



Quarterly Financial Report 2017 – Second Quarter (January to June 2017)

Executive Summary

During the first half of 2017, most departments spent within their 2017 expense budgets and most 2017 revenue sources were received as expected, after taking seasonal adjustments into consideration.

Some positive developments include:

- The annual PILT (Payment in Lieu of Taxes) funding has been received and came in \$413,178 over budget. Note that the Feds extended a “supplemental” increase to this funding which began with the Emergency Economic Stabilization Act. These supplemental amounts are uncertain from year to year and therefore are not included in the County’s budget process.
- Sales Tax Revenue is currently exceeding the growth projected for it (by about 5.4%), and may exceed budget by year end by more than \$200,000 (half to the General fund and half to the Road & Bridge fund).
- Solid Waste landfill fees are about \$177,000 (62%) higher than the seasonally adjusted year to date budget. This fund has large capital expenditures looming in future years, so an improved revenue picture is very important.
- After making adjustments for seasonal variations, there are no major sources of revenue coming in lower than budgeted amounts.

So far, three (out of ninety) department budgets will need a budget adjustment by year end; as follows:

- Mountain Express is 57% expended: Fleet charges are likely to come in high.
- Transportation Administration is 60% expended: The vacation and sick time payout of the outgoing program coordinator will likely result in the department overspending the budget, though the new coordinator is taking steps to cut back in other areas.
- Solid Waste Pagosa Transfer Station is 60% expended: The Recycle salary is being charged to the Pagosa Transfer Station, resulting in the need for a housekeeping budget adjustment.

Two departments (of our ninety) are on our “watch list”, as follows:

- Sheriff Patrol: Fleet charges and training expenses might put this department over budget by year end. So far, expenses in other line items have been held under budget to compensate.
- Sheriff Detention: Inmate Housing costs and Fleet Charges are running higher than budgeted. Again, other costs are being held down (so far) sufficient to compensate, but it will likely be difficult to continue this all year. There are many costs (such as inmate medical and prescription costs) over which the department has no control.

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

General Fund:

Revenue Detail

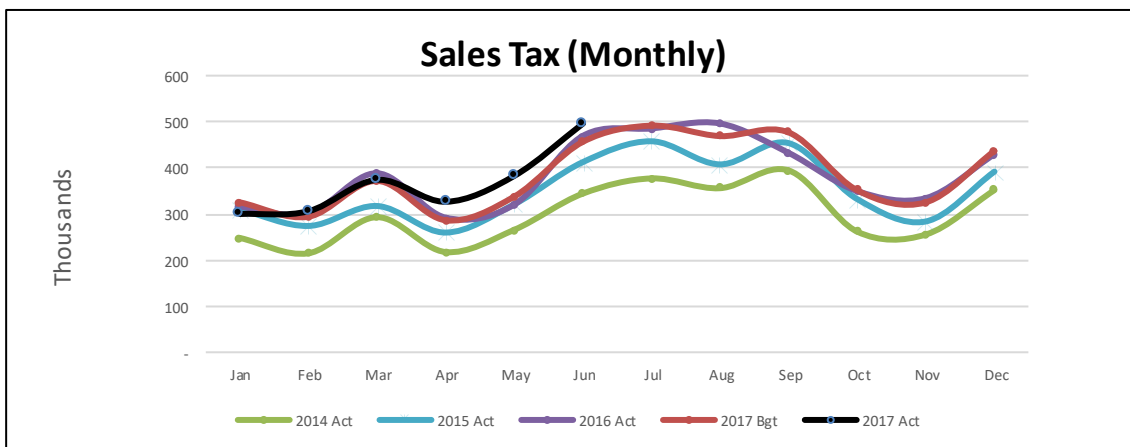
During the first half of 2017, General revenue was up \$230,388 (3.2%) over the same period in 2016. Relative to the annual budget, 69% of total budget has been received so far. Most of the apparent excess revenue is due to higher than expected PILT revenue. There were also significant (but seasonal) variations in the receipt of other types of revenue streams.

Revenue in Excess of Budget:

Several sources of revenue are coming in significantly over the amounts budgeted. The largest of these is PILT funding (Payments in Lieu of Taxes) which are received in two payments during the first half of the year and which came in \$413,178 (53%) over budget. The increase was due to the Feds deciding to extend “supplemental” increases in this type of funding which began with the Emergency Economic Stabilization act. These supplements have been uncertain from year to year, and the County budgets only the amounts that are certain to be received.

Other forms of revenue coming in over budget are:

- **Interest Income** is \$38,229 (55%) higher than during the same period in 2016 and stands at 140% of the 2017 total amount budgeted.
- **Building Permit Revenue** is \$26,511 (19%) higher than during the same period in 2016 and stands at 63% of the 2017 total amount budgeted.
- **Grant Revenue:** Unbudgeted revenue of \$40,183 was received from the Secure Rural Roads appropriation. This funding was uncertain at the time the budget was prepared. Note that 100% of the funds are passed thru to the School District, in the amount received, so it is just a pass through.
- **Sales Tax Revenue** is collected in arrears. During the first half of 2017, only five months of Sales Tax revenue were actually received (and shows on the statement). However, before this report was completed, we learned the amount of the June collections, and the graph below incorporates that additional information. During the first half of 2017, Sales Tax revenue in the General Fund is \$110,875 (5.4%) over the 2017 budget.



Seasonal Revenue:

Certain revenue streams are received during limited time frames within each year; that is, they are “seasonal” in nature. This complicates the analysis of whether they are being received in adequate amounts. The following revenues have received the majority of their annual budgeted amounts as of June 31, 2017, but are not considered to be coming in over budget.

- **Property Tax:** During the first half of 2017, about 92% of the budgeted property tax was received. During the same period in 2016, 91% of budgeted property tax was received. While property owners may pay their property

tax in a single installment (due on or before April 30), most exercise the option of paying in two installments, the first being due by Feb. 28th and the second by June 15th.

- **Treasury Fees:** During the first half of 2017, about 74% of treasury fees were collected. During the same period in 2016, 72% of the budgeted fees were collected. These fees are assessed against a wide range of revenues, including Property Tax and Sales Tax. We do not expect Treasury Fees to be under budget by year end.

Expense Detail:

During the first half of 2017, only 44% of the General Fund expense budget was utilized. The majority of individual departments (29 out of 35) were *under* budget during the first half of the year, on a year to date basis.

Two departments incurred a disproportionate amount of expense during the first half of the year, as follows:

- **County Assessor 54% expended:** Assessor software maintenance expenses are disproportionately expended (as expected) during the first half of the year and this accounts for most of the year to date overspending in their budget. A few other expenses are over budget at this point, and may (or may not) be a problem later in the year.
- **County Treasurer 57% expended:** The Treasurer Fee expense account is disproportionately expended (as expected) during the first half of the year. Misc. Expenditures are over budget for the year by over \$5,000. Several other accounts are under budget and are currently expected to compensate for the overspending.

Two department budgets will likely require a budget adjustment in the future, as follows:

- **Transportation (Mountain Express) is 57% expended:** Wages are coming in high by about 5%. Fleet charges were at 81% of the annual budget by June, and have since exceeded the annual budget, even though two of the three old buses were replaced with new ones during the first half of 2017.
- **Transportation (Administration) is 60% expended:** The Transportation Program Coordinator retired in 2017 and the vacation/sick time payout will push the budget over budget, even though the new Coordinator is taking steps to reduce some variable costs.

Two department budgets are currently on our “watch” list, as follows:

- **Sheriff – Patrol is 51% expended:** While year to date spending is only at 51% half way through the year, the Fleet Charges and Training budget line items are already over the amounts budgeted for the year.
- **Sheriff – Detention is 48% expended:** While year to date spending is slightly below year-to-date budget, Inmate Housing costs (paid to LaPlata County) and Fleet Charges are running well over budget and are expected to do so for the remainder of the year. Inmate medical services and inmate prescription costs were running well under budget during the first half of the year, but that trend is not expected to continue.

The General Fund report appears on the next page.

Governmental Fund - General

YTD Percent = 50%

as of June 30, 2017

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	6,651,545	6,651,545	4,440,951	2,210,594	✓ 67%
Licenses and Permits	532,300	532,300	256,038	276,262	⚠ 48%
Intergovernmental	1,272,533	1,272,533	1,274,088	(1,555)	✓ 100%
Charges for Services	1,583,336	1,583,336	874,081	709,255	✓ 55%
Interest	77,045	77,045	107,728	(30,683)	✓ 140%
Misc	437,490	437,490	304,589	132,901	✓ 70%
Total Revenues	10,554,249	10,554,249	7,257,475	3,296,774	✓ 69%
Expenditures					
Administration	391,733	391,733	177,480	214,253	✓ 45%
Attorney	161,755	161,755	70,008	91,747	✓ 43%
Building & Grounds	401,257	401,257	141,837	259,420	✓ 35%
County Assessor	563,100	563,100	306,315	256,785	⚠ 54%
County Clerk & Recorder	507,584	507,584	218,156	289,428	✓ 43%
County Clerk- Elections	129,618	129,618	50,840	78,778	✓ 39%
County Commissioners	872,319	872,319	315,929	556,390	✓ 36%
County Coroner	71,726	71,726	29,099	42,627	✓ 41%
County Fair Board	83,301	83,301	1,515	81,786	✓ 2%
County Surveyor	17,003	17,003	8,428	8,575	✓ 50%
County Treasurer	517,390	517,390	284,906	232,484	⚠ 55%
County Treasurer - Public Trustee	15,162	15,162	7,566	7,597	✓ 50%
CSU Extension	162,446	162,446	73,923	88,523	✓ 46%
CSU Extension Checking	20,000	20,000	1,363	18,637	✓ 7%
Development Services-Building	168,277	168,277	70,051	98,226	✓ 42%
Development Services-Planning	133,733	133,733	63,620	70,113	✓ 48%
District Attorney	404,000	404,000	76,756	327,244	✓ 19%
Finance	424,504	424,504	195,877	228,627	✓ 46%
Human Resources	141,880	141,880	66,967	74,913	✓ 47%
IT/GIS	436,375	436,375	202,546	233,829	✓ 46%
Jail Commissary	65,000	65,000	21,738	43,262	✓ 33%
Livestock Auction	305,000	305,000	-	305,000	✓ 0%
Sheriff Administration	344,107	344,107	172,735	171,372	✓ 50%
Sheriff Animal Control	55,000	55,000	25,000	30,000	✓ 45%
Sheriff Court Security	78,740	78,740	35,281	43,459	✓ 45%
Sheriff Detention	1,082,701	1,082,701	524,571	558,130	✓ 48%
Sheriff Emergency Management	338,346	338,346	146,760	191,586	✓ 43%
Sheriff Investigations	271,522	271,522	113,918	157,604	✓ 42%
Sheriff Patrol	866,336	866,336	442,710	423,626	⚠ 51%
Tourism Fund	120,000	120,000	35,792	84,208	✓ 30%
Transportation Administration	77,790	77,790	46,933	30,857	⚠ 60%
Transportation Mountain Express	302,924	302,924	173,814	129,110	⚠ 57%
Veterans Services	89,871	89,871	45,722	44,149	⚠ 51%
Weed & Pest	117,900	117,900	53,371	64,529	✓ 45%
Non-Departmental	1,397,495	1,397,495	631,972	765,523	✓ 45%
Total Expenditures	11,135,895	11,135,895	4,873,682	6,262,213	✓ 44%
Revenue over (under) Expenditures	(581,646)	(581,646)	2,383,793		

Road & Bridge Fund:

Revenue Detail

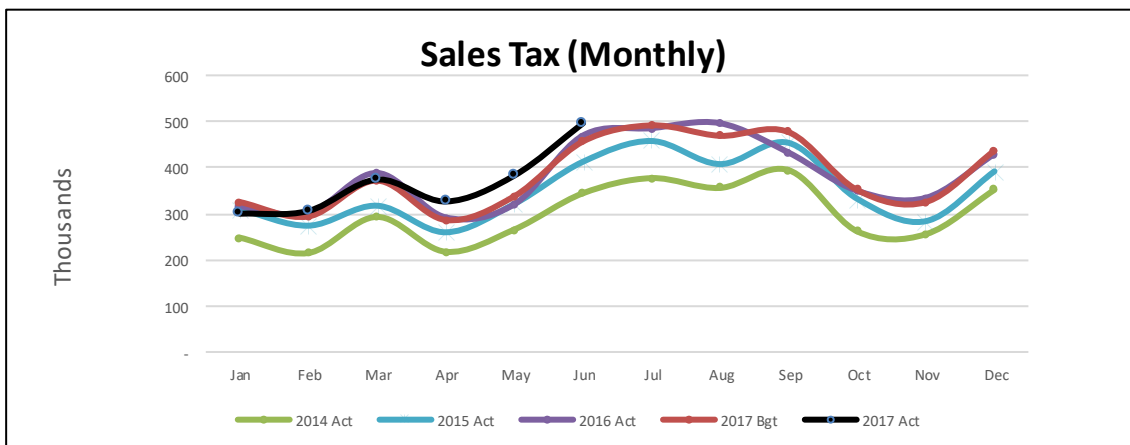
During the first half of 2017, Road & Bridge revenue was at 53% of the current year annual budget. This was \$29,042 (1%) lower than the first half of 2016. In the detail, individual types of R&B revenue are subject to seasonal variation, just as they are in the General fund. The most material seasonal variations include:

Property Tax:

The Road & Bridge portion of County property tax comes in during the first half of the year, just as it is explained in the General Fund narrative. (It is the same tax, just the Road & Bridge portion thereof). During the first half of the year, 91% was actually received, which is quite normal.

Sales Tax:

Sales Tax revenue is collected in arrears, just as explained in the General Fund narrative. (It is just the Road & Bridge portion of the same tax). During the first half of 2017, only five months of Sales Tax revenue were actually received (and shows on the statement). However, before this report was completed, we learned the amount of the June collections, and the graph below incorporates that additional information. During the first half of 2017 Sales Tax revenue in the Road & Bridge Fund was \$110,875 (5.4%) over budget.

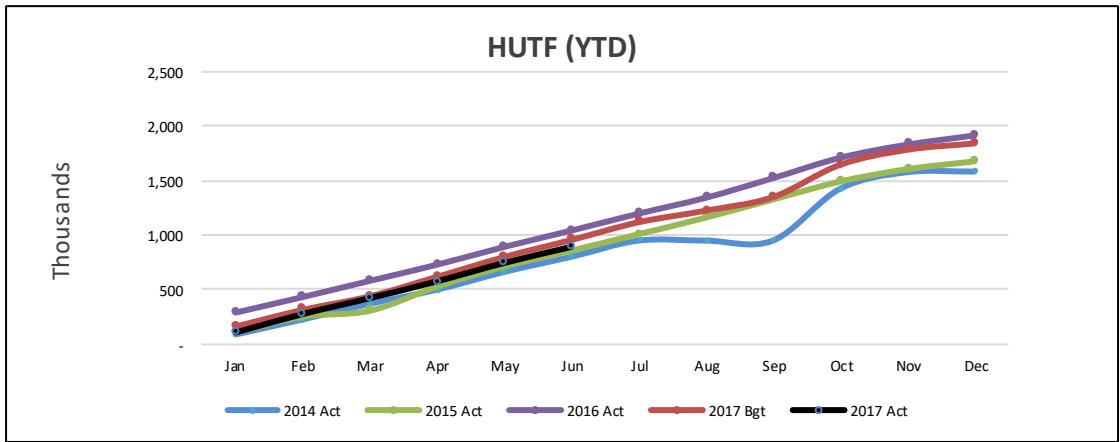


Licenses and Permits Revenue:

This refers to Road Cut & Driveway Permits. During the first half of 2017, about 79% of the annual budget was received. While it is a bit early to project, we think it likely that this source of revenue will exceed budget by as much as 50% by year end.

Intergovernmental Revenue:

The largest source of Road & Bridge funds within the "Intergovernmental" category are known as HUTF (Highway Users Tax Fund) revenue. As of June 30, 2016, only the first five months of HUTF were received, but we know what the June disbursement is and are reflecting it in the graph below. With June included, about 45% of the annual total budget was received. By year end, this revenue stream is (nevertheless) projected to come in at about 98% of the 2017 budget.



All things considered, Road & Bridge Fund revenue streams are expected to come in over budget during 2017, possibly by 1 to 2% (\$50,000 to \$100,000).

Expense Detail:

During the first half of 2017, about 22% of the Road & Bridge Fund expense budget was utilized. Only one individual department budget was over budget. The core maintenance and road capital improvement budgets were all under budget. Note that most significant road maintenance and construction occurs during the summer months, and invoices associated with major projects typically do not come due until well into the third quarter.

Road & Bridge Administration:

This department was 60% expended during the first half of the year. Within this budget, the annual General Liability insurance premium payment was made during the first quarter. This completely consumed the annual \$145,000 budget for that item. Likewise, the budgeted Treasurer Fees were fully charged during the first half of the year, which is normal. Almost all of the other expense categories were under budget by comfortable amounts and this department is not expected to be over budget at year end.

The Road & Bridge report appears on the next page.

Governmental Fund - Road & Bridge

as of June 30, 2017

YTD Percent =	50%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	3,802,799	3,802,799	1,990,470	1,812,329	✓ 52%
Licenses and Permits	25,000	25,000	19,640	5,360	✓ 79%
Intergovernmental	1,904,810	1,904,810	907,569	997,241	⚠ 48%
Misc	23,473	23,473	110,475	(87,002)	✓ 471%
Total Revenues	5,756,082	5,756,082	3,028,153	2,727,929	✓ 53%
Expenditures					
Administration	871,399	871,399	522,037	349,362	⚠ 60%
Road Maintenance	2,871,143	2,871,143	912,929	1,958,214	✓ 32%
RCI (General)	496,896	496,896	228,899	267,997	✓ 46%
RCI (Paving)	2,763,501	2,763,501	0	2,764,991	✓ 0%
RCI (Patching)	561,600	561,600	0	560,110	✓ 0%
RCI (Crack Sealing)	107,340	107,340	22,000	85,340	✓ 20%
RCI (Five Year Plan)	38,000	38,000	0	38,000	✓ 0%
RCI (Bridges)	-	-	786	(786)	N/A
Unallocated	-	-	0	-	N/A
Total Expenditures	7,709,879	7,709,879	1,686,650	6,023,229	✓ 22%
Revenue over (under) Expenditures	(1,953,797)	(1,953,797)	1,341,503		

Dispatch Fund:

Revenue Detail

During the first half of 2017, 41% of the annual total budgeted Dispatch revenue was received.

Intergovernmental Revenue:

Intergovernmental revenue in this fund is from the Town of Pagosa Springs Police Department, the Upper San Juan Health District and the Pagosa Fire Protection District; which all contribute funding to the Dispatch fund according to an indicator of proportionate use of the service (being the three year average proportion of “calls for service”). Amounts are received in quarterly installments. As of June 30, 2017, only 34% of the budgeted revenue had been received, because the Town of Pagosa Springs had not yet disbursed their second quarter installment.

Charges for Services:

Charges for Services in this fund are “911 Surcharges”, collected from telephone service providers. As of June 30, 2017 about 34% of these charges had been collected. While 34% looks low, there is a normal time lag in collections, and we currently don’t have reason to think that this income will come in low.

Expense Detail

During the first half of 2017, about 49% of the annual Dispatch expense budget was utilized. Capital Outlay costs in the fund appear to be trending over budget (at 65%), but most of the annual costs in this category were expended by mid-year. Unless an exceptional event forces unplanned spending before year end, this fund should expend about 98% or 99% percent of its 2017 budget.

Governmental Fund - Archuleta County Combined Dispatch

as of June 30, 2017

YTD Percent =	50%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Intergovernmental	296,140	296,140	100,814	195,327	⚠ 34%
Charges for Services	221,000	221,000	75,761	145,239	⚠ 34%
Misc	-	-	1,731	(1,731)	N/A
Transfers In	363,945	363,945	181,973	181,973	✅ 50%
Total Revenues	881,085	881,085	360,278	520,807	⚠ 41%
Expenditures					
Combined Dispatch					
Personnel Costs	632,680	632,680	303,961	328,719	✅ 48%
Materials & Services	159,651	159,651	74,409	85,242	✅ 47%
Capital Outlay	49,950	49,950	32,509	17,441	⚠ 65%
Debt Service	57,664	57,664	28,832	28,832	✅ 50%
Total Expenditures	899,945	899,945	439,711	460,234	✅ 49%
Revenue over (under) Expenditures	(18,860)	(18,860)	(79,433)		

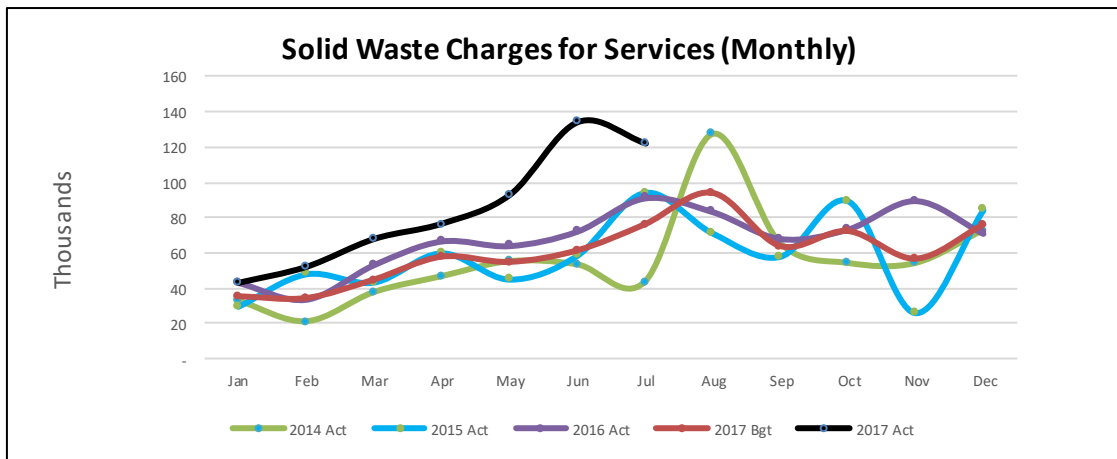
Solid Waste Fund:

Revenue Detail

During the first half of the year, 57% of the annual budgeted Solid Waste revenue was received.

Charges for Services:

Most Solid Waste fund revenue is Charges for Services, being fees collected when waste is deposited at the landfill. While the landfill receives significant amounts of material year round, the amounts being deposited do vary with the seasons and in a predictable way. The year to date amount actually received was \$177,032 (61.6%) higher than the seasonally adjusted budget for this time period. An exceptional amount of revenue was received in June; as various building demolitions were hauled to the landfill mostly during that month. The graph below shows this revenue through July. We are currently projecting record revenue for the year... likely to exceed one million dollars.



Misc. Revenue:

Misc. Revenue refers to cash received by the County in exchange for recyclable materials (cardboard, plastic and metal) collected by the County at the Pagosa Transfer Station. Such material is sold only when large quantities have been accumulated, which is done on an irregular basis. During the first half of the year, sales of recyclable material (at \$4,371) already exceeded the annual budget by \$871.

Expense Detail:

During the first half of the year, 22% of the Solid Waste Fund expense budget was utilized. Three of the five of the individual departments were *under* budget during the first half of the year. Two departments were over budget, as follows:

- Solid Waste Administration is 52% expended: On a year to date basis, this department looks slightly overspent, mostly because the Training part of the budget was fully utilized by mid-year. Despite this, it seems likely this budget will not be overspent at year end.
- Pagosa Transfer Station is 60% expended: This department is absorbing one wage that was originally budgeted to the Recycle budget. On a combined basis, they are within budget. The change in allocation is basically a housekeeping matter.

The Solid Waste Fund report appears on the next page.

Enterprise Fund - Solid Waste

YTD Percent = 50%

as of June 30, 2017

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	739,000	739,000	442,678	296,323	✓ 60%
Misc	3,500	3,500	4,371	(871)	✓ 125%
Transfers In	300,000	300,000	150,000	150,000	✓ 50%
Total Revenues	1,042,500	1,042,500	597,049	445,451	57%
Expenditures					
Administration	71,409	71,409	37,228	34,181	⚠ 52%
Arboles Transfer Station	15,612	15,612	6,650	8,962	✓ 43%
Landfill	924,238	924,238	157,938	766,300	✓ 17%
Pagosa Transfer Station	91,957	91,957	55,394	36,563	⚠ 60%
Recycling	52,361	52,361	998	51,364	✓ 2%
Non-Departmental	-	-	-	-	N/A
Total Expenditures	1,155,577	1,155,577	258,207	897,370	✓ 22%
Revenue over (under) Expenditures	(113,077)	(113,077)	338,842		

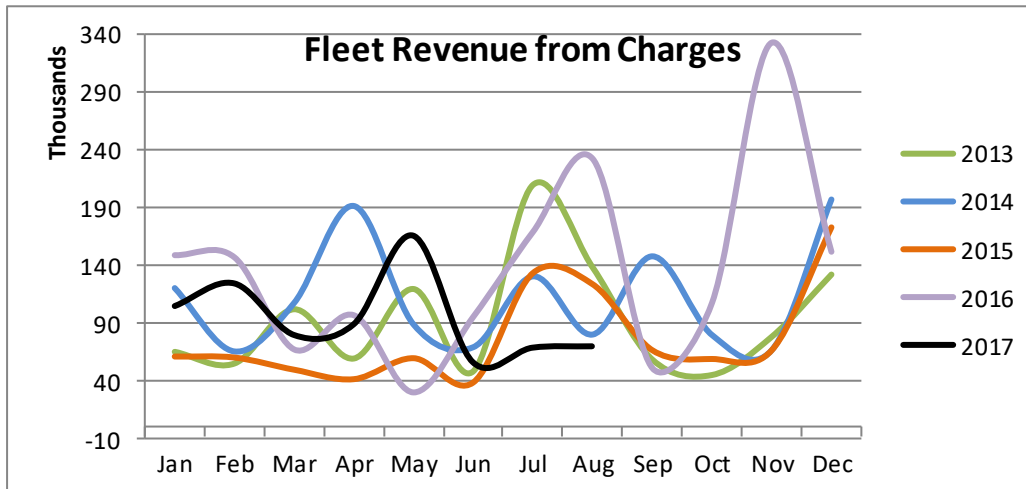
Other Issues in Solid Waste:

While the Solid Waste fund is in great shape relative to the 2017 revenue and expense budgets, there are issues developing that will likely affect the 2018 budget and beyond. A "Solid Waste Revenue Sufficiency" study is underway in 2017. It will be completed before the next quarterly report, and a brief summary will be included then.

Fleet Fund:

Revenue Detail

Fleet revenue comes from charges to County departments for fuel and services. From month to month, they are highly variable, depending upon the need for major repairs on heavy equipment. In recent years, these charges have averaged about \$94,000/month. During the first half of 2017, these charges averaged \$103,610/month. While this is about 10% higher than the monthly average in recent years, it is still difficult to predict how the year will unfold, because these charges are so highly variable. Below is a graph which illustrates the variable nature of the funding.



Expense Detail

Overall, Fleet expense was only 44% expended during the first half of 2017, even though Capital Outlay was 66% expended. Note that capital outlays are few in number and the timing of the procurements are often made early in the year to have equipment available for the construction season. They are not spread throughout the year in the manner of most other costs. There is no reason to believe the capital outlay budget will be overspending by year end.

Internal Services Fund - Fleet

as of June 30, 2017

YTD Percent = 50%

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	1,248,880	1,248,880	621,658	627,222	50%
Misc	-	-	18,636	(18,636)	N/A
Transfers In	325,000	325,000	162,500	162,500	50%
Total Revenues	1,573,880	1,573,880	802,794	771,086	51%
Expenditures					
Fleet Services					
Personnel Costs	294,351	294,351	145,298	149,053	49%
Materials & Services	891,463	891,463	286,626	604,837	32%
Capital Outlay	424,000	424,000	281,822	142,178	66%
Total Expenditures	1,609,814	1,609,814	713,747	896,067	44%
Revenue over (under) Expenditures	(35,934)	(35,934)	89,048	(124,982)	

Finance Department Performance Measures

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

<u>Activity</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Audit (Good Opinion)	N/A	N/A	100%	N/A
Budget (GFOA Award)	N/A	N/A	N/A	N/A
Expenditures/Fund (Within Budget)	100%	100%	—	—
<i>Core Processes on Schedule:</i>				
Audit Prep	90%	95%	100%	N/A
Accounts Payable	100%	100%	—	—
Budget	N/A	N/A	—	—
Human Services Accounting	83%	75%	—	—
Payroll	100%	100%	—	—
Quarterly Reporting	100%	100%	—	—
Year End Close Process	90%	100%	N/A	N/A

Highlights from the second quarter (and part of the third quarter) include:

- Accounts Payable and County Payroll were processed accurately and on time. This is a continuation of Emmy Kuhl’s excellent record of timely work.
- Audit work preparation was close but not completed until the third quarter. The auditor’s site visit occurred during the third quarter, not in June as originally scheduled. The 2016 audit was completed on time and resulted in an “unmodified opinion”, which is the best opinion. There were no findings in that audit.
- After receiving the “Distinguished Budget Presentation Award” for three years in a row, the Finance Office chose not to apply this year. There is a fee involved and some considerable time involved in applying. Since we seem to have the budget process down very well, we will limit our applications to every other year.
- LeeAnn Martin was the major contributor to the good 2016 audit. The County continues to be blessed by her contributions.
- The GFOA (Government Finance Officers Association) held its annual training conference in nearby Denver. Three staff attended all or part of that conference (Bentley Henderson, Larry Walton and LeeAnn Martin). A great of training was compressing into a short period of time.
- Significant time was devoted to supporting the effort to construct new Justice System Facilities. This included attending training and refresher courses on the processes and laws involved and providing assistance in the procurement of a municipal advisor, the procurement of a Bond Attorney, analysis of various funding options, and in assisting in editing various resolutions and ballot language, and in preparing Tabor notice information.

Larry Walton (Finance Director)