes to the General Fund budget. Resolution enactment requires public hearing and the opportunity for public discussion. The County does allow small inter-departmental budget changes that modify line items within departments within the same fund.

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Actual revenues collected in the General Fund were \$1,673,898 more than budgetary estimates (excluding other financing sources) and expenditures were \$662,992 less than the final budgetary estimates (excluding other financing uses).

The following illustrates the General Fund Budget:

2019 General Fund Budget

	Adopted Budget	Amendments	Final Budget
Beginning Fund Balance	11,337,299	-	11,337,299
Sources	11,707,497	410,000	12,117,497
Uses	(13,459,988)	(410,000)	(13,869,988)
Ending Fund Balance	\$ 9,584,808	\$ -	\$ 9,584,808

CAPITAL ASSETS

In 2019, the County invested in a broad range of capital assets, including infrastructure (roads), heavy equipment and vehicles and significant improvements at the landfill facility.

The table below provides a comparative summary of total capital assets at December 31, 2019 and 2018.

Capital Assets at Year-end
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	1,014	749	3,574	3,574	4,589	4,323
Construction in progress	7,655	42	160	-	7,816	42
Runway	-	-	19,259	20,006	19,259	20,006
Improvements nonbuilding	37	17	1,198	1,202	1,234	1,219
Buildings and Improvements	1,246	1,293	1,609	1,672	2,855	2,966
Machinery & Equipment	1,109	1,086	438	523	1,546	1,609
Vehicles	912	778	-	22	912	800
Computer Equipment	58	60	-	-	58	60
Infrastructure	12,719	12,653	71	168	12,789	12,821
Totals	24,750	16,678	26,309	27,168	51,058	43,846

Major capital expenditures during 2019 included:

2019 Major Capital Expenditures

Construction In Progress	\$7,618,683
Infrastructure (Roads)	\$ 911,156
Vehicles	\$ 461,798
Machinery and Equipment	\$ 330,747

The County remains committed to the upkeep and maintenance of the County's largest assets. More detailed information about the County's capital assets is presented in Notes 1 and 6 to the financial statements.

Archuleta County, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2019

DEBT

Note 7 of the financial statements provide a summary of the County's long-term debt. At the end of 2019, the County had total debt outstanding of \$16.1 million. The County's total debt increased \$13,526,319 from 2018.

	Outstanding Debt, at Year-end					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Capital leases	\$ 1,898,636	\$ 2,344,339	\$ 91,954	\$ 120,764	\$ 1,990,590	\$ 2,465,103
Notes Payable	70,420	124,588	-	-	70,420	124,588
Certificates of Participation	14,055,000	-	-	-	14,055,000	-
Totals	\$ 16,024,056	\$ 2,468,927	\$ 91,954	\$ 120,764	\$ 16,116,010	\$ 2,589,691

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the last decade, the County significantly constrained spending; first to survive steep declines in core funding such as property tax, and later to build critical reserves in working capital and later still to establish a strategic reserve. Despite the 2018 recession and the very slow recovery since then, the County's austerity measures have paid off. Fund balances have steadily increased; a freeze on employee wage rates have given way to adjustments to bring all employees back in line with the marketplace and capital replacements have been significantly ramped up. In 2019, the construction of the County's largest ever capital project (a \$15.5M detention facility) began and was then completed in 2020.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the County's finances and to show the County's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the County's Finance Department at Archuleta County, PO Box 1507, Pagosa Springs, CO 81147, or at finance@archuletacounty.org.

Basic Financial Statements

Archuleta County, Colorado
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Investments	\$ 32,226,083	\$ 2,099,332	\$ 34,325,415
Taxes Receivable	6,069,585	-	6,069,585
Other Receivables	1,835,393	202,083	2,037,476
Prepaid Items	4,204	1	4,205
Due from Other Governments	128,468	-	128,468
Inventory	149,862	2,177	152,039
	<u>40,413,595</u>	<u>2,303,593</u>	<u>42,717,188</u>
Total Current Assets			
Noncurrent Assets			
Capital Assets, Not Being Depreciated	8,669,526	3,734,647	12,404,173
Capital Assets, Being Depreciated	16,079,991	22,574,213	38,654,204
Capital Assets, Net	<u>24,749,517</u>	<u>26,308,860</u>	<u>51,058,377</u>
	<u>65,163,112</u>	<u>28,612,453</u>	<u>93,775,565</u>
Total Assets:			
Liabilities			
Accounts Payable	2,010,889	73,974	2,084,863
Internal Balances	36,013	(36,013)	-
Inmate Deposits	9,348	-	9,348
Accrued Interest Payable	65,770	-	65,770
Accrued Payroll Liabilities	289,634	12,748	302,382
Accrued Compensated Absences, Current Portion	109,900	11,264	121,164
Notes, COP and Capital Leases, Due Within One Year	873,083	29,712	902,795
Noncurrent Liabilities			
Notes and Capital Leases Due in More Than One Year	1,455,973	62,242	1,518,215
Certificates of Participation	13,695,000	-	13,695,000
Accrued Compensated Absence, Noncurrent	311,467	37,035	348,502
Closure and Post Closure Costs	-	671,911	671,911
	<u>18,857,077</u>	<u>862,873</u>	<u>19,719,950</u>
Total Liabilities			
Deferred Inflows of Resources			
Property Taxes	<u>6,069,585</u>	<u>-</u>	<u>6,069,585</u>
Net Position			
Net Investment in Capital Assets	8,725,461	26,216,906	34,942,367
Restricted For			
TABOR	391,939	-	391,939
Capital Projects	2,684,107	-	2,684,107
Forest Reserve Title III	2,664	-	2,664
Parks and Recreation	428,153	-	428,153
Unrestricted	<u>28,004,126</u>	<u>1,532,674</u>	<u>29,536,800</u>
	<u>\$ 40,236,450</u>	<u>\$ 27,749,580</u>	<u>\$ 67,986,030</u>
Total Net Position			

See Notes to the Financial Statements.

Archuleta County, Colorado
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
<i>Governmental Activities</i>							
General Government	\$ 7,579,665	\$ 3,240,513	\$ 251,298	\$ -	\$ (4,087,854)	\$ -	\$ (4,087,854)
Public Safety	5,409,685	873,888	986,116	-	(3,549,681)	-	(3,549,681)
Health and Welfare	4,220,748	72,778	3,640,647	-	(507,323)	-	(507,323)
Highways and Streets	4,930,607	248,808	2,429,439	-	(2,252,360)	-	(2,252,360)
Economic Development	185,093	-	-	-	(185,093)	-	(185,093)
Recreation and Culture	278,206	57,316	129,029	-	(91,861)	-	(91,861)
Interest on Long-Term Debt	408,505	-	-	-	(408,505)	-	(408,505)
Total Government Activities	23,012,509	4,493,303	7,436,529	-	(11,082,677)	-	(11,082,677)
<i>Business-Type Activities</i>							
Airport	1,152,738	41,241	-	149,548	-	(961,949)	(961,949)
Solid Waste	862,693	996,943	-	-	-	134,250	134,250
Total Business-Type Activities	2,015,431	1,038,184	-	149,548	-	(827,699)	(827,699)
Total Primary Government	\$ 25,027,940	\$ 5,531,487	\$ 7,436,529	\$ 149,548	(11,082,677)	(827,699)	(11,910,376)
General Revenues							
					5,914,170	-	5,914,170
					6,803,217	23,274	6,826,491
					1,306,366	-	1,306,366
					845,042	-	845,042
					460,683	85,644	546,327
					71,900	-	71,900
					(198,900)	198,900	-
					15,202,478	307,818	15,510,296
					4,119,801	(519,881)	3,599,920
					36,116,649	28,269,461	64,386,110
					\$ 40,236,450	\$ 27,749,580	\$ 67,986,030

See Notes to the Financial Statements.

Archuleta County, Colorado
Balance Sheet
Governmental Funds
December 31, 2019

	General	Road and Bridge	Human Service	Justice System	Nonmajor Governmental Funds	Totals
Assets						
Cash and Investments	\$ 11,722,309	\$ 6,846,136	\$ 584,265	\$ 11,077,209	\$ 1,186,886	\$ 31,416,805
Property Taxes Receivable	4,480,289	317,929	1,271,367	-	-	6,069,585
Other Receivables	988,034	591,775	68,590	100,953	-	1,749,352
Inventories	16,936	35,203	-	-	85,809	137,948
Prepaid Item	4,202	1	-	-	-	4,203
Due from Other Governments	-	-	128,468	-	-	128,468
Total Assets	\$ 17,211,770	\$ 7,791,044	\$ 2,052,690	\$ 11,178,162	\$ 1,272,695	\$ 39,506,361
Liabilities						
Accounts Payable	\$ 360,870	\$ 82,156	\$ 42,736	\$ 1,453,672	\$ 19,009	\$ 1,958,443
Accrued Salaries	180,978	42,775	34,197	-	22,244	280,194
Deferred Income	-	-	-	-	-	-
Inmate Deposits	9,348	-	-	-	-	9,348
Total Liabilities	551,196	124,931	76,933	1,453,672	41,253	2,247,985
Deferred Inflows of Resources						
Property Taxes	4,480,289	317,929	1,271,367	-	-	6,069,585
Fund Balances						
Nonspendable						
Inventory and Prepaid Items	21,138	35,204	-	-	-	56,342
Restricted for:						
TABOR	356,308	208,298	45,942	-	514,487	1,125,035
Capital Projects	-	-	-	-	527,519	527,519
Title III	-	2,663	-	-	-	2,663
Parks and Recreation	-	-	-	-	-	-
Committed to						
1A Projects - Parks and Recreation	73,473	-	-	-	-	73,473
Fund Reserves Policy	6,409,954	-	-	-	-	6,409,954
Assigned to:						
Highways and Streets	-	5,198,485	-	-	-	5,198,485
Public Safety	-	-	-	-	189,436	189,436
Health and Welfare	-	-	755,339	-	-	755,339
Clerk eRecording System	-	-	-	-	-	-
Livestock Auction	-	-	-	-	-	-
Subsequent Year Expenditures	-	-	-	-	-	-
Unrestricted, Unassigned	5,319,412	1,903,534	(96,891)	9,724,490	-	16,850,545
Total Fund Balances	12,180,285	7,348,184	704,390	9,724,490	1,231,442	31,188,791
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,211,770	\$ 7,791,044	\$ 2,052,690	11,178,162	\$ 1,272,695	\$ 39,506,361

Archuleta County, Colorado
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 31,188,791
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	22,963,050
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Certificates of Participation	(14,055,000)
Capital Lease Payable	(1,898,636)
Notes Payable	(70,420)
Accrued Compensated Absences	(415,478)
Accrued Interest	(65,770)
Internal Service Funds	<u>2,589,913</u>
Total Net Position of Governmental Activities	<u>\$ 40,236,450</u>

Archuleta County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Road and Bridges	Human Service	Justice System	Nonmajor Governmental Funds	Totals
Revenues						
Property and Specific						
Ownership Taxes	\$ 3,998,638	\$ 1,596,143	\$ 319,389	-	\$ -	\$ 5,914,170
Intergovernmental	2,104,121	2,327,427	3,640,690	200,000	470,657	8,742,895
Sales and Use Taxes	2,983,184	2,982,114	-	-	-	5,965,298
Other Taxes	837,919	-	-	-	-	837,919
Licenses and Permits	570,758	-	-	-	-	570,758
Charges for Services	2,270,610	72,778	-	-	202,956	2,546,344
Other	331,868	86,150	12,602	-	2,026	432,646
Investment Income	694,297	-	-	128,374	22,371	845,042
Total Revenues	13,791,395	7,064,612	3,972,681	328,374	698,010	25,855,072
Expenditures						
Current						
General Government	5,591,973	-	-	224,470	10,110	5,826,553
Public Safety	4,512,504	-	-	-	876,702	5,389,206
Health and Welfare	134,644	-	4,069,572	-	-	4,204,216
Highways and Streets	229,338	3,700,117	-	-	70,000	3,999,455
Economic Development	185,093	-	-	-	-	185,093
Culture and Recreation	269,246	-	-	-	-	269,246
Capital Outlay	57,518	1,033,316	-	7,808,460	-	8,899,294
Debt Service						
Principal	64,782	380,921	-	-	54,168	499,871
Interest and Fiscal Charges	7,946	46,724	-	339,151	3,496	397,317
Total Expenditures	11,053,044	5,161,078	4,069,572	8,372,081	1,014,476	29,670,251
Revenues Over (Under) Expenditures	2,738,351	1,903,534	(96,891)	(8,043,707)	(316,466)	(3,815,179)
Other Financing Sources (Uses)						
Transfers In	-	-	-	1,500,000	355,052	1,855,052
Transfers Out	(2,153,952)	-	-	-	-	(2,153,952)
Debt Proceeds	-	-	-	14,055,000	-	14,055,000
Debt Premiums	-	-	-	44,655	-	44,655
Total Other Financing Sources (Uses)	(2,153,952)	-	-	15,599,655	355,052	13,800,755
Net Change in Fund Balances	584,399	1,903,534	(96,891)	7,555,948	38,586	9,985,576
Fund Balances, Beginning of year	11,595,886	5,444,650	801,281	2,168,542	1,192,856	21,203,215
Fund Balances, End of year	\$ 12,180,285	\$ 7,348,184	\$ 704,390	9,724,490	\$ 1,231,442	\$ 31,188,791

Archuleta County, Colorado
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$	9,985,576
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Capital Outlay		8,899,294
Depreciation Expense		(1,037,226)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Loan and Capital Lease Principal Payments		499,871
Certificates of Participation proceeds		(14,099,655)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued Compensated Absences		(11,009)
Loan issuance costs		44,655
Accrued Interest		(55,843)
<p>The internal service fund is used by management to charge the cost of fleet management to individual funds. A portion of the net revenue or loss of these services is reported with governmental activities.</p>		
		<u>(105,862)</u>
Change in Net Position of Governmental Activities	\$	<u><u>4,119,801</u></u>

Archuleta County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-Type Activities			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Business- Type Activities	Internal Service Fund
Assets				
<i>Current Assets</i>				
Cash and Investments	\$ 1,684,224	\$ 415,108	\$ 2,099,332	\$ 809,278
Accounts Receivable	55,152	146,931	202,083	233
Supplies Inventory	-	2,177	2,177	97,723
Total Current Assets	<u>1,739,376</u>	<u>564,216</u>	<u>2,303,592</u>	<u>907,234</u>
<i>Noncurrent Assets</i>				
Capital Assets, <i>Not Being Depreciated</i>	309,165	3,425,482	3,734,647	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	1,341,877	21,232,336	22,574,213	1,786,467
Total Noncurrent Assets	<u>1,651,042</u>	<u>24,657,818</u>	<u>26,308,860</u>	<u>1,786,467</u>
Total Assets	<u>3,390,418</u>	<u>25,222,034</u>	<u>28,612,452</u>	<u>2,693,701</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	26,084	47,890	73,974	52,446
Accrued Salaries	8,716	4,032	12,748	9,440
Compensated Absences Payable, <i>Current Portion</i>	9,787	1,477	11,264	3,122
Loans Payable, <i>Current Portion</i>	29,712	-	29,712	-
Total Current Liabilities	<u>74,299</u>	<u>53,399</u>	<u>127,698</u>	<u>65,008</u>
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	18,999	18,035	37,034	2,767
Loans Payable	62,242	-	62,242	-
Landfill Closure and Post Closure Costs	671,911	-	671,911	-
Total Noncurrent Liabilities	<u>753,152</u>	<u>18,035</u>	<u>771,187</u>	<u>2,767</u>
Total Liabilities	<u>827,451</u>	<u>71,434</u>	<u>898,885</u>	<u>67,775</u>
Net Position				
Net Investment in Capital Assets	1,559,088	24,657,818	26,216,906	1,786,467
Unrestricted	<u>1,003,879</u>	<u>492,782</u>	<u>1,496,661</u>	<u>839,459</u>
Total Net Position	<u>\$ 2,562,967</u>	<u>\$ 25,150,600</u>	<u>\$ 27,713,567</u>	<u>\$ 2,625,926</u>
Net position of internal service fund attributed to business-type activities			<u>36,013</u>	
			<u>\$ 27,749,580</u>	

Archuleta County, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
December 31, 2019

	Business-Type Activities			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Business- Type Activities	Internal Service Fund
Operating Revenues				
Charges for Services Intragovernment	\$ -	\$ -	\$ -	\$ 1,353,036
Charges for Services	996,943	214,063	1,211,006	-
Other	-	85,644	85,644	5,517
Total Operating Revenue	<u>996,943</u>	<u>299,707</u>	<u>1,296,650</u>	<u>1,358,553</u>
Operating Expenses				
Salaries and Benefits	319,319	131,353	450,672	300,315
Materials and Supplies	-	-	-	862,418
Purchased Services	334,616	124,434	459,050	-
Depreciation	184,411	894,673	1,079,084	519,267
Total Operating Expenses	<u>838,346</u>	<u>1,150,460</u>	<u>1,988,806</u>	<u>1,682,000</u>
Net Operating Income (Loss)	<u>158,597</u>	<u>(850,753)</u>	<u>(692,156)</u>	<u>(323,447)</u>
Nonoperating Revenues (Expenses)				
Interest Expense	(3,460)	-	(3,460)	-
Insurance Reimbursement	-	-	-	22,520
Gain on Sale of Asset	-	-	-	71,900
Total Nonoperating Revenues (Expenses)	<u>(3,460)</u>	<u>-</u>	<u>(3,460)</u>	<u>94,420</u>
Net Income Before Capital Contributions and Transfers	155,137	(850,753)	(695,616)	(229,027)
Transfers In	-	198,900	198,900	100,000
Change in Net Position	155,137	(651,853)	(496,716)	(129,027)
Net Position, Beginning of year	<u>2,407,830</u>	<u>25,802,453</u>	<u>-</u>	<u>2,754,953</u>
Net Position, End of year	<u>\$ 2,562,967</u>	<u>\$ 25,150,600</u>	<u>-</u>	<u>\$ 2,625,926</u>
Net position of internal service fund attributed to business-type activities			(23,165)	
			<u>\$ (519,881)</u>	

Archuleta County, Colorado
Statement of Cash Flows
Proprietary Funds
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended December 31, 2019

	Business-Type Activities			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Business-Type Activities	Internal Service Fund
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 1,031,168	\$ 158,944	\$ 1,190,112	\$ 5,517
Cash Received from Interfund Service Provided	-	-	-	1,352,803
Cash Paid to Employees	(308,361)	(128,051)	(436,412)	(289,731)
Cash Paid to Suppliers	(932,436)	(78,655)	(1,011,091)	(832,545)
Net Cash Provided (Used) by Operating Activities	<u>(209,629)</u>	<u>(47,762)</u>	<u>(257,391)</u>	<u>236,044</u>
Cash Flows from Nonoperating Capital Financing Activities				
Payments (To)/From Other Funds	-	198,900	198,900	100,000
Net Cash Used by Nonoperating Capital Financing Activities	<u>-</u>	<u>198,900</u>	<u>198,900</u>	<u>100,000</u>
Cash Flows From Capital and Related Financing Activities				
Construction and Acquisition of Capital Assets	(37,187)	(183,253)	(220,440)	(220,440)
Insurance Reimbursement	-	-	-	22,520
Proceeds from Sale of Assets	-	-	-	71,900
Debt Principal Payments	(28,810)	-	(28,810)	-
Debt Interest Payments	(3,460)	-	(3,460)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(69,457)</u>	<u>(183,253)</u>	<u>(252,710)</u>	<u>(633,894)</u>
Net Change in Cash and Cash Equivalents	(279,086)	(32,115)	(311,201)	(297,850)
Cash and Cash Equivalents, Beginning of year	<u>1,963,310</u>	<u>447,223</u>	<u>2,410,533</u>	<u>1,107,128</u>
Cash and Cash Equivalents, End of year	<u>\$ 1,684,224</u>	<u>\$ 415,108</u>	<u>\$ 2,099,332</u>	<u>\$ 809,278</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities				
Net Operating Income	\$ 158,597	\$ (850,753)	\$ (692,156)	\$ (323,447)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation	184,411	894,673	1,079,084	519,267
Changes in Assets and Liabilities				
Accounts Receivable	34,225	(140,763)	(106,538)	(233)
Supplies Inventory	-	47	47	14,239
Accounts Payable	(642,548)	45,732	(596,816)	15,634
Accrued Salaries	8,716	4,032	12,748	9,440
Compensated Absences Payable	2,242	(730)	1,512	1,144
Accrued Closure and Post Closure Liability	44,728	-	44,728	-
Net Cash Provided by Operating Activities	<u>\$ (209,629)</u>	<u>\$ (47,762)</u>	<u>\$ (257,391)</u>	<u>\$ 236,044</u>

See Notes to Financial Statements.

Archuleta County, Colorado
Statement of Fiduciary Net Position
For the Year Ended December 31, 2019

	<u>Treasurer's Agency Fund</u>
Assets	
Cash and Cash Equivalents	\$ <u>164,743</u>
Total Assets	\$ <u><u>164,743</u></u>
Liabilities	
Funds Held for Others	\$ <u>164,743</u>
Total Liabilities	\$ <u><u>164,743</u></u>

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies

The financial statements of the Archuleta County (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Reporting Entity

Archuleta County is a political subdivision organized under the statutes of the State of Colorado. The County is governed by a three-member Board of County Commissioners (The Board). Each commissioner is elected at-large by the voters of the County to represent one of the three separate districts and must reside in the district for which he or she is elected. There are also six other elected officials - assessor, clerk and recorder, coroner, sheriff, surveyor, and treasurer. The treasurer is also the County Public Trustee.

The County provides a wide range of services to its residents including general administration, public safety, highways and streets, health and human services, public improvements, planning, zoning, airport, predatory animal and weed control.

Component Units

The County's combined financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The County holds the corporate powers of the organization
- The County appoints a voting majority of the organization's board
- The County is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the County
- There is fiscal dependency by the organization on the County
- The organization is financially accountable to the County
- The organization receives or holds funds that are for the benefit of the County; and the County has access to majority of the funds held; and the funds that are accessible are also significant to the County.

Based on the application of these criteria, there are no component units included in the County's reporting entity.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the County.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In the fund financial statements, the County reports the following major governmental funds:

The *General Fund* - Is the County's primary operating fund. It accounts for all financial resources of the County, except those accounted for in another fund.

The *Road and Bridge Fund* - Is used to account for the maintenance and improvements of streets and highways. The sources of funds include highway user fees and other revenue sources.

The *Human Service Fund* - Is used to account for the operations of social programs; i.e., Temporary Aid to Needy Families (TANF), Old Age Pension, Aid to the Blind, Aid to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenues.

The *Justice System Capital Fund* - This fund is used to account for the acquisition, construction, capital improvement or capital maintenance of capital assets that support the County's "justice systems", such as Courthouse, Detention Center, Sheriff's Offices, and capital equipment supporting those and similar justice related functions.

Proprietary fund financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows.

Proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent years, are considered to be incurred.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

The County reports the following major proprietary funds:

- The **Solid Waste Fund** is used to account for the operation, maintenance, and the development of the County landfill.
- The **Airport Fund** is used to account for the operations of the County Airport.

The County reports the following internal service fund type:

- The **Internal Service Fund** accounts for the fleet services provided to the other departments or agencies of the County on a cost reimbursement basis.

Fiduciary fund financial statements consist of the Agency Fund established to record transactions relating to assets held by the County as an agent for individuals, governmental entities, and non-profit organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities and Net Position/Fund Balances

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. The County considers all pooled cash and investments to be cash equivalents.

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Road and Bridge Fund consists of expendable supplies held for use. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources", even though they are a component of net current assets. Inventory policy on government-wide statements is consistent with fund statements.

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *interfund receivables* and *interfund payables*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses using the consumption method.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Capital Assets - Capital assets, which include land, buildings, equipment, and all infrastructure owned by the County, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	7 - 40 years
Infrastructure	25 - 50 years
Vehicles and Equipment	5 - 15 years

Compensated Absences - Employees of the County are allowed to accumulate unused vacation and sick time depending on length of employment. Upon termination of employment from the County, an employee will be compensated for all accrued vacation time at their current rate of pay.

After five years of continuous service, upon termination, an employee will be paid for accumulated sick leave of 50% of all unused sick leave up to the maximum accumulative number of hours, which is 480 hours.

Accumulated, unpaid vacation time is accrued when earned in the government-wide financial statements and the proprietary funds in the fund financial statements. A liability is recorded in the governmental fund financial statements only when payment is due.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which arise both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, property taxes and unavailable grant revenue, are reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report deferred inflows of resources from property taxes and unavailable grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow of resources is recognized as revenue and the receivable is reduced.

Fund Equity - In the fund financial statements, governmental funds report non-spendable amounts that are (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, long-term notes receivable and fund advances. Restrictions of fund balance represents amounts that are restricted for specific fund purposes stipulated by external resource providers constitutionally or through enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by the passage of a resolution by the Board of County Commissioners. Commitments may be modified or changed only by the Board of County Commissioners approving a new resolution. Assigned fund balance includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by the County Administrator. Unassigned fund balance includes amounts that do not meet any of the above criteria. The County may report positive unassigned fund balances only in the general fund and negative unassigned fund balances may be reported in all funds.

Net Position - The County's net position is classified in the following components:

- *Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

- *Restricted* - This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* - This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the County on a daily basis. Since property tax revenues are collected in arrears during the succeeding fiscal year, receivables and corresponding deferred inflows of resources are reported at year end.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The County has evaluated subsequent events for recognition or disclosure through April 9, 2021, the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The County follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

1. In accordance with State statutes, prior to October 15, the County Budget Officer submits to the Board of County Commissioners a proposed operating budget for the calendar year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require more detailed line-item budgets be submitted in summary form. In addition, more detailed line-item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level;
2. Public hearings are conducted to obtain taxpayer comments;
3. Prior to December 31, the budget is legally enacted through passage of a resolution. The associated appropriations resolution is adopted at the fund level;
4. The County's policy states that no authorization is given to spend, contract, or incur a liability that was not appropriated in the current year's budget without written approval of the Finance Director. The Finance Director will approve only those expenditures for which a qualifying budget supplement has been properly prepared and submitted;
5. Formal budgetary integration is employed as a management control device during the year;
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with GAAP. For the Enterprise Funds, and Internal Service Fund, proceeds from long-term debt are budgeted as revenue, note and lease principal payments are budgeted as expenses, and purchases of capital assets are budgeted as capital outlay expenses;
7. Appropriations lapse at the end of each fiscal year. The Board of County Commissioners may authorize supplemental appropriations during the year. The Board of County Commissioners adopted supplemental appropriations during 2019.

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 3: Cash and Investments

A summary of cash and investments at December 31, 2019, follows:

Governmental Activities:	
Cash and Cash Equivalents	\$ 7,955,295
Investments	24,270,788
Total Governmental Activities	<u>\$ 32,226,083</u>
Business-Type Activities:	
Cash and Cash Equivalents	\$ 2,099,332
Fiduciary Fund:	164,743
Total Business-Type Activities	<u>\$ 2,264,075</u>
 Total	 <u>\$ 34,490,158</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2019, the County had bank deposits of \$2,628,467 collateralized with securities held by the financial institutions' agents but not in the County's name.

Investments

The County is required to comply with State statutes which specify investments meeting defined rating, maturity, and concentration risk criteria in which the County may invest, which include the following. Custodial risk is not addressed by State statutes.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts (GICs)

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 3: Cash and Investments (Continued)

Investments (Continued)

At December 31, 2019, the County had the following investments:

<u>Investment Type</u>	<u>Moody Rating</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Concentration</u>
COLOTRUST	N/A	AAAm	\$ 23,743,269	97.83%
CSAFE	N/A	AAAM	527,519	2.17%
Total			<u>\$ 24,270,788</u>	

Fair Value Measurements - The County reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2019, the County's investments in U.S. Treasury and Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Local Government Investment Pools - At December 31, 2019, the County had \$23,743,269 and \$527,519 invested in the Colorado Local Government Liquid Asset Trust (Colostrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 4: Property Tax Receivable

At December 31, 2019, the County had estimated property tax receivable divided among the funds as follows:

<u>Fund</u>	<u>Total</u>
General Fund	\$ 4,480,289
Road and Bridge Fund	317,929
Human Services	1,271,367
Total	<u>\$ 6,069,585</u>

Note 5: Interfund Balances and Transactions

At December 31, 2019, the General Fund subsidized the operating expenditures of other funds as follows:

<u>Fund</u>	<u>From</u>	<u>To</u>
General Fund	\$ 2,153,952	\$ -
Justice System Fund	-	1,500,000
Combined Dispatch	-	355,052
Airport Fund	-	198,900
Fleet Fund	-	100,000
Total	<u>\$ 2,153,952</u>	<u>\$ 2,153,952</u>

Note 6: Capital Assets

Capital asset activity for the year ended December 31, 2019, is summarized below:

Governmental Activities	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 748,711	\$ 265,585	\$ -	\$ 1,014,296
Construction in Progress	41,959	7,618,683	(5,412)	7,655,230
Total Capital Assets, <i>Not Being Depreciated</i>	<u>790,670</u>	<u>7,884,268</u>	<u>(5,412)</u>	<u>8,669,526</u>
<i>Capital Assets, Being Depreciated:</i>				
Improvements Non-Building	34,708	22,428	-	57,136
Buildings and Improvements	1,982,626	2,152	-	1,984,778
Machinery and Equipment	5,607,833	330,747	(172,361)	5,766,219
Vehicles	3,072,007	461,798	(121,985)	3,411,820
Computer Equipment	1,583,539	20,470	-	1,604,009
Infrastructure	16,747,301	911,156	-	17,658,457
Total Capital Assets, <i>Being Depreciated</i>	<u>\$ 29,028,014</u>	<u>\$ 1,748,751</u>	<u>\$ (294,346)</u>	<u>\$ 30,482,419</u>

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 6: Capital Assets (Continued)

Governmental Activities (Continued)	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets, <i>Not Being Depreciated: (Continued)</i>				
Less Accumulated Depreciation:				
Improvements Non-Building	\$ (17,691)	\$ (2,866)	\$ -	\$ (20,557)
Buildings and Improvements	(689,248)	(49,563)	-	(738,811)
Machinery and Equipment	(4,521,517)	(308,379)	172,361	(4,657,535)
Vehicles	(2,293,946)	(327,902)	121,985	(2,499,863)
Computer Equipment	(1,523,812)	(21,934)	-	(1,545,746)
Infrastructure	(4,094,067)	(845,849)	-	(4,939,916)
Total Accumulated Depreciation	<u>(13,140,281)</u>	<u>(1,556,493)</u>	<u>294,346</u>	<u>(14,402,428)</u>
Capital Assets, being depreciated, net	<u>15,887,733</u>	<u>192,258</u>	<u>-</u>	<u>16,079,991</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 16,678,403</u>	<u>\$ 8,076,526</u>	<u>\$ (5,412)</u>	<u>\$ 24,749,517</u>
Business-Type Activities	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets, <i>Not Being Depreciated:</i>				
Land	\$ 3,574,229	\$ -	\$ -	\$ 3,574,229
Construction in Progress	-	160,418	-	160,418
Total Capital Assets, <i>Not Being Depreciated</i>	<u>3,574,229</u>	<u>160,418</u>	<u>-</u>	<u>3,734,647</u>
Capital Assets, <i>Being Depreciated:</i>				
Infrastructure	451,399	-	-	451,399
Runway	30,130,960	-	-	30,130,960
Improvements Non-building	1,302,144	16,173	-	1,318,317
Buildings and Improvements	2,520,541	-	-	2,520,541
Machinery and Equipment	1,888,587	43,851	-	1,932,438
Vehicles	251,969	-	-	251,969
Total Capital Assets, <i>Being Depreciated</i>	<u>36,545,600</u>	<u>60,024</u>	<u>-</u>	<u>36,605,624</u>
Less Accumulated Depreciation				
Infrastructure	(283,409)	(97,333)	-	(380,742)
Runway	(10,125,350)	(746,795)	-	(10,872,145)
Improvements Non-building	(100,138)	(20,339)	-	(120,477)
Buildings and Improvements	(848,196)	(63,013)	-	(911,209)
Machinery and Equipment	(1,365,535)	(129,333)	-	(1,494,868)
Vehicles	(229,695)	(22,275)	-	(251,970)
Total Accumulated Depreciation	<u>(12,952,323)</u>	<u>(1,079,088)</u>	<u>-</u>	<u>(14,031,411)</u>
Capital Assets, <i>Being Depreciated net</i>	<u>23,593,277</u>	<u>(1,019,064)</u>	<u>-</u>	<u>22,574,213</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 27,167,506</u>	<u>\$ (858,646)</u>	<u>\$ -</u>	<u>\$ 26,308,860</u>

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 6: Capital Assets (Continued)

Depreciation expense was charged to programs of the County as follows:

Governmental Activities	
General Government	\$ 71,115
Public Safety	20,479
Health and Welfare	5,523
Highways and Streets	931,152
Recreation	<u>8,957</u>
Total Depreciation Governmental Activities	1,037,226
Fleet Fund	519,267
Total Combined Depreciation Governmental Activities	<u>\$ 1,556,493</u>

Note 7: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2019:

Governmental Activities	Balance 12/31/18	Additions	Payments	Balance 12/31/19	Due Within One Year
Capital Leases	\$ 2,344,339	\$ -	\$ (445,703)	\$ 1,898,636	\$ 456,995
Notes Payable	124,588	-	(54,168)	70,420	56,088
Certificates of Participation	-	14,055,000	-	14,055,000	360,000
Compensated Absences	<u>409,214</u>	<u>12,153</u>	<u>-</u>	<u>421,367</u>	<u>109,900</u>
Total Governmental Activities	<u>\$ 2,878,141</u>	<u>\$ 14,067,153</u>	<u>\$ (499,871)</u>	<u>\$ 16,445,423</u>	<u>\$ 982,983</u>

Business-Type Activities	Balance 12/31/18	Additions	Payments	Balance 12/31/19	Due Within One Year
Capital Leases	\$ 120,764	\$ -	\$ (28,810)	\$ 91,954	\$ 29,712
Compensated Absences	<u>46,786</u>	<u>6,905</u>	<u>(5,392)</u>	<u>48,299</u>	<u>11,264</u>
Total Business-Type Activities	<u>\$ 167,550</u>	<u>\$ 6,905</u>	<u>\$ (34,202)</u>	<u>\$ 140,253</u>	<u>\$ 40,976</u>

Capital Leases

In 2012, the County entered into a \$5,206,717 capital lease payable to defease the 2010 capital lease by placing the proceeds of the new capital lease totaling \$5,132,543 (after payment of \$74,464 in debt issuance costs), in an irrevocable trust to provide for all future debt payments of the defeased debt. Accordingly, the trust assets and liabilities for the defeased debt are not included in the County's financial statements.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 7: Long-Term Debt (Continued)

Capital Leases (Continued)

The County refunded the 2010 capital lease to reduce its total debt service payments. The capital lease payable to Colorado Business Bank is payable in quarterly installments of \$125,093 at 2.5% interest. Final payment is due in 2023. Collateral includes the county courthouse, road and bridge equipment, and vacant land. These assets are recorded in the capital assets of the government-wide financial statements at \$1,071,814, less accumulated depreciation of \$812,816 at December 31, 2019. The lease payments will be made from the Road and Bridge and General Funds. At December 31, 2019, the balance outstanding was \$1,898,636.

The annual debt service for the capital leases is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 456,995	\$ 43,377	\$ 500,372
2021	468,574	31,798	500,372
2022	480,447	19,925	500,372
2023	<u>492,620</u>	<u>7,752</u>	<u>500,372</u>
Total	<u>\$ 1,898,636</u>	<u>\$ 102,852</u>	<u>\$ 2,001,488</u>

Note Payable

During 2014, the County, along with Town of Pagosa Springs, Pagosa Fire Protection District and Upper San Juan Health Service District, jointly and severally refunded its 2011 note payable and entered into a \$357,478 promissory note payable to the Bank of the San Juans, payable in monthly payments of \$4,805 at 3.5% interest. Final payment is due in 2021. At December 31, 2019, the balance outstanding was \$70,420.

Annual debt service for the note payable is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 56,088	\$ 1,575	\$ 57,663
2021	<u>14,332</u>	<u>84</u>	<u>14,416</u>
Total	<u>\$ 70,420</u>	<u>\$ 1,659</u>	<u>\$ 72,079</u>

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 7: Long-Term Debt (Continued)

Certificates of Participation

On June 12, 2019, the County issued Certificates of Participation (COP) for \$14,055,000 at a premium of \$188,399. The COP include variable payment and interest rates from 5% to 3% and mature in 2044 as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 360,000	\$ 457,200	\$ 817,200
2021	375,000	439,200	814,200
2022	395,000	420,450	815,450
2023	415,000	400,700	815,700
2024	435,000	379,950	814,950
2025-2029	2,385,000	1,695,450	4,080,450
2030-2034	2,765,000	1,315,800	4,080,800
2035-2039	3,205,000	875,400	4,080,400
2040-2044	<u>3,720,000</u>	<u>355,781</u>	<u>4,075,781</u>
Total	<u>\$ 14,055,000</u>	<u>\$ 6,339,931</u>	<u>\$ 20,394,931</u>

Business Type Activities:

Capital Lease Payable

During 2017, the County entered into a \$148,400 capital lease agreement to finance a portion of the purchase of equipment for the Solid Waste Fund. The capital lease is payable in annual payments of \$32,589, including interest at 3.13%, through maturity in 2022. The equipment, which serves as collateral with a cost of \$448,700 and accumulated depreciation of \$150,245 at December 31, 2019, is included in capital assets of business-type activities and the Solid Waste Fund. At December 31, 2019, the balance outstanding was \$91,954.

Annual debt service for the capital lease is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 29,712	\$ 2,877	\$ 32,589
2021	30,641	1,948	32,589
2022	<u>31,601</u>	<u>989</u>	<u>32,590</u>
Total	<u>\$ 91,954</u>	<u>\$ 5,814</u>	<u>\$ 97,768</u>

Note 8: Operating Leases

The County is committed under various leases for office equipment and software. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$100,593.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 8: Operating Leases (Continued)

The future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2020	\$ 60,713
2021	53,052
2022	45,259
2023	41,638
Total	<u>\$ 200,662</u>

Note 9: Retirement Plans

Defined Contribution Plan

The County provides pension benefits for all full-time employees through an agent multi-employer public retirement system, the Colorado County Officials and Employees Retirement Association ("CCOERA"), a defined contribution plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees are eligible to participate immediately upon hire. The County has established that employees contribute 4% and the County contributes a matching 4% of the employee's wages each bi-weekly pay period. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous plan participation. The participants in this plan are offered various investment options through the plan and are allowed to invest all monies in their account, at their own discretion, among the options.

County contributions for, and interest forfeited by, employees who leave employment before five years of participation are used to reduce the County's current contribution requirements.

The County's total payroll in 2019 was approximately \$7,615,652. Both the County and the covered employees made the required contributions, amounting to approximately \$294,291 from the County and \$294,291 from employees. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. That report may be obtained by writing to Colorado Retirement Association, formerly CCOERA, 751 South Park Drive, Littleton, CO 80120 or by calling 1-800-352-0313.

Deferred Compensation Plan

The County also offers its employees and additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(f).

The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. The County has no other liability other than to make the required bi-weekly contribution on behalf of the employees. The County made no contributions to the deferred compensation plan in 2019 and employees contributed \$129,457.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 10: Colorado Contraband Forfeiture Act

The County has reviewed financial activities in the Sheriff's Department for compliance with the above referenced act. There were no sales of contraband during the year ended December 31, 2019.

Note 11: TABOR Amendment Reserve

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding section 20; commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate policy change directly causing a net tax revenue gain to any local government.

The initial base for local government spending and revenue limits is 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of fiscal year spending limits must be refunded in the next fiscal year unless voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also required local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending for fiscal years ending after December 31, 1995. Fiscal year spending excludes enterprise spending. The County has reserved a portion of the December 31, 2019 year-end balances in the General Fund for this purpose in the aggregate amount of \$356,308 which is the approximate required emergency reserve.

Archuleta County, Colorado
Notes to the Financial Statements
December 31, 2019

Note 12: Landfill Closure and Post-Closure Care Costs

State and Federal law require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County uses the “Local Government Finance Test” as its financial mechanism to assure full payment of all closure, post closure, and if applicable, corrective action estimated costs. The estimated liability for landfill closure and post closure care costs represents the County’s total current estimate of such future costs and is based on the estimated amount to be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2019. As of December 31, 2019, the County estimated that existing landfill capacity was approximately 67% utilized (filled), and that the existing landfill was expected to be filled to capacity in fiscal year 2026. The \$671,911 reported as landfill closure and post-closure care liability at December 31, 2019 represents the cumulative amount reported to date based on the use of 67% of the estimated capacity of the landfill. The aggregate estimated liability of \$1,007,022 is comprised of \$518,824 of estimated closure costs and \$488,197 of estimated post closure costs. The County will recognize the remaining estimated cost of closure and post-closure care of \$335,111 as the remaining estimated capacity is filled. However, the actual costs of closure and post closure may be higher, due to inflation, changes in technology, or changes in the landfill laws and regulations.

Note 13: Risk Management

Colorado Counties Casualty and Property Pool (CAPP)

The County is exposed to various risks of loss related to property and casualty losses. The County 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 County pays an annual contribution to CAPP for its property and casualty insurance coverage. The inter-governmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 13: Risk Management (Continued)

Colorado Workers' Compensation Pool (CWCP)

The County is exposed to various risks of loss related to injuries of employees while on the job. The County has joined together with other counties in the State of Colorado to form the Colorado Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. 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 the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

Note 14: Commitments and Contingencies

Grant Programs

The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The number of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although, the County expects any such amounts to be immaterial.

Litigation

The County is a party to various legal actions normally associated with governmental activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.

Insurance Pools

The County is a member of the Colorado Counties Casualty and Property Pool (CAPP) and the Colorado Workers' Compensation Pool (CWCP). CAPP and CWCP have a legal obligation for claims against its members to the extent that funds are available in their annually established loss funds and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds are direct liabilities of the participating members. CAPP and CWCP have indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs. The ultimate liability to the County resulting from claims not covered by CAPP and CWCP is not presently determinable.

Archuleta County, Colorado

Notes to the Financial Statements

December 31, 2019

Note 15: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The County has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Archuleta County, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property and Specific Ownership Tax	\$ 4,070,103	\$ 4,070,103	\$ 3,998,638	\$ (71,465)
Intergovernmental	1,050,035	1,460,035	2,104,121	644,086
Sales and use	2,525,672	2,525,672	2,983,184	457,512
Other Taxes	722,497	722,497	837,919	115,422
Licenses and Permits	569,689	569,689	570,758	1,069
Charges For Services	2,033,346	2,033,346	2,270,610	237,264
Other	385,750	385,750	331,868	(53,882)
Earnings on Investments	350,405	350,405	694,297	343,892
Total Revenues	<u>11,707,497</u>	<u>12,117,497</u>	<u>13,791,395</u>	<u>1,673,898</u>
Expenditures				
General Government	5,547,455	5,712,455	5,591,973	120,482
Public Safety	4,494,718	4,672,718	4,512,504	160,214
Health and Welfare	114,732	162,732	134,644	28,088
Economic Development	204,670	223,670	185,093	38,577
Highway and Streets	214,310	214,310	229,338	(15,028)
Culture and Recreation	453,465	453,465	269,246	184,219
Debt Service	72,728	72,728	72,728	-
Capital Outlay	203,958	203,958	57,518	146,440
Total Expenditures	<u>11,306,036</u>	<u>11,716,036</u>	<u>11,053,044</u>	<u>662,992</u>
Revenues Over (Under) Expenditures	401,461	401,461	2,738,351	2,336,890
Other Financing Sources (Uses)				
Transfers Out	(2,153,952)	(2,153,952)	(2,153,952)	-
Net Change in Fund Balance	(1,752,491)	(1,752,491)	584,399	2,336,890
Fund Balance, Beginning of year	<u>11,337,299</u>	<u>11,337,299</u>	<u>11,595,886</u>	<u>258,587</u>
Fund Balance, End of year	<u>\$ 9,584,808</u>	<u>\$ 9,584,808</u>	<u>\$ 12,180,285</u>	<u>\$ 2,595,477</u>

Archuleta County, Colorado
 Budgetary Comparison Schedule
 Road and Bridge Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property and Specific Ownership Tax	\$ 1,622,374	\$ 1,622,374	\$ 1,596,143	\$ (26,231)
Sales and Use Taxes	2,525,672	2,525,672	2,982,114	456,442
Intergovernmental	1,867,203	1,867,203	2,327,427	460,224
Charges for Services	30,000	30,000	72,778	42,778
Miscellaneous	30,000	30,000	86,150	56,150
	<u>6,075,249</u>	<u>6,075,249</u>	<u>7,064,612</u>	<u>989,363</u>
Expenditures				
Highway and Street	3,982,346	3,982,346	3,700,117	282,229
Capital Outlay	1,918,030	1,918,030	1,033,316	884,714
Debt Service:				
Principal	371,508	371,508	380,921	(9,413)
Interest	56,137	56,137	46,724	9,413
	<u>6,328,021</u>	<u>6,328,021</u>	<u>5,161,078</u>	<u>1,166,943</u>
Net Change in Fund Balance	(252,772)	(252,772)	1,903,534	2,156,306
Fund Balance, Beginning of year	<u>5,441,522</u>	<u>5,441,522</u>	<u>5,444,650</u>	<u>3,128</u>
Fund Balance, End of year	<u>\$ 5,188,750</u>	<u>\$ 5,188,750</u>	<u>\$ 7,348,184</u>	<u>\$ 2,159,434</u>

Archuleta County, Colorado
 Budgetary Comparison Schedule
 Human Services Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property and Specific Ownership Taxes	\$ 324,760	\$ 324,760	\$ 319,389	\$ (5,371)
Intergovernmental Revenue	3,872,453	3,872,453	3,640,690	(231,763)
Other	89,500	89,500	12,602	(76,898)
Total Revenues	<u>4,286,713</u>	<u>4,286,713</u>	<u>3,972,681</u>	<u>(314,032)</u>
Expenditures				
Health and Welfare	4,570,769	4,570,769	4,069,574	501,195
Total Expenditures	<u>4,570,769</u>	<u>4,570,769</u>	<u>4,069,574</u>	<u>501,195</u>
Net Change in Fund Balance	(284,056)	(284,056)	(96,893)	187,163
Fund Balance, Beginning of year	<u>406,637</u>	<u>406,637</u>	<u>801,283</u>	<u>394,646</u>
Fund Balance, End of year	<u>\$ 122,581</u>	<u>\$ 122,581</u>	<u>\$ 704,390</u>	<u>\$ 581,809</u>

Archuleta County, Colorado
Notes to Required Supplementary Information
December 31, 2019

Note 1: Stewardship, Compliance, and Accountability

Budgets

Formal budgetary integration in all funds is employed as a management control device during the year. Budgets are adopted for all governmental fund types on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governmental units. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the County Budget Officer submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The budget is prepared by fund and department, and includes actual data from the prior year, current year and budget year estimated revenues and expenditures.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 16, the budget is legally enacted, and the required mill levy is adopted through the passage of a resolution. This resolution authorizes an appropriation at each fund level and lapses at year end. The fund then becomes the level of control upon which expenditures cannot legally exceed appropriations.
- All appropriations lapse at the end of the year.
- Budgeted amounts in this report are as originally adopted or as amended by the Board of Commissioners during the year through supplemental appropriation.

Supplementary Information

Archuleta County, Colorado
Non-Major Governmental Funds
December 31, 2019

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted or assigned to expend for particular purposes.

Conservation Trust Fund - This fund is used to account for the County's share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks, and other public recreational facilities.

Combined Dispatch Fund - This fund was formerly the Emergency 911 fund and has been changed to include the combined dispatch of the County, Town of Pagosa Springs, Upper San Juan Health Service District, and the Pagosa Fire Protection District to account for the activity of providing emergency telephone services to the County's residents.

Capital Project Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fairfield Settlement Fund - This fund is used to partially compensate property owners in the eligible subdivision when they complete the extension of electrical power to their lot.

Archuleta County, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Special Revenue		Capital Projects	
	Combined Dispatch Fund	Conservation Trust Fund	Fair Field Settlement Fund	Totals
Assets				
Cash and Investments	\$ 154,996	\$ 504,371	\$ 527,519	\$ 1,186,886
Other Receivables	82,031	3,778	-	85,809
Total Assets	\$ 237,027	\$ 508,149	\$ 527,519	\$ 1,272,695
Liabilities				
Accrued Salaries	\$ 22,244	\$ -	\$ -	\$ 22,244
Accounts Payable	9,009	10,000	-	19,009
Total Liabilities	31,253	10,000	-	41,253
Fund Balances				
Restricted for:				
TABOR	16,338	498,149	-	514,487
Capital Project	-	-	527,519	527,519
Parks and Recreation	-	-	-	-
Assigned To:				
Public Safety	189,436	-	-	189,436
Total Fund Balances	205,774	498,149	527,519	1,231,442
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 237,027	\$ 508,149	\$ 527,519	\$ 1,272,695

Archuleta County, Colorado

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2019

	Combined Dispatch Fund	Conservation Trust	Fair Field Settlement	Totals
Revenues				
Intergovernmental	\$ 341,628	\$ 129,029	\$ -	\$ 470,657
Charges for Services	202,956	-	-	202,956
Other	2,026	-	-	2,026
Earnings on Investments	-	10,718	11,653	22,371
	<u>546,610</u>	<u>139,747</u>	<u>11,653</u>	<u>698,010</u>
Total Revenues				
	<u>546,610</u>	<u>139,747</u>	<u>11,653</u>	<u>698,010</u>
Expenditures				
Current				
General Government	10,110	-	-	10,110
Public Safety	876,702	-	-	876,702
Highway and Streets	-	70,000	-	70,000
Debt Service				
Principal Retirement	54,168	-	-	54,168
Interest	3,496	-	-	3,496
	<u>944,476</u>	<u>70,000</u>	<u>-</u>	<u>1,014,476</u>
Total Expenditures				
	<u>944,476</u>	<u>70,000</u>	<u>-</u>	<u>1,014,476</u>
Revenues Over (Under) Expenditures	(397,866)	69,747	11,653	(316,466)
Other Financing Sources (Uses)				
Transfers In	355,052	-	-	355,052
	<u>355,052</u>	<u>-</u>	<u>-</u>	<u>355,052</u>
Net Change in Fund Balances	(42,814)	69,747	11,653	38,586
Fund Balances, Beginning of year	248,588	428,402	515,866	1,192,856
	<u>248,588</u>	<u>428,402</u>	<u>515,866</u>	<u>1,192,856</u>
Fund Balances, End of year	\$ <u>205,774</u>	\$ <u>498,149</u>	\$ <u>527,519</u>	\$ <u>1,231,442</u>

Compliance Section

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
Government Auditing Standards**

Board of County Commissioners
Archuleta County, Colorado
Archuleta, Colorado

We have audited, in accordance with the 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, the financial statements of Archuleta County, Colorado (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Archuleta County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Greenwood Village, Colorado
April 9, 2021

Independent Auditors' Report on Compliance for Each Major Federal Program; Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

Board of County Commissioners
Archuleta County, Colorado
Archuleta, Colorado

Report on Compliance for Each Major Federal Program

We have audited Archuleta County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Archuleta County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Archuleta County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 9, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
April 9, 2021

Archuleta County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
COLORADO DEPT. OF HUMAN SERVICES				
<i>SNAP Cluster</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	183CO401S2514 183CO401S8036 183CO431Q7503 183CO421S2519 183CO421S2522 183CO421S252043 203CO401S2514 203CO401S8036 203CO401S8026 203CO401S8069 203CO401S2514 203CO321Q3903	\$ 96,376	\$ -
COLORADO DEPT. OF TREASURY				
Schools and Roads Cluster				
Secure Payments for States and Counties Containing Federal Lands				
Passed to Subrecipients: Title I Funds				
Total for Schools and Roads Cluster	10.665		\$ 287,339	\$ -
U.S. FOREST SERVICE				
Partnership Agreements - San Juan National Forest - Noxious Weed Control	10.699	18PA11021300009	\$ 6,000	\$ -
Law Enforcement Agreements	10.704	15-LE-11021300-004	\$ 4,170	\$ -
Cooperative Forest Road Agreements - San Juan National Forest	10.705	18-RO-11021300-055	\$ 35,156	\$ -
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 429,041</u>	<u>\$ -</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASSED THROUGH COLORADO DEPT. OF HUMAN SERVICES				
Guardianship Assistance	93.09	1801COGARD	\$ 1,136	\$ -
TANF CLUSTER				
Temporary Assistance for Needy Families	93.558	1801COTANF	\$ 264,288	\$ -
TOTAL FOR TANF CLUSTER			<u>\$ 264,288</u>	<u>\$ -</u>
Child Support Enforcement	93.563	1804COCSSES	\$ 119,770	\$ -
Low-Income Home Energy Assistance	93.568	18B1COLIEA	\$ 5,991	\$ -
CCDF CLUSTER				
Child Care and Development Block Grant	93.575	G1801COCCDF	\$ 62,890	\$ -
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801COCCDF	\$ 18,160	\$ -
TOTAL FOR CCDF CLUSTER			<u>\$ 81,050</u>	<u>\$ -</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1801COCWSS	\$ 472	\$ -
Foster Care-Title IV-E	93.658	1801COFOST	\$ 112,272	\$ -
Adoption Assistance	93.659	1801COADPT	\$ 36,096	\$ -
Social Services Block Grant	93.667	1801COSOSR	\$ 65,064	\$ -
Medicaid Cluster				
<i>Colorado Department of Human Services</i>				
Medical Assistance Program	93.778	1805CO5MAP	\$ 123,634	\$ -
TOTAL FOR MEDICAID CLUSTER			<u>\$ 123,634</u>	<u>\$ -</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 809,770	\$ -

(Continued)

Archuleta County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019
(Continued)

U.S. DEPARTMENT OF HOMELAND SECURITY			
COLORADO DEPT. OF LOCAL AFFAIRS			
Emergency Management Performance Grant (EMPG/LEMS)	97.042	19EM-20-03	\$ <u>35,608</u> \$ <u>-</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			\$ <u>35,608</u> \$ <u>-</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607	N/A	\$ <u>2,009</u> \$ <u>-</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ <u>2,009</u> \$ <u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Grants			
Airport Improvement Program No.3-08-0066-24	20.106	3-08-0066-024-2019	\$ <u>141,677</u> \$ <u>-</u>
TOTAL FOR AIRPORT IMPROVEMENT GRANTS			\$ <u>141,677</u> \$ <u>-</u>
COLORADO DEPT. OF TRANSPORTATION	20.509	19-HTR-ZL-00143	\$ <u>93,441</u> \$ <u>-</u>
<i>Formula Grants for Rural Areas</i>			
TOTAL FOR U.S. DEPARTMENT OF TRANSPORTATION			\$ <u>235,118</u> \$ <u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>1,511,547</u></u> \$ <u><u>-</u></u>

Archuleta County, Colorado
Notes to Schedule of Expenditures of Federal Awards
December 31, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures for Archuleta County under programs for the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Archuleta County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Archuleta County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Archuleta County, Colorado
 Schedule of Findings and Questioned Costs
 December 31, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

- Unmodified Qualified Adverse Disclaimed

The independent accountants' report on internal control over financial reporting described:

- Material weaknesses identified? Yes No
- Significant deficiencies? Yes None reported
- Noncompliance considered material to the financial statements noted? Yes No

Federal Awards

The independent auditors' report on internal control over compliance for major federal awards programs disclosed:

- Material weaknesses? Yes No
- Significant deficiencies? Yes None reported

Type of auditors' report issued on compliance for major federal programs:

- Unmodified Qualified Adverse Disclaimed

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

Cluster/Program	CFDA Number
Schools and Roads – Grants to States	10.665
Temporary Assistance for Needy Families	93.558
Airport Improvement Grants	20.106

Dollar threshold used to distinguish
 Between Type A and Type B programs: \$750,000.

Auditee qualified as low-risk auditee? Yes No

Archuleta County, Colorado
Schedule of Findings and Questioned Costs
December 31, 2019

Section II: Financial Statement Findings

Finding 2019-001:

Timely Submission of Reporting Package and Data Collection Form - Material Weakness

Criteria: Federal regulations 2 CFR 200.512 states that the audit must be completed, and the data collection form and reporting package be submitted within the earlier of 30 calendar days after receipt of the auditor's reports, or nine months after the end of the audit period. In addition, the County is required to submit audited financial statements to Colorado's Office of the State Auditor seven months after the end of the audit period

Condition: The 2018 audit was not completed, nor was the reporting package submitted, within seven months required by Colorado's Office of the State Auditor or the nine months after December 31, 2018 required by Federal regulations 2 CFR 200.512.

Cause: The County does not have sufficient financial reporting policies and procedures in place to prepare financial statements in a timely manner.

Effect: Failure to submit the reporting package and data collection form results in noncompliance with state and federal regulations and deadlines.

Questioned Costs: None reported.

Context: We noted that the reporting package and data collection form were not submitted timely for the 2018 audit.

Repeat Finding: Yes

Recommendation: We recommend the County establish financial reporting policies and procedures and take appropriate measures to ensure timely submission of the reporting package and data collection form within the required deadlines.

Views of Responsible Officials and Planned Corrective Actions: The County knew that delaying the audit would result in the late release of the 2017 audit and non-compliance with federal regulations. However, the County judged it more important to cooperate with the ongoing Department of Defense investigation than to meet the audit submission deadlines. The County does not anticipate these unusual circumstances to repeat in the future.

Section III: Federal Award Findings and Questioned Costs

Findings Required to be Reported by the Uniform Guidance

None

Archuleta County, Colorado
Summary Schedule of Prior Year Findings
December 31, 2019

Finding 2018-001:

Timely Submission of Reporting Package and Data Collection Form - Significant Deficiency

Criteria: Federal regulations 2 CFR 200.512 states that the audit must be completed, and the data collection form and reporting package be submitted within the earlier of 30 calendar days after receipt of the auditor's reports, or nine months after the end of the audit period.

Condition: The 2017 audit was not completed, nor was the reporting package submitted, within the nine months after December 31, 2017, required by Federal regulations 2 CFR 200.512.

Cause: The County asked the Inspector General's Office of the Department of Defense to investigate the County's "Section 1033 of the National Defense Authorization Act of 1997" program. The Inspector General's investigating staff agreed to do this but requested that the County delay the completion and release of the 2017 audit, as that would reveal the existence of the investigation and might compromise the outcome. The County agreed to this request. The delay in 2017 contributed to the delay in 2018.

Effect: Failure to submit the reporting package and data collection form results in noncompliance with state and federal regulations and deadlines.

Questioned Costs: None reported.

Context: We noted that the reporting package and data collection form were not submitted timely for the 2017 audit.

Repeat Finding: No

Recommendation: We recommend the County take appropriate measures to ensure timely submission of the reporting package and data collection form within the required deadlines.

Views of Responsible Officials and Planned Corrective Actions: The County knew that delaying the audit would result in the late release of the 2017 audit and non-compliance with federal regulations. However, the County judged it more important to cooperate with the ongoing Department of Defense investigation than to meet the audit submission deadlines. The County does not anticipate these unusual circumstances to repeat in the future.

Archuleta County, Colorado
Summary Schedule of Prior Year Findings
December 31, 2019

Finding 2018-002:

U.S. Department of Health and Human Services Passed Through Colorado Department of Human Services CFDA #93.558, Temporary Assistance for Needy Families Pass-through Grant identification #1801COTANF, #1701COTANF Procurement, Suspension and Debarment Significant Deficiency – Internal Control over Compliance

Criteria: Federal regulations 2 CFR 200.318 states that the County must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

In addition, Federal regulations 2 CFR 200.318 states that the County must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in 2 CFR 200.318 through 200.326.

Condition: During our testing, we noted the County does not maintain documented rationale for procurement methods used for Department of Human Services (“DHA”) contracts and did not follow their documented procurement policy. The County’s procurement policy requires written justification for sole source purchases and services. The DHS contracts were deemed to be sole source, however there was no written justification or documented rationale for use of the sole source procurement method.

Cause: The contracts in question were reviewed by the Finance Department and deemed to be sole source at that time. The failure to document the review and determination (as required by County policy) was an oversight, resulting from competing demands at the time of the review.

Effect: Failure to document rationale for method of procurement and failure to follow documented procurement policies, may result in entering into a contract that does not comply with federal standards.

Questioned Costs: None reported.

Context: We tested a sample of three contracts that the County entered into under the grant. We noted the County did not have documented rationale for procurement methods used or written justification for sole source services for the contracts selected. A statistical sample was not used in testing.

Repeat Finding: No

Recommendation: We recommend the County take appropriate measures to ensure all purchases meeting procurement standards have documented rationale for procurement methods used. Additionally, when the sole source method of procurement is used, we recommend the County follows their documented procurement policy which requires written justification for sole source purchases and services.

Archuleta County, Colorado
Summary Schedule of Prior Year Findings
December 31, 2019

Finding 2018-002: (Continued)

Views of Responsible Officials and Planned Corrective Actions: The County has relied on a single individual within the Finance Department to ensure procurement actions are properly documented, leaving performance subject to failure if that one person is distracted by a fluctuation work-load or otherwise temporarily indisposed. Therefore, two (or more) Department of Human Services staff will be trained in the documentation standards of procurement actions and instructed to prepare that documentation at the time the procurement actions are proposed.

Status: This finding has been corrected in the current year.

State Compliance

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: Archuleta County
		YEAR ENDING : December 2019
This Information From The Records Of (example - City of _ or County of _): County of Archuleta	Prepared By: Phone:	LeeAnn Martin (970)264-8554

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)	1,033,315
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,083,387
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	-
2. General fund appropriations	-	b. Snow and ice removal	370,212
3. Other local imposts (from page 2)	4,598,070	c. Other	367,657
4. Miscellaneous local receipts (from page 2)	39,124	d. Total (a. through c.)	737,869
5. Transfers from toll facilities	-	4. General administration & miscellaneous	877,937
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	-
a. Bonds - Original Issues	-	6. Total (1 through 5)	4,732,508
b. Bonds - Refunding Issues	-	B. Debt service on local obligations:	
c. Notes	-	1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	-
7. Total (1 through 6)	4,637,194	b. Redemption	-
B. Private Contributions		c. Total (a. + b.)	-
C. Receipts from State government (from page 2)	2,327,212	2. Notes:	
D. Receipts from Federal Government (from page 2)	100,208	a. Interest	46,724
E. Total receipts (A.7 + B + C + D)	7,064,614	b. Redemption	380,921
		c. Total (a. + b.)	427,645
		3. Total (1.c + 2.c)	427,645
		C. Payments to State for highways	-
		D. Payments to toll facilities	-
		E. Total disbursements (A.6 + B.3 + C + D)	5,160,153

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				-
1. Bonds (Refunding Portion)				-
B. Notes (Total)				-

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	5,444,650	7,064,614	5,160,153	7,349,111	-

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2019

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	1,440,647	a. Interest on investments	-
b. Other local imposts:		b. Traffic Fines & Penalties	-
1. Sales Taxes	2,982,114	c. Parking Garage Fees	-
2. Infrastructure & Impact Fees	-	d. Parking Meter Fees	-
3. Liens	-	e. Sale of Surplus Property	-
4. Licences & Permits	-	f. Charges for Services	37,594
5. Specific Ownership &/or Other	175,309	g. Other Misc. Receipts	1,286
6. Total (1. through 5.)	3,157,423	h. Other	244
c. Total (a. + b.)	4,598,070	i. Total (a. through h.)	39,124
	(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	2,252,164	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	100,208
a. State bond proceeds		b. FEMA	-
b. Project Match		c. HUD	-
c. Motor Vehicle Registrations	75,048	d. Federal Transit Admin	-
d. Other - Bridges	-	e. U.S. Corps of Engineers	-
e. Other - Piedra Road	-	f. Other Federal	-
f. Total (a. through e.)	75,048	g. Total (a. through f.)	100,208
4. Total (1. + 2. + 3.f)	2,327,212	3. Total (1. + 2.g)	100,208
			(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	-	-	-
b. Engineering Costs	-	-	-
c. Construction:			
(1). New Facilities	-	-	-
(2). Capacity Improvements	-	-	-
(3). System Preservation	-	1,033,315	1,033,315
(4). System Enhancement & Operation	-	-	-
(5). Total Construction (1) + (2) + (3) + (4)	-	1,033,315	1,033,315
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	-	1,033,315	1,033,315
			(Carry forward to page 1)
Notes and Comments:			