Archuleta County, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2015

ACM

Anton Collins Mitchell LLP

Accountants & Consultants

ARCHULETA COUNTY, COLORADO
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December 31, 2015

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Independent Auditor's Report

To the Board of County Commissioners of Archuleta County, Colorado
Pagosa Springs, Colorado

Report on the Financial Statements

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 (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity's 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 entity's 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 Archuleta County, Colorado, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi and the budgetary comparison information on pages 32 through 34 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 required supplementary 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.

Supplementary and 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 other supplementary information as listed in the table of contents, the Schedule of Expenditures and Transfers Out – All Non-Major Governmental Funds, and All Proprietary Funds – Budget and Actual, the Local Highway Finance Report, and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements

The other supplementary information as listed in the table of contents, the Schedule of Expenditures and Transfers Out – All Non-Major Governmental Funds, and All Proprietary Funds – Budget and Actual, the Local Highway Finance Report, and the Schedule of Expenditures of Federal Awards 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 such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 28, 2016 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 County's internal control over financial reporting and compliance.

Anton Collins Mitchell LLP

Greeley, Colorado
July 28, 2016

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, 2015. 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, 2015 by $54,664,950. Of this amount, $16,197,291 may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position increased by $6,217,448 or 12.8% during 2015. The governmental net position increased by $1,472,112 or 6.0% and the business-type net position increased by $4,745,336 or 19.8%.

- The combined governmental fund balances at December 31, 2015 were $17,064,998, an increase over 2014 of $960,213. The unassigned combined fund balance is $3,859,811 and is available for spending.

- The unassigned fund balance within the General Fund is $3,859,811 and is 44.5% of the total General Fund expenditures.

- The County's total long term liabilities decreased ($424,219) or (9.1%).

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).

Government-wide financial statements distinguish functions of Archuleta County that are principally supported by taxes and intergovernmental revenues (G*overnmental 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 & streets, health & 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 you 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 governmental-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.

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 $54,664,950 at December 31, 2015.

The following table provides a summary comparison of the County's governmental and business-type net position at December 31, 2015.

Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 24,124,565	$ 22,791,485	$ 1,878,512	$ (26,177)	$26,003,077	$22,765,308
Capital assets	13,035,403	12,920,172	28,090,083	24,455,501	41,125,486	$37,375,673
Total assets	37,159,968	35,711,657	29,968,595	24,429,324	67,128,563	60,140,981
Current liabilities	1,792,535	1,487,172	762,632	40,359	2,555,167	1,527,531
Noncurrent liabilities	3,716,562	4,212,443	537,286	465,624	4,253,848	4,678,067
Total liabilities	5,509,097	5,699,615	1,299,918	505,983	6,809,015	6,205,598
Deferred inflows of resources	5,654,598	5,487,881	-	-	5,654,598	5,487,881
Net position:						
Net investment in capital assets	9,142,801	8,577,214	28,090,083	24,455,501	37,232,884	33,032,715
Restricted	1,234,775	1,191,135	-	-	1,234,775	1,191,135
Unrestricted	15,618,697	14,755,812	578,594	(532,160)	16,197,291	14,223,652
Total net position	$ 25,996,273	$ 24,524,161	$ 28,668,677	$ 23,923,341	$54,664,950	$48,447,502

The largest portion of Archuleta County's net position, about 68%, 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 2% of the County's net position is subject to restrictions on how it may be used. About 30% 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.

Governmental Activities

The Governmental Activities total revenues of $20,405,933 exceeded expenditures of $18,933,821, resulting in an increase in net assets of $1,472,112 at December 31, 2015.

The following table provides a summary comparison of the County's governmental and business-type net position at December 31, 2015.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	$ 2,203,145	$ 2,159,067	$ 856,557	$ 783,842	$ 3,059,702	$ 2,942,909
Operating grants	7,400,499	6,504,374	-	99,987	7,400,499	6,604,361
Capital grants/Contributions	111,000	1,430,978	4,043,116	219,166	4,154,116	1,650,144
General revenues:						
Property taxes	6,113,427	5,834,954	-	-	6,113,427	5,834,954
Sales and use taxes	4,350,799	3,687,928	-	-	4,350,799	3,687,928
Other taxes	1,160,215	1,193,683	-	-	1,160,215	1,193,683
Other general revenues	710,919	654,809	-	-	710,919	654,809
Transfers	(1,644,071)	(499,857)	1,644,071	499,857	-	-
Total revenues	20,405,933	20,965,936	6,543,744	1,602,852	26,949,677	22,568,788
Program expenses:						
General Government	4,900,948	4,624,906	-	-	4,900,948	4,624,906
Public Safety	3,980,691	3,975,432	-	-	3,980,691	3,975,432
Health and Welfare	4,013,596	4,120,480	-	-	4,013,596	4,120,480
Highways and Streets	4,941,228	3,768,480	-	-	4,941,228	3,768,480
Economic Development	115,451	26,024	-	-	115,451	26,024
Recreation and Culture	329,856	249,726	-	-	329,856	249,726
Asset Impairment	545,792	-	-	-	545,792	-
Interest Expense	106,259	122,130	-	-	106,259	122,130
Airport	-	-	1,163,435	1,080,149	1,163,435	1,080,149
Solid Waste	-	-	634,973	577,413	634,973	577,413
Total expenses	18,933,821	16,887,178	1,798,408	1,657,562	20,732,229	18,544,740
Change in Net Position	1,472,112	4,078,758	4,745,336	(54,710)	6,217,448	4,024,048
Beginning Net Position	24,524,161	20,445,403	23,923,341	23,978,051	48,447,502	44,423,454
Ending Net Position	$ 25,996,273	$ 24,524,161	$ 28,668,677	$23,923,341	$ 54,664,950	$ 48,447,502

Expenditures exceeded Program Revenues for Governmental Activities by $9.2 million in 2015. In 2014 expenditures exceeded Program Revenues by $6.8 million.

Total revenues for governmental activities are made up of 48.0% of program revenues and 52.0% general revenues. In 2014, program revenues were 48.1% of the total revenues and general revenues represented 51.9%.

Governmental Activities Program Revenues decreased ($379,755) or (3.8%) in 2015 compared to 2014. The overall decrease is due to a significant reduction in Capital Grants/Contributions, most of which were offset by increases in Operating Grants and Charges for Services.

General revenues, primarily property taxes and sales taxes, were used to pay for $9,219,177 of expenses that were not covered by program revenues.

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

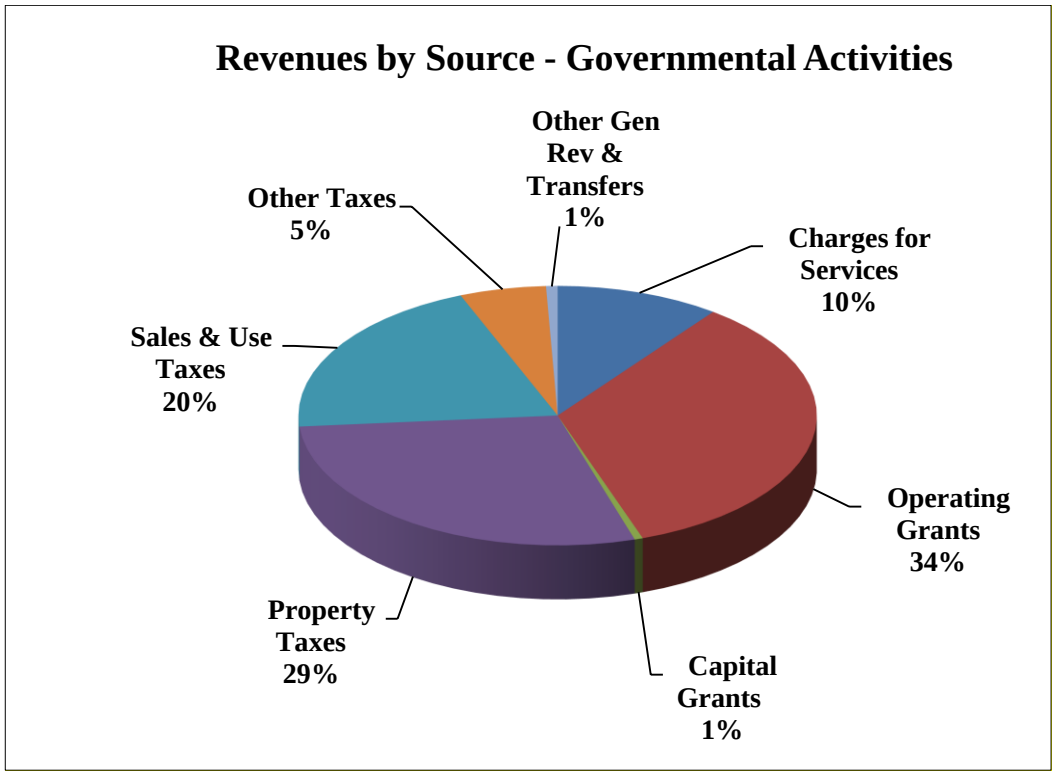
Net Program Cost to Taxpayers

Governmental Activities

	Program Revenues	Expenses	Net (Expense) Revenue
General Gov't	2,539,824	4,900,948	(2,361,124)
Public Safety	714,680	3,980,691	(3,266,011)
Health & Welfare	3,762,299	4,013,596	(251,297)
Highways & Streets	2,697,841	4,941,228	(2,243,387)
Economic Dev	-	115,451	(115,451)
Recreation & Cult	-	329,856	(329,856)
Asset Impairment	-	545,792	(545,792)
Interest Exp	-	106,259	(106,259)
Totals	**9,714,644**	**18,933,821**	**(9,219,177)**

Governmental Activities total revenues decreased ($560,003) or (2.7%) in 2015.

The following illustrate revenues by sources:

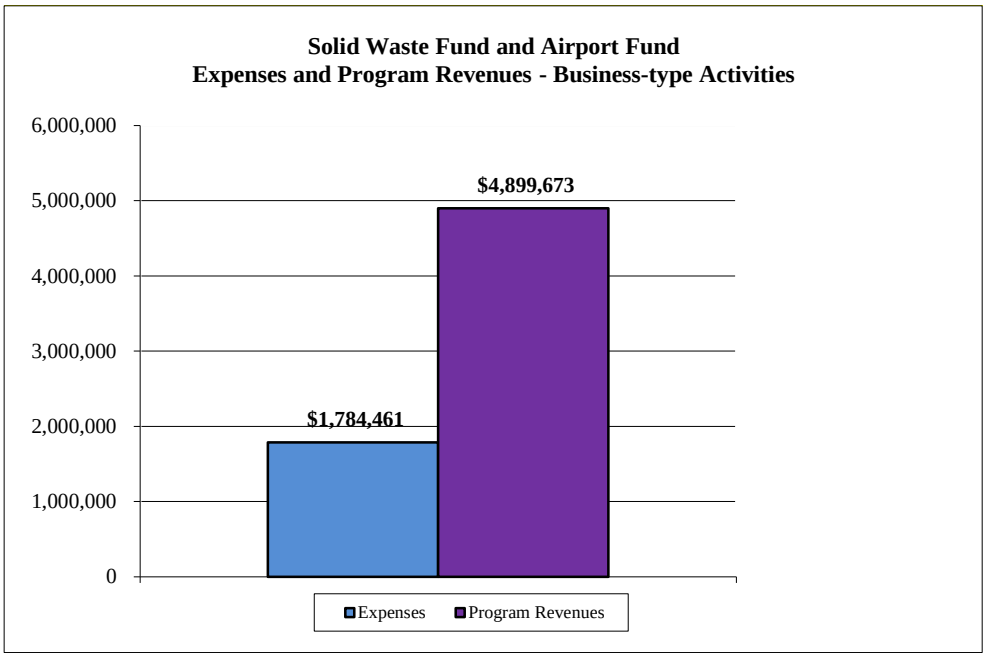


The percentages of total County expenses in each function are as follows:

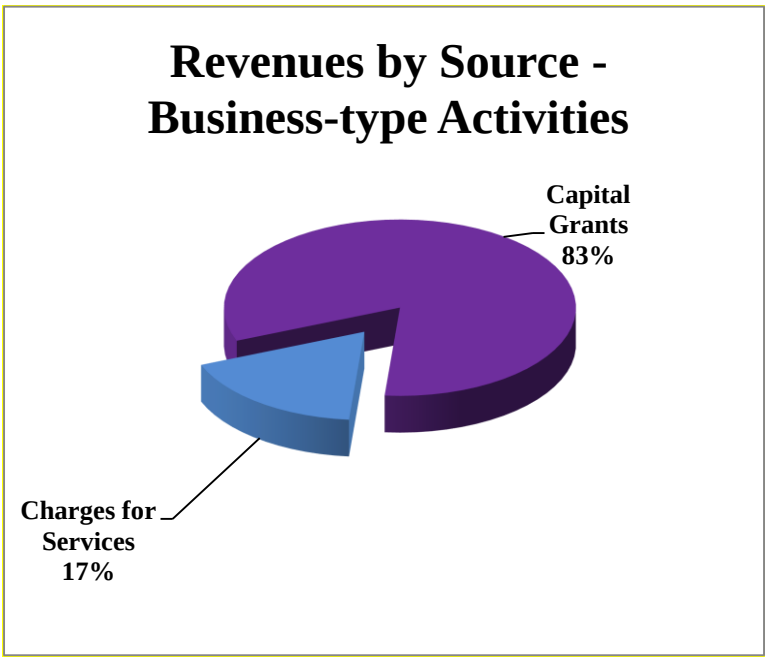
	2015	2014
General Government	25.9%	27.4%
Public Safety	21.0%	23.5%
Health & Welfare	21.2%	24.4%
Highways & Streets	26.1%	22.3%
Economic Dev	0.6%	0.2%
Recreation & Cult	1.7%	1.5%
Asset Impairment	2.9%	0.0%
Interest Expense	0.6%	0.7%

Business-type Activities
Net position in Business-type Activities increased by $4,745,336 in 2015.

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



Charges for Services for business-type activities were 17% of revenues and Capital Grants were 83% of revenues.



THE COUNTY'S FUNDS

At year end, the County's Governmental Funds reported a combined fund balance of $17,064,998, an increase of $960,213 compared to 2014. Fund balances in the Governmental Funds are as follows:

Governmental Fund Balances Comparison

	2015	2014	2013	2012	2011
General Government Fund	10,366,121	10,776,507	8,880,189	7,188,345	5,353,684
Road & Bridge Fund	5,247,450	4,007,333	3,449,934	2,828,501	3,501,459
Dept. of Human Services Fund	571,359	432,128	391,179	366,262	317,350
Other Governmental Funds	880,068	888,817	1,023,701	1,010,396	1,155,038
Combined Governmental Fund Balance	**17,064,998**	**16,104,785**	**13,745,003**	**11,393,504**	**10,327,531**

The Proprietary Funds ended 2015 with total unrestricted net position of $771,417, an increase of $1,068,364 from 2014. The total net position, including net invested in capital assets, was $29,914,722, an increase of $5,319,284.

Proprietary Funds Net Positions are as follows:

Solid Waste Fund	$1,054,764
Airport Fund	$27,511,717
Fleet Fund (Internal Service)	$1,348,241

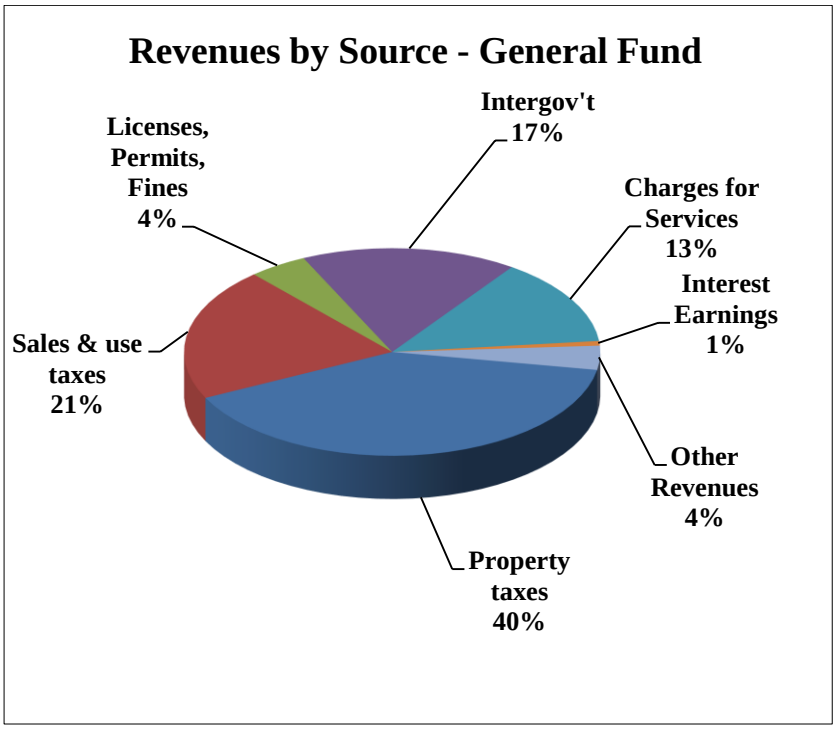
GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund accounts for all of the general services provided by Archuleta County. At the end of 2015, the General Fund's fund balance totaled $10,366,121. This is a decrease of ($410,386) compared to 2014.

A comparison of unassigned fund balance to total fund expenditures is often a useful measure of the ability to continue financial operations. At December 31, 2015 the unassigned fund balance in the General Fund represented 44.5% of the General Fund expenditures.

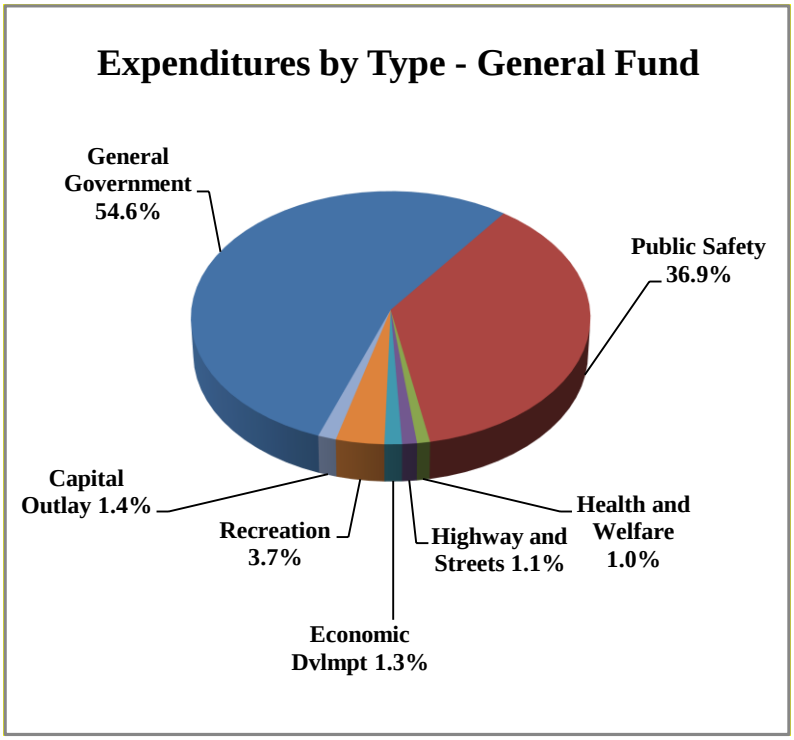
2015 General Fund revenues decreased ($224,045) from 2014. While Property Tax and Intergovernmental revenue decreased ($380,021) and ($135,597) respectively, this was partially offset by other categories, most significantly by Sales & Use Taxes, which increased $340,608.

The following illustrates revenues by sources in the General Fund:



General Fund expenditures include all administrative functions of the County (i.e. Commissioners, Administrator, Finance, Attorney, Human Resources, IT/GIS, etc.); public safety; health and welfare; planning and development and outdoor recreation. Total General Fund expenditures increased $222,688, about 2.6%, in 2015.

The following illustrates expenditures by type for the General Fund:



During 2015, 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.

Actual revenues collected in the General Fund were $779,133 more than budgetary estimates and expenditures were $1,961,513 less than the final budgetary estimates (excluding other financing uses).

The following illustrates General Fund Budget:

2015 General Fund Budget

	Adopted Budget	Amendments	Final Budget
Beginning Fund Balance	10,642,235	-	10,642,235
Sources	9,183,840	827,574	10,011,414
Uses	11,987,872	1,177,574	13,165,446
Ending Fund Balance	$ 7,838,203	$ (350,000)	$ 7,488,203

CAPITAL ASSETS

In 2015, the County invested in a broad range of capital assets, including infrastructure, the Airport runway, heavy equipment and vehicles.

The table below provides a comparative summary of total capital assets at December 31, 2015 and 2014.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	$1,437	$1,437	$3,574	$3,574	$5,011	$5,011
Construction in progress	0	482	0	0	0	482
Runway	0	0	21,900	18,063	21,900	$18,063
Improvements nonbuilding	23	25	54	60	77	$85
Buildings and Improvements	1,614	1,952	1,861	1,925	3,475	$3,877
Machinery & Equipment	1,143	801	328	396	1,471	$1,197
Vehicles	410	300	116	151	526	$451
Computer Equipment	175	296	0	0	175	$296
Infrastructure	8,234	7,627	256	286	8,490	$7,913
Totals	**$13,036**	**$12,920**	**$28,089**	**$24,455**	**$41,125**	**$37,375**

Major capital expenditures during 2015 included:

Runway	$ 4,609,031
Infrastructure	1,080,414
Machinery and Equipment	554,008

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.

DEBT

Note 8 of the financial statements provide a summary of the County's long-term debt. At the end of 2015, the County had total debt outstanding of $3.9 million. The County's total debt decreased ($450,356) from 2014.

Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Notes Payable	$ 276,157	$ 323,259	$ -	$ -	$ 276,157	$ 323,259
Capital leases	3,616,445	4,019,699	-	-	3,616,445	4,019,699
Totals	$ 3,892,602	$ 4,342,958	$ -	$ -	$ 3,892,602	$ 4,342,958

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. Revenue flows (overall) seem to have stabilized at rates a bit higher than 2013, which marked the lowest revenue point for the County during the last recession. Despite the dramatic decline in revenue, the County's austerity measures paid off and fund balances increased, even as revenues declined. However, the austerity measures of the past included drastic cuts in maintenance and capital replacement, and the freezing of employee wages. In more recent years, the County has significantly increased spending on capital replacement, while starting to bring wages back in line with the marketplace. Other "operational" spending increases have been held to the absolute minimum needed to maintain services.

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.

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 11,664,429	$ 1,596,294	$ 13,260,723
Investments	4,965,650	-	4,965,650
Property Taxes Receivable	5,654,598	-	5,654,598
Other Receivables	1,493,887	47,500	1,541,387
Inventories	108,630	1,783	110,413
Prepaid Items	91,641	70	91,711
Due from Other Governments	145,730	232,865	378,595
Total Current Assets	24,124,565	1,878,512	26,003,077
Noncurrent Assets:			
Capital Assets:			
Land	1,437,235	3,574,230	5,011,465
Runway Improvements, net	-	21,900,396	21,900,396
Buildings and Improvements, net	1,613,711	1,861,387	3,475,098
Machinery and Equipment, net	1,142,890	328,486	1,471,376
Vehicles, net	409,647	115,565	525,212
Improvements -Non-building, net	22,858	54,226	77,084
Computer Equipment, net	175,361	-	175,361
Infrastructure, net	8,233,701	255,793	8,489,494
Total Noncurrent Assets	13,035,403	28,090,083	41,125,486
TOTAL ASSETS	37,159,968	29,968,595	67,128,563
LIABILITIES			
Current Liabilities:			
Accounts Payable	848,431	851,356	1,699,787
Due to Other Governments	10,119	-	10,119
Internal Balances	102,196	(102,196)	-
Accrued Interest Payable	15,394	-	15,394
Accrued Payroll and Liabilities	229,499	12,939	242,438
Deposits Payable	9,348	-	9,348
Accrued Compensated Absences, Current Portion	115,326	533	115,859
Notes and Capital Leases Payable, Due Within One Year	462,222	-	462,222
Total Current Liabilities	1,792,535	762,632	2,555,167
Noncurrent Liabilities:			
Closure and Post Closure Costs	-	515,316	515,316
Accrued Compensated Absences, Noncurrent	286,182	21,970	308,152
Notes and Capital Leases Payable, Due After One Year	3,430,380	-	3,430,380
Total Noncurrent Liabilities	3,716,562	537,286	4,253,848
TOTAL LIABILITIES	5,509,097	1,299,918	6,809,015
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - Property Taxes	5,654,598	-	5,654,598
TOTAL DEFERRED INFLOWS OF RESOURCES	5,654,598	-	5,654,598
NET POSITION			
Net Investment in Capital Assets	9,142,801	28,090,083	37,232,884
Restricted for:			
TABOR	487,893	-	487,893
Capital Projects	497,783	-	497,783
Forest Reserve Title III	2,663	-	2,663
Parks and Recreation	246,436	-	246,436
Unrestricted	15,618,697	578,594	16,197,291
TOTAL NET POSITION	$ 25,996,273	$ 28,668,677	$ 54,664,950

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Change in Net Position Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**TOTAL**
Primary Government:							
Governmental Activities:							
General Government	$ 4,900,948	$ 1,463,254	$ 965,570	$ 111,000	$ (2,361,124)	$ -	$ (2,361,124)
Public Safety	3,980,691	714,680	-	-	(3,266,011)	-	(3,266,011)
Health and Welfare	4,013,596	-	3,762,299	-	(251,297)	-	(251,297)
Highways and Streets	4,941,228	25,211	2,672,630	-	(2,243,387)	-	(2,243,387)
Economic Development	115,451	-	-	-	(115,451)	-	(115,451)
Recreation and Culture	329,856	-	-	-	(329,856)	-	(329,856)
Asset Impairment	545,792	-	-	-	(545,792)	-	(545,792)
Interest Expense	106,259	-	-	-	(106,259)	-	(106,259)
Total Governmental Activities	18,933,821	2,203,145	7,400,499	111,000	(9,219,177)	-	(9,219,177)
Business-Type Activities:							
Airport	1,163,435	116,827	-	4,043,116	-	2,996,508	2,996,508
Solid Waste	634,973	739,730	-	-	-	104,757	104,757
Total Business-Type Activities	1,798,408	856,557	-	4,043,116	-	3,101,265	3,101,265
Total Primary Government	$ 20,732,229	$ 3,059,702	$ 7,400,499	$ 4,154,116	(9,219,177)	3,101,265	(6,117,912)
		General revenues:					
		Taxes:					
		Property and Specific Ownership Taxes			6,113,427	-	6,113,427
		Sales and Use Taxes			4,350,799	-	4,350,799
		Payments in Lieu of Taxes			1,160,215	-	1,160,215
		Net Earnings on Investments			78,954	-	78,954
		Miscellaneous			546,965	-	546,965
		Gain on sale of capital assets			85,000	-	85,000
		Transfers			(1,644,071)	1,644,071	-
		Total General Revenues and Transfers			10,691,289	1,644,071	12,335,360
		Change in Net Positon			1,472,112	4,745,336	6,217,448
		Net Position - Beginning			24,524,161	23,923,341	48,447,502
		Net Position - Ending			$ 25,996,273	$ 28,668,677	$ 54,664,950

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	GENERAL FUND	ROAD & BRIDGE FUND	HUMAN SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 5,106,595	$ 4,658,894	$ 545,329	$ 855,656	$ 11,166,474
Investments	4,965,650	-	-	-	4,965,650
Property Taxes Receivable	3,967,073	1,406,168	281,357	-	5,654,598
Other Receivables	677,067	772,749	6,281	37,790	1,493,887
Inventories	157	31,732	-	-	31,889
Prepaid Items	68,017	20,246	-	3,378	91,641
Due From Other Governments	835	9,111	135,784	-	145,730
TOTAL ASSETS	$ 14,785,394	$ 6,898,900	$ 968,751	$ 896,824	$ 23,549,869
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	$ 314,726	$ 206,452	$ 70,421	$ 172	$ 591,771
Accrued Payroll and Liabilities	128,126	38,830	35,495	16,584	219,035
Due to Other Governments	-	-	10,119	-	10,119
Inmate Deposits	9,348	-	-	-	9,348
TOTAL LIABILITIES	452,200	245,282	116,035	16,756	830,273
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue - Property Taxes	3,967,073	1,406,168	281,357	-	5,654,598
TOTAL DEFERRED INFLOWS OF RESOURCES	3,967,073	1,406,168	281,357	-	5,654,598
FUND BALANCE					
Nonspendable for:					
Inventory and Prepaid Items	68,174	51,978	-	3,378	123,530
Restricted for:					
TABOR	261,147	169,631	43,708	13,407	487,893
Capital Projects	-	-	-	497,783	497,783
Title III	-	2,663	-	-	2,663
Parks and Recreation	-	-	-	246,436	246,436
Committed to:					
1A Projects - Parks & Recreation	494,919	-	-	-	494,919
1A Projects - Facilities & Technology	113,292	-	-	-	113,292
Fund Reserves Policy	5,443,863	-	-	-	5,443,863
Assigned to:					
Highways and Streets	-	5,023,178	-	-	5,023,178
Public Safety	-	-	-	119,064	119,064
Health and Welfare	-	-	527,651	-	527,651
Clerk eRecording System	109,572	-	-	-	109,572
Livestock Auction	15,343	-	-	-	15,343
Unassigned	3,859,811	-	-	-	3,859,811
TOTAL FUND BALANCE	10,366,121	5,247,450	571,359	880,068	17,064,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 14,785,394	$ 6,898,900	$ 968,751	$ 896,824	$ 23,549,869

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2015

Total governmental fund balances		$	17,064,998
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.			11,982,181
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.			
Capital Leases Payable	$ (3,616,445)		
Notes Payable	(276,157)		
Compensated Absences	(388,955)		
Accrued Interest Payable	(15,394)		(4,296,951)
Internal service funds are used by management to charge the cost of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			1,246,045
Net position of governmental Activities		$	25,996,273

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	GENERAL FUND	ROAD & BRIDGE FUND	HUMAN SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property and Specific Ownership Taxes	$ 4,307,679	$ 1,503,911	$ 301,837	$ -	$ 6,113,427
Intergovernmental	1,808,790	2,672,630	3,762,299	316,995	8,560,714
Sales and Use Taxes	2,236,776	2,114,023	-	-	4,350,799
Licenses and Permits	492,518	-	-	-	492,518
Charges for Services	1,462,435	25,211	-	222,162	1,709,808
Other	404,691	133,576	2,363	6,335	546,965
Earnings on Investments	77,658	-	-	1,296	78,954
TOTAL REVENUES	10,790,547	6,449,351	4,066,499	546,788	21,853,185
EXPENDITURES					
General Government	4,739,315	-	-	-	4,739,315
Public Safety	3,200,285	-	-	678,245	3,878,530
Health and Welfare	85,628	-	3,927,268	-	4,012,896
Highway and Streets	97,847	3,333,891	-	30,000	3,461,738
Economic Development	115,451	-	-	-	115,451
Culture and Recreation	320,467	-	-	-	320,467
Capital Outlay	120,769	1,447,698	-	-	1,568,467
Debt Service					
Principal Retirement	-	344,642	-	105,714	450,356
Interest	-	83,003	-	24,678	107,681
TOTAL EXPENDITURES	8,679,762	5,209,234	3,927,268	838,637	18,654,901
Excess (Deficiency) of Revenues Over Expenditures	2,110,785	1,240,117	139,231	(291,849)	3,198,284
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	283,100	283,100
Transfers Out	(2,521,171)	-	-	-	(2,521,171)
TOTAL OTHER FINANCING SOURCES (USES)	(2,521,171)	-	-	283,100	(2,238,071)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(410,386)	1,240,117	139,231	(8,749)	960,213
Fund Balances - Beginning	10,776,507	4,007,333	432,128	888,817	16,104,785
Fund Balances - Ending	$ 10,366,121	$ 5,247,450	$ 571,359	$ 880,068	$ 17,064,998

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds		$ 960,213
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlay in the current period.		
Capital asset purchases	$ 866,826	
Loss on impairment of capital assets	(545,792)	
Depreciation expense	(822,141)	(501,107)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loan and capital lease payments		450,356
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.		
Compensated Absences	$ (12,720)	
Accrued Interest Payable	1,422	(11,298)
Internal service funds are 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.		573,948
Change in net position of governmental activities		$ 1,472,112

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-type Activities			Governmental-Activities
	SOLID WASTE FUND	**AIRPORT FUND**	**Total BUSINESS-TYPE ACTIVITIES**	**INTERNAL SERVICE FUND**
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 877,742	$ 718,552	$ 1,596,294	$ 497,955
Accounts Receivable	45,071	2,429	47,500	-
Prepaid Items	-	70	70	-
Inventories	-	1,783	1,783	76,741
Due from Other Governments	-	232,865	232,865	-
Total Current Assets	922,813	955,699	1,878,512	574,696
Capital Assets				
Land	309,166	3,265,064	3,574,230	-
Runway, net	-	21,900,396	21,900,396	-
Buildings and Improvements, net	-	1,861,387	1,861,387	-
Machinery and Equipment, net	140,156	188,330	328,486	682,958
Vehicles, net	-	115,565	115,565	370,264
Improvements Non-building, net	-	54,226	54,226	-
Infrastructure, net	255,793	-	255,793	-
Total Noncurrent Assets	705,115	27,384,968	28,090,083	1,053,222
TOTAL ASSETS	1,627,928	28,340,667	29,968,595	1,627,918
LIABILITIES				
Current Liabilities				
Accounts Payable	41,842	809,514	851,356	256,660
Accrued Payroll and Liabilities	5,453	7,486	12,939	10,464
Accrued Compensated Absences	533	-	533	6,769
Total Current Liabilities	47,828	817,000	864,828	273,893
Noncurrent Liabilities				
Accrued Compensated Absences	10,020	11,950	21,970	5,784
Closure and Post-Closure Costs	515,316	-	515,316	-
Total Noncurrent Liabilities	525,336	11,950	537,286	5,784
TOTAL LIABILITIES	573,164	828,950	1,402,114	279,677
NET POSITION				
Net Investment in Capital Assets	705,115	27,384,968	28,090,083	1,053,222
Unrestricted	349,649	126,749	476,398	295,019
TOTAL NET POSITION	$ 1,054,764	$ 27,511,717	28,566,481	$ 1,348,241

Amounts reported for business-type activities in the statement of net position are different because

Cumulative portion of internal services fund net operating income attributed to business-type activities	102,196
	$ 28,668,677

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-type Activities			Governmental-Activities
	SOLID WASTE FUND	AIRPORT FUND	Total BUSINESS-TYPE ACTIVITIES	INTERNAL SERVICE FUND
OPERATING REVENUES				
Charges for Services Intragovernment	$ -	$ -	$ -	$ 935,300
Charges for Services Outside	709,353	116,417	825,770	-
Other	30,377	410	30,787	819
Total Operating Revenues	739,730	116,827	856,557	936,119
OPERATING EXPENSES				
Salaries and Benefits	278,821	119,725	398,546	258,982
Materials and Supplies	32,807	100,727	133,534	733,447
Purchased Services	122,578	17,737	140,315	-
Other	114,521	6,496	121,017	-
Depreciation	74,186	916,863	991,049	173,689
Total Operating Expenses	622,913	1,161,548	1,784,461	1,166,118
Operating Income (Loss)	116,817	(1,044,721)	(927,904)	(229,999)
NONOPERATING REVENUES				
Intergovernmental	-	4,043,116	4,043,116	-
Transfers In	341,862	1,302,209	1,644,071	594,000
Gain on Sale of Capital Assets	-	-	-	85,000
Total Nonoperating Revenues	341,862	5,345,325	5,687,187	679,000
Income Before Contributions	458,679	4,300,604	4,759,283	449,001
Capital Contributions	-	-	-	111,000
Change in Net Position	458,679	4,300,604	4,759,283	560,001
Net Position at Beginning of Year	596,085	23,211,113		788,240
Net Position at End of Year	$ 1,054,764	$ 27,511,717		$ 1,348,241

Amounts reported for business-type activities in the statement of net position are different because

Internal service fund decrease in expenses for costs in excess of charges to the business-type activities	(13,947)
	$ 4,745,336

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	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	$ 777,779	$ 120,236	$ 898,015	$ 4,372
Cash Received From Interfund Service Provided	-	-	-	935,300
Cash Paid To Employees	(277,760)	(119,170)	(396,930)	(262,088)
Cash Paid To Suppliers	(177,040)	677,891	500,851	(545,475)
Net Cash Provided By Operating Activities	322,979	678,957	1,001,936	132,109
Cash Flows From Non-Capital Financing Activities:				
Transfers In	341,862	1,302,209	1,644,071	594,000
Change in Interfund Payable	-	(463,834)	(463,834)	-
Intergovernmental Revenue Received	-	3,810,251	3,810,251	-
Net Cash Provided By Non-Capital Financing Activities	341,862	4,648,626	4,990,488	594,000
Cash Flows From Capital and Related Financing Activities:				
Capital Acquisitions	(16,600)	(4,609,031)	(4,625,631)	(686,027)
Net Cash Used By Capital and Related Financing Activities	(16,600)	(4,609,031)	(4,625,631)	(686,027)
Increase in Cash and Cash Equivalents	648,241	718,552	1,366,793	40,082
Cash and Cash Equivalents, Beginning of the Year	229,501	-	229,501	365,873
Cash and Cash Equivalents, End of the Year	$ 877,742	$ 718,552	$ 1,596,294	$ 405,955
Non-cash Capital and Related Financing Activities				
Contributed Capital Assets	$ -	$ -	$ -	$ 111,000
Trade-in Value of Capital Assets Disposed	$ -	$ -	$ -	$ 85,000
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities				
Operating Income (Loss)	$ 116,817	$(1,044,721)	$ (927,904)	$ (229,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities				
Depreciation Expense	74,186	916,863	991,049	173,689
(Increase) Decrease in Accounts Receivables	38,049	3,409	41,458	3,553
(Increase) in Inventory	-	1,170	1,170	(7,672)
(Increase) in Prepaid Items	-	32	32	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	24,357	801,649	826,006	195,644
Increase (Decrease) in Accrued Employee Expense	1,061	555	1,616	(3,106)
Increase in Accrued Post Closure Liability	68,509	-	68,509	-
Total Adjustments	206,162	1,723,678	1,929,840	362,108
Net Cash Provided (Used) By Operating Activities	$ 322,979	$ 678,957	$ 1,001,936	$ 132,109

The notes to the financial statements are an integral part of this financial statement

ARCHULETA COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2015

	TREASURER'S AGENCY FUND
ASSETS	
Cash and Cash Equivalents	$ 306,793
TOTAL ASSETS	$ 306,793
LIABILITIES	
Funds Held for Others	$ 306,793
TOTAL LIABILITIES	$ 306,793

The notes to the financial statements are an integral part of this financial statement

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Archuleta County, Colorado (the "County") reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. GAAP for local governments are those promulgated by the Governmental Accounting Standards Board ("GASB") in Governmental Accounting and Financial Reporting Standards.

REPORTING ENTITY

Primary Government

The 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, sheriff, coroner, surveyor, and treasurer. The treasurer is also the County Public Trustee.

The County provides a wide range of services to its residents including public safety, highways and streets, health and human services, planning, zoning, property tax assessment, property tax collection and distribution, extension service, landfill operations, airport operations, recording, and general administrative services.

Component Units

The County's 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*. The financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

> 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
>
> 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the County, except for County fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- 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 in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental 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. This measurement is also used for the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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 are recognized as revenue when all applicable eligibility requirements imposed by the provider are 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Cost reimbursement grant revenue is considered to be available at the point the expenditure is incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- The ***General Fund*** is the general operating fund of the County. It accounts for all financial resources of the general government, except those required to be 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 property taxes, sales tax, highway users' fees, and other revenue sources.
- The ***Human Services Fund*** is used to account for the operations of social programs; i.e. Temporary Aid to Needy Families, Old Age Pension, Aide to the Blind, Aide to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenue.

Proprietary fund financial statements are used to account for activities, which are similar to those often 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 year, are considered to have been incurred.

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:

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

The Fiduciary fund consists of an agency fund established to record transactions relating to assets held by the County in a trustee capacity or as an agent for individuals, governmental entities, and non-public organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed by GASB Statement No. 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*, in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been eliminated.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are service fees charged to the other funds. Operating expenses for the internal service fund includes cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash, Cash Equivalents, and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less at the date of acquisition. All investments are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on the last day of February and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable.

The 2015 property tax levy due January 1, 2016, has been recorded in the financial statements as a receivable and a corresponding deferred inflow of resources.

Inventories and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for use. Reported inventories are equally offset by nonspendable fund balance, 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 the fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or bustiness-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Costs related to the construction of assets including interest, engineering, legal, surveying and landscaping that were incurred from the beginning of construction until the assets were substantially complete were capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40
Land Improvements	15
Machinery and Equipment	5 - 7
Vehicles	5
Computer Equipment	5

Long-Term Obligations
Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as other financing sources and debt payments are reported as expenditures.

Compensated Absences
A maximum of 80 to 160 hours of vacation time, per year, may be accumulated by each employee (depending on length of service). Employees who have over five years of continued employment and are eligible for either 120 or 160 hours of earned vacation have the option of receiving payment. Such contributions shall be the monetary equivalent of any vacation time earned over 80 hours in a given year and shall not exceed a maximum of 80 hours.

Employees will be paid for up to the maximum accumulated unused vacation hours upon separation from County service.

Full-time employees may accumulate up to 480 hours of sick leave; Part time employees working less than 30 hours per work week, seasonal, temporary, and contract employees are not eligible for sick leave. After the maximum accumulated sick leave is reached (480) accrual ceases until the balance has been reduced.

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

The County accrues a liability for compensated absences that meets the following criteria:

1) The County's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.

2) The obligation relates to rights that vest or accumulate.

3) Payment of the compensation is probable.

4) The amount can be reasonably estimated.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when due.

Unearned Revenue
Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Fund Equity
Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Fund Balance – Beginning in fiscal year 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classification and by clarifying the definitions of existing governmental fund types.

As a result, fund balances are classified based on the extent to which the County is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. In accordance with the Statement, fund balances are now classified in one of the five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventories and prepaid items.

- *Restricted Fund Balance* – restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed by the Board of County Commissioners, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balance because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of County Commissioners or by an official or body to which the governing body delegates the authority.

- *Unassigned Fund Balance* – amounts that are available for any purpose. The General Fund is the only fund that would report a positive amount in unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the County considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assignment actions.

Sales Tax Allocation
The County collects a 2% sales tax. The tax collected is allocated 50% the General Fund and 50% to the Road and Bridge Fund for capital expenditures.

Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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 1. 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 comment.

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, Capital Projects Funds, and Internal Service Funds are adopted on a basis consistent with GAAP. For the Enterprise Funds, proceeds from long-term debt is 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.

8. The Board of County Commissioners may authorize supplemental appropriations during the year. The Board of County Commissioners adopted supplemental appropriations during 2015.

The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets for the year ended December 31, 2015:

	Original Budget	Total Revisions	Revised Budget
Governmental Funds:			
General Fund	$ 11,987,872	$ 1,177,574	$ 13,165,446
Special Revenue Funds:			
Road and Bridge Fund	7,477,915	-	7,477,915
Human Services Fund	4,551,757	39,108	4,590,865
Conservation Trust Fund	252,728	-	252,728
Combined Dispatch Fund	733,918	4,104	738,022
Capital Project Fund:			
Fairfield Settlement Fund	300,000	-	300,000
Internal Service Fund			
Fleet Fund	1,723,231	350,000	2,073,231
Enterprise Funds:			
Solid Waste Fund	704,644	27,500	732,144
Airport Fund	7,551,241	-	7,551,241
Total Funds	$ 35,283,306	$ 1,598,286	$ 36,881,592

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

At December 31, 2015 the financial statements reflected cash, cash equivalents and investments as follows:

Governmental Type Activities:	
Cash and Cash Equivalents	$ 11,664,429
Investments	4,965,650
Business Type Activities:	
Cash and Cash Equivalents	1,596,294
Fiduciary Fund:	
Cash and Cash Equivalents	306,793
	$ 18,533,166

The carrying amounts of deposits and investments are as follows:

	Moody Rating	S & P Rating	Fair Value	Concentration of Credit Risk	Weighted average Maturity Date (in days)
Cash on hand	-	-	$ 2,369	N/A	-
Cash in financial institutions	-	-	6,460,211	N/A	-
Certificates of deposit	-	-	1,104,095	9.15%	180
FFCB	Aaa	AA+	4,965,650	41.14%	1,309
COLOTRUST	N/A	AAAm	5,503,058	45.59%	N/A
CSAFE	N/A	AAAm	497,783	4.12%	N/A
Total			$ 18,533,166		

Colorado State Statutes govern the County's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance ("FDIC") on deposits held.

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

INVESTMENTS

The County's investments are subject to interest rate, credit risk, and concentration of credit risk.

The types of investments which are authorized to be made with County funds are controlled by state statute and the investment policies of the County. Colorado statutes and the County's investment policies specify investment instruments meeting defined rating and risk criteria in which the County may invest:

- Obligations of the United States and certain U.S. government 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
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

Credit Risk
The County does not have a formal investment policy. The County has investments in local government investment pools. As of December 31, 2015, the local government investment pools (COLOTRUST and CSAFE) in which the County had invested, were rated AAAm by Standard & Poor's.

Interest Rate Risk
Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates. The County has no investments with maturities past five years.

The Colorado Government Liquid Asset Trust ("COLOTRUST") and the Colorado Surplus Asset Fund Trust ("CSAFE") are investment vehicles established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2015, the County had an estimated property tax receivable divided among the funds as follows:

Property Taxes Receivable		
General Fund	$	3,967,073
Road and Bridge Fund		1,406,168
Human Services		281,357
	$	5,654,598

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) the need to cover the temporary negative cash positions in individual funds. Interfund balances are generally expected to be repaid within one year of the financial statement date. There were no interfund receivable and payable balances at December 31, 2015.

Interfund transfers during 2015 were as follows:

Transfers In	Transfers Out	Amount
Non-Major Fund	General Fund	877,100
Solid Waste Fund	General Fund	341,862
Airport Fund	General Fund	1,302,209
		$ 2,521,171

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,437,235	$ -	$ -	$ 1,437,235
Construction in Progress	482,305	-	482,305	-
Total Capital Assets Not Being Depreciated	1,919,540	-	482,305	1,437,235
Capital Assets Being Depreciated				
Improvements Non-building	29,208	-	-	29,208
Building and Improvements	3,447,416	263,010	1,545,158	2,165,268
Machinery and Equipment	5,207,511	554,008	242,453	5,519,066
Vehicles	2,327,077	243,019	14,000	2,556,096
Computer Equipment	2,103,424	5,707	110,073	1,999,058
Infrastructure	9,280,974	1,080,414	-	10,361,388
Total Capital Assets Being Depreciated	22,395,610	2,146,158	1,911,684	22,630,084
Less Accumulated Depreciation for:				
Improvements Non-building	4,403	1,947	-	6,350
Building and Improvements	1,495,341	89,492	1,033,276	551,557
Machinery and Equipment	4,406,081	212,548	242,453	4,376,176
Vehicles	2,027,302	126,147	7,000	2,146,449
Computer Equipment	1,807,665	92,195	76,163	1,823,697
Infrastructure	1,654,186	473,501	-	2,127,687
	11,394,978	995,830	1,358,892	11,031,916
Total Capital Assets Being Depreciated, Net	11,000,632	1,150,328	552,792	11,598,168
Governmental Activities Capital Assets, Net	$ 12,920,172	$ 1,150,328	$1,035,097	$ 13,035,403

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	$ 3,574,230	$ -	$ -	$ 3,574,230
Total Capital Assets Not Being Depreciated	3,574,230	-	-	3,574,230
Capital Assets Being Depreciated				
Infrastructure	451,399	-	-	451,399
Runway	25,049,084	4,609,031	-	29,658,115
Improvements Non-building	92,115	-	-	92,115
Building and Improvements	2,520,541	-	-	2,520,541
Machinery and Equipment	1,075,422	16,600	-	1,092,022
Vehicles	251,969	-	-	251,969
Total Capital Assets Being Depreciated	29,440,530	4,625,631	-	34,066,161
Less Accumulated Depreciation for:				
Infrastructure	165,513	30,093	-	195,606
Runway	6,986,069	771,650	-	7,757,719
Improvements Non-building	31,748	6,141	-	37,889
Building and Improvements	596,141	63,013	-	659,154
Machinery and Equipment	679,277	84,259	-	763,536
Vehicles	100,511	35,893	-	136,404
	8,559,259	991,049	-	9,550,308
Total Capital Assets Being Depreciated, Net	20,881,271	3,634,582	-	24,515,853
Business-Type activities Capital Assets, Net	$ 24,455,501	$ 3,634,582	$ -	$ 28,090,083

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 96,507
Public Safety	102,161
Highways and Streets	614,084
Recreation	9,389
Health and Welfare	-
Total Governmental Activities	822,141
Fleet Fund	173,689
Total Combined Depreciation	$ 995,830
Business-type activities:	
Solid Waste	74,186
Airport	916,863
	$ 991,049

NOTE 7 CAPITAL ASSET IMPAIRMENT

In April 2015, the County courthouse was flooded during a roof repair/replacement, which left a portion of the asset impaired. The County evaluated its capital assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and realized a loss from impairment of $545,792 in the governmental activities. The County did not receive any insurance proceeds for the flooding as of December 31, 2015. The total estimated restoration costs are approximately $3,000,000.

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Capital Leases Payable	$ 4,019,699	$ -	$ 403,254	$ 3,616,445	$ 413,471
Notes Payable	323,259	-	47,102	276,157	48,751
Compensated Absences	391,894	433,800	424,186	401,508	115,326
Governmental activities long-term liabilities	$ 4,734,852	$ 433,800	$ 874,542	$ 4,294,110	$ 577,548
Business-type activities:					
Compensated Absences	$ 18,817	$ 18,269	$ 14,583	$ 22,503	$ 533
Business-type activities long-term liabilities	$ 18,817	$ 18,269	$ 14,583	$ 22,503	$ 533

GOVERNMENTAL ACTIVITIES:

Capital Leases Payable

The County has adopted the policy of acquiring certain capital assets through the use of lease-purchase agreements. For the lease-purchase backed by the full faith and credit of the County, debt service is accounted for in the fund that accounts for the function associated with the asset.

During 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 is not included in the County's financial statements. 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 $1,988,939, less accumulated depreciation of $679,830 at December 31, 2015. The lease payments will be made from the Road and Bridge and General Funds. At December 31, 2015, the balance outstanding was $3,616,445.

Annual debt service for the capital lease is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2016	$ 413,471	$ 86,901	$ 500,372
2017	423,947	76,425	500,372
2018	434,689	65,683	500,372
2019	445,702	54,670	500,372
2020	456,995	43,377	500,372
2021-2023	1,441,641	59,475	1,501,116
	$ 3,616,445	$ 386,531	$ 4,002,976

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, 2015, the balance outstanding was $276,157.

Annual debt service for the note payable is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2016	$ 48,751	$ 8,913	$ 57,664
2017	50,511	7,153	57,664
2018	52,308	5,356	57,664
2019	54,168	3,496	57,664
2020	56,088	1,575	57,663
2021	14,331	84	14,415
	$ 276,157	$ 26,577	$ 302,734

NOTE 9 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 $127,586.

The future minimum lease payments are as follows:

2016	$ 23,278
2017	18,520
2018	18,640
2019	14,908
2020	11,698
	$ 87,044

NOTE 10 RETIREMENT PLANS

Defined Contribution Plan

The County provides pension benefits for all of its 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 2015 was $6,008,580. Both the County and the covered employees made the required contributions, amounting to $229,714 from the County and $229,714 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 County Officials and Employee Retirement Association, 4949 South Syracuse, Suite 400, Denver, CO 80237 or by calling 1-800-352-0313.

Deferred Compensation Plan

The County also offers its employees an 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 2015 and employees contributed $84,114.

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue rising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. The voters of the County passed a ballot issue in 2006 allowing for the retention of revenues generated in excess of the limits imposed by the amendment, during the years 2007 through 2011.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of adjusted revenues. The County has restricted $487,893 for this purpose. The County is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The amendment also requires voter approval for any long-term financing entered into by the County.

The voters of the County passed a ballot issue in 1999 which removed the TABOR restriction on all revenues (except property tax) and authorized the collection, retention and spend, or reserve for growth related issues, all excess revenues and other funds collected during 1999 and each subsequent year from any source, other than that generated by the Archuleta County mill levy notwithstanding any TABOR restrictions.

The County believes it is in compliance with the requirements of the amendment. However, the County has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 12 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 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.

At December 31, 2015, CAPP had assets of $25,221,523, liabilities of $8,984,832 (including $6,514,104 reserved for losses and claims), and members' surplus of $16,236,691. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2015 amounted to $6,297,724 and total expenses were $5,658,617, resulting in net income before return of surplus of $639,107.

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 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.

At December 31, 2015, CWCP had assets of $40,563,732, liabilities of $23,254,824 (including $21,877,845 reserved for losses and claims) and members' surplus of $17,308,908. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2015 amounted to $10,014,464, total expenses were $8,685,101, resulting in net income before return of surplus of $1,329,363.

NOTE 13 COLORADO CONTRABAND FORFEITURE ACT

Management has reviewed financial activities in the Sheriff's Department for compliance with the Colorado Revised Statute 16-13-506. There were no sales of contraband during the year ended December 31, 2015.

NOTE 14 LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and Federal laws 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 completed the necessary update to engineering studies in 2014 to estimate the landfill's capacity and closure and post closure costs. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized in the Solid Waste Fund based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer will accept waste. The amount recognized each year is based on the landfill capacity used as of the balance sheet date. At December 31, 2015 the estimated liability for landfill closure and post closure care costs of $515,316 is based on the use of 54% of capacity of all landfill cells. The estimated total current cost of the landfill closure and post closure is based on the amount that would be paid if all equipment facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2015. The County will recognize the estimated remaining costs of closure and post-closure care of $433,509 as the remaining estimated capacity is filled. The County expects to close the landfill in 2026. Actual cost of closure and post closure care may change due to inflation or deflation, changes in technology, or changes in landfill laws and regulations. Those costs may need to be covered by charges to future landfill users, taxpayers or both.

NOTE 15 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 amount 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 currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements; accordingly, no provision for losses has been recorded.

Insurance Pools – The County is a member of the CAPP and 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.

Operating Leases – The County is committed under various leases for facilities and equipment. See Note 9 relating to the future minimum lease payments for the operating leases.

NOTE 16 SUBSEQUENT EVENTS

In February 2016, the County sold approximately 88 acres of land to the State of Colorado Division of Parks and Wildlife in the amount of $733,000.

The County has evaluated events and transactions occurring subsequent to the end of the fiscal year through July 28, 2016, the date these financial statements were available to be issued. There were no subsequent events identified that required recognition or additional disclosure in the financial statements, other than those noted above.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2015

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property and Specific Ownership Taxes	$ 4,166,071	$ 4,166,071	$ 4,307,679	$ 141,608
Intergovernmental	949,500	1,354,149	1,808,790	454,641
Sales and Use Taxes	1,866,586	2,216,586	2,236,776	20,190
Licenses and Permits	511,400	511,400	492,518	(18,882)
Charges for Services	1,321,783	1,360,228	1,462,435	102,207
Other	293,500	327,980	404,691	76,711
Earnings on Investments	75,000	75,000	77,658	2,658
TOTAL REVENUES	9,183,840	10,011,414	10,790,547	779,133
EXPENDITURES				
Current:				
General Government	4,837,553	5,512,739	4,739,315	773,424
Public Safety	3,209,955	3,312,428	3,200,285	112,143
Health and Welfare	68,309	84,224	85,628	(1,404)
Economic Development	85,000	85,000	115,451	(30,451)
Highway and Streets	102,841	102,841	97,847	4,994
Culture and Recreation	767,877	801,877	320,467	481,410
Capital Outlay	742,166	742,166	120,769	621,397
TOTAL EXPENDITURES	9,813,701	10,641,275	8,679,762	1,961,513
Excess Revenues Over Expenditures	(629,861)	(629,861)	2,110,785	2,740,646
OTHER FINANCING USES				
Transfers Out	(2,174,171)	(2,524,171)	(2,521,171)	3,000
TOTAL OTHER FINANCING USES	(2,174,171)	(2,524,171)	(2,521,171)	3,000
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	(2,804,032)	(3,154,032)	(410,386)	2,743,646
Fund Balance at Beginning of Year	10,642,235	10,642,235	10,776,507	134,272
Fund Balance at End of Year	$ 7,838,203	$ 7,488,203	$ 10,366,121	$ 2,877,918

Notes to Required Supplementary Information
The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2015

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Property and Specific OwnershipTaxes	$ 1,413,375	$ 1,413,375	$ 1,503,911	$ 90,536
Sales and Use Taxes	1,781,586	1,781,586	2,114,023	332,437
Intergovernmental	2,698,514	2,698,514	2,672,630	(25,884)
Charges for Services	16,000	16,000	25,211	9,211
Miscellaneous	-	-	133,576	133,576
TOTAL REVENUES	5,909,475	5,909,475	6,449,351	539,876
EXPENDITURES				
Highway and Streets	4,056,771	4,056,771	3,333,891	722,880
Capital Outlay	2,993,499	2,993,499	1,447,698	1,545,801
Debt Service:				
Principal Retirement	346,805	346,805	344,642	2,163
Interest	80,840	80,840	83,003	(2,163)
TOTAL EXPENDITURES	7,477,915	7,477,915	5,209,234	2,268,681
Excess (Deficiency) of Revenues over Expenditures	(1,568,440)	(1,568,440)	1,240,117	2,808,557
Fund Balance at Beginning of Year	4,070,895	4,070,895	4,007,333	(63,562)
Fund Balance at End of Year	$ 2,502,455	$ 2,502,455	$ 5,247,450	$ 2,744,995

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP

The schedule is presented on the GAAP basis.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HUMAN SERVICES FUND
For the Year Ended December 31, 2015

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Property and Specific Ownership Taxes	$ 293,655	$ 293,655	$ 301,837	$ 8,182
Intergovernmental	4,128,602	4,167,710	3,762,299	(405,411)
Other	6,387	6,387	2,363	(4,024)
TOTAL REVENUES	4,428,644	4,467,752	4,066,499	(401,253)
EXPENDITURES				
Health and Welfare	4,551,757	4,590,865	3,927,268	663,597
TOTAL EXPENDITURES	4,551,757	4,590,865	3,927,268	663,597
Excess of Revenues Over Expenditures	(123,113)	(123,113)	139,231	262,344
Fund Balance at Beginning of Year	557,351	557,351	432,128	(125,223)
Fund Balance at End of Year	$ 434,238	$ 434,238	$ 571,359	$ 137,121

Notes to Required Supplementary Information
The basis of budgeting is the same as GAAP
The schedule is presented on the GAAP basis.

ARCHULETA COUNTY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted 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, 2015

	Special Revenue		Capital Projects	
	Combined Dispatch Fund	Conservation Trust Fund	FairField Settlement Fund	TOTALS
ASSETS				
Cash and Cash Equivalents	$ 111,437	$ 246,436	$ 497,783	$ 855,656
Other Receivables	37,790	-	-	37,790
Prepaid Items	3,378	-	-	3,378
TOTAL ASSETS	$ 152,605	$ 246,436	$ 497,783	$ 896,824
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	$ 172	$ -	$ -	$ 172
Accrued Payroll and Liabilities	16,584	-	-	16,584
TOTAL LIABILITIES	16,756	-	-	16,756
FUND BALANCE				
Nonspendable for:				
Prepaid Items	3,378	-	-	3,378
Restricted for:				
TABOR	13,407	-	-	13,407
Capital Projects	-	-	497,783	497,783
Parks and Recreation	-	246,436	-	246,436
Assigned to:				
Public Safety	119,064	-	-	119,064
TOTAL FUND BALANCE	135,849	246,436	497,783	880,068
TOTAL LIABILITIES AND FUND BALANCE	$ 152,605	$ 246,436	$ 497,783	$ 896,824

See accompanying Independent Auditor's Report

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Special Revenue		Capital Projects	
	Combined Dispatch Fund	**Conservation Trust Fund**	**FairField Settlement Fund**	**TOTALS**
REVENUES				
Charges for Services	$ 222,162	$ -	$ -	$ 222,162
Intergovernmental	221,234	95,761	-	316,995
Earnings on Investments	-	408	888	1,296
Other	6,335	-	-	6,335
TOTAL REVENUES	449,731	96,169	888	546,788
EXPENDITURES				
Public Safety	678,245	-	-	678,245
Recreation	-	-	-	-
Highway and Streets	-	30,000	-	30,000
Capital Outlay	-	-	-	-
Debt Service				
Principal Retirement	47,102	58,612	-	105,714
Interest	10,562	14,116	-	24,678
TOTAL EXPENDITURES	735,909	102,728	-	838,637
Excess (Deficiency) of Revenues Over Expenditures	(286,178)	(6,559)	888	(291,849)
OTHER FINANCING SOURCES				
Transfers In	283,100	-	-	283,100
TOTAL OTHER FINANCING SOURCES	283,100	-	-	283,100
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources	(3,078)	(6,559)	888	(8,749)
Fund Balance at Beginning of Year	138,927	252,995	496,895	888,817
Fund Balance at End of Year	$ 135,849	$ 246,436	$ 497,783	$ 880,068

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
ALL NON-MAJOR GOVERNMENTAL FUNDS AND ALL PROPRIETARY FUNDS
BUDGET AND ACTUAL
For the Year Ended December 31, 2015

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON THE GAAP BASIS	ADJUSTMENTS TO BUDGETARY BASIS	EXPENDITURES ON THE BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL				
Governmental Funds						
Non-major Governmental Funds:						
Special Revenue Funds:						
Conservation Trust Fund	$ 252,728	$ 252,728	$ 102,728	$ -	$ 102,728	$ 150,000
Combined Dispatch Fund	733,918	738,022	735,909	-	735,909	2,113
Capital Projects Funds:						
Fairfield Settlement Fund	300,000	300,000	-	-	-	300,000
Total Non-major Governmental Funds	$ 1,286,646	$ 1,290,750	$ 838,637	$ -	$ 838,637	$ 452,113
Proprietary Funds						
Enterprise Funds:						
Solid Waste Fund	$ 704,644	$ 732,144	$ 622,913	$ 16,600	$ 639,513	$ 92,631
Airport Fund	7,551,241	7,551,241	1,161,548	4,609,031	5,770,579	1,780,662
Total Enterprise Funds	8,255,885	8,283,385	1,784,461	4,625,631	6,410,092	1,873,293
Internal Service Fund:						
Fleet Fund	1,723,231	2,073,231	1,166,118	705,027	1,871,145	202,086
Total Internal Service Fund	1,723,231	2,073,231	1,166,118	705,027	1,871,145	202,086
Total Proprietary Funds	$ 9,979,116	$ 10,356,616	$ 2,950,579	$ 5,330,658	$ 8,281,237	$ 2,075,379

Adjustments to budgetary basis include costs of capitalized assets and depreciation expense.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

FEDERAL GRANTOR /PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
COLORADO DEPT. OF HUMAN SERVICES			
SNAP Cluster			
State Administrative Matching Grants for Supplemental			
Nutrition Assistance Program	10.561		$ 95,119
Total for *SNAP Cluster*			95,119
COLORADO DEPT. OF TREASURY			
Schools and Roads Cluster			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Title I Funds Passed to Subreceipients			293,564
Total for *Schools and Roads Cluster*			293,564
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
COLORADO DEPT. OF HUMAN SERVICES			
Temporary Assistance for Needy Families	93.558		208,657
Child Support Enforcement	93.563		99,370
Low-Income Home Energy Assistance	93.568		171,410
CCDF Cluster			
Child Care and Development Block Grant	93.575		7,261
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		40,673
Total for *CCDF Cluster*			47,934
Child Welfare Services-State Grants	93.645		5,128
Foster Care-Title IV-E	93.658		114,347
Adoption Assistance	93.659		18,523
Social Services Block Grant	93.667		20,408
Medical Assistance Program (*Medicaid Cluster*)	93.778		64,411
DIRECT			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		334,424
U.S. DEPARTMENT OF HOMELAND SECURITY			
COLORADO DEPT. OF LOCAL AFFAIRS			
Emergency Management Performance Grant (EMPG/LEMS)	97.042	14 EM-15-04	49,450
U.S. DEPARTMENT OF JUSTICE			
DIRECT			
Bulletproof Vest Partnership Program	16.607		835
U.S. DEPARTMENT OF TRANSPORTATION			
DIRECT			
Airport Improvement Grants			
Airport Improvement Program No.3-08-0066-21	20.106		3,829,837
COLORADO DEPT. OF TRANSPORTATION			
Highway Planning and Construction	20.205		680,010
Formula Grants for Other Than Urbanized Areas	20.509		41,354
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,074,781

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Archuleta County, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of County Commissioners of Archuleta County, Colorado
Pagosa Springs, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Archuleta County, Colorado (the "County"), as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 28, 2016.

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.

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 the 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*.

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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.

Anton Collins Mitchell LLP

Greeley, Colorado
July 28, 2016

Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of County Commissioners of Archuleta County, Colorado
Pagosa Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited Archuleta County, Colorado's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. 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 of its federal awards applicable to its federal programs.

Auditor's 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 noncompliance with the types of compliance requirements 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, the 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, 2015.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider 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.

Anton Collins Mitchell LLP

Greeley, Colorado
July 28, 2016

Archuleta County, Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported
- Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA/Contract Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _____ Yes __X__ no

Section II – Financial Statement Findings

None reported in 2015.

Section III – Federal Award Findings and Questioned Costs

None reported in 2015.

2014-001: Financial Statement Close Process (Significant Deficiency)

Our testing identified significant audit adjustments that were proposed to accurately state investments, accounts payable, expenses, capital assets, receivables, and revenues in accordance with generally accepted accounting principles. We believed that the occurrence of these adjustments could have been reduced if account balances detailed on the trial balance had been analyzed, reviewed, and reconciled prior to providing to the auditors. The Finance Department implemented a detailed closing checklist as part of the prior year audit recommendations. We recommended that the Finance Department continue to use the closing checklist and make changes to the checklist to account for review of monthly and annual financial statements.

Current Year Status:

Implemented.

2014-002: Records Retention (Significant Deficiency)

Our procedures identified certain accounting records that could not be provided upon request, specifically related to voided checks and County invoices for solid waste revenues. The County did not make copies of invoices that were generated for solid waste revenues and also did not retain all voided checks. We recommended that the County retain all voided checks, with the signature block removed, in a secure location. Additionally, we recommended the County retain copies of all solid waste invoices prior to sending to customers.

Current Year Status:

Implemented.

2014-003 Federal Program – CFDA #93.086 - Healthy Marriage Promotion and Responsible Fatherhood Grants Compliance Requirement: Cash Management and Reporting (Significant Deficiency)

During our testing, we noted that actual expenditures incurred for this grant by the County were greater than the amount of requests for reimbursement submitted to the federal agency, even though all costs are deemed to be allowable costs under the grant. In addition, we noted that requests for reimbursements and reporting submitted to the federal agency were not reviewed and approved by someone other than the preparer. We recommended that the County prepare requests for reimbursements based on all expenditures incurred and allowed under the grant. In addition, we recommended that the County establish a policy to ensure that all requests for reimbursements and reporting are reviewed and approved prior to submitting to the federal entity.

Current Year Status:

Implemented.

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 2015
This Information From The Records Of (example - City of _ or County of _): County of Archuleta	Prepared By: LeeAnn Martin Phone: (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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	3,643,145
4. Miscellaneous local receipts (from page 2)	356,674
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	-
7. Total (1 through 6)	3,999,819
B. Private Contributions	
C. Receipts from State government (from page 2)	2,449,532
D. Receipts from Federal Government (from page 2)	-
E. Total receipts (A.7 + B + C + D)	6,449,351

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	861,119
2. Maintenance:	2,543,739
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	215,704
c. Other	448,895
d. Total (a. through c.)	664,599
4. General administration & miscellaneous	712,132
5. Highway law enforcement and safety	
6. Total (1 through 5)	4,781,589
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	-
2. Notes:	
a. Interest	83,003
b. Redemption	344,642
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)	5,209,234

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
4,007,333	6,449,351	5,209,234	5,247,450	-

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE:	
	Colorado	
	YEAR ENDING (mm/yy):	
	December 2015	

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	1,367,840	a. Interest on investments	-
b. Other local imposts:		b. Traffic Fines & Penalities	-
1. Sales Taxes	2,114,023	c. Parking Garage Fees	-
2. Infrastructure & Impact Fees	-	d. Parking Meter Fees	-
3. Liens	-	e. Sale of Surplus Property	-
4. Licences & Permits	25,211	f. Charges for Services	-
5. Specific Ownership &/or Other	136,071	g. Other Misc. Receipts	133,576
6. Total (1. through 5.)	2,275,305	h. Other	223,098
c. Total (a. + b.)	3,643,145	i. Total (a. through h.)	356,674
	(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	1,718,721	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	66,529	d. Federal Transit Admin	
d. Other - Bridges	664,282	e. U.S. Corps of Engineers	
e. Other - Piedra Road	-	f. Other Federal	
f. Total (a. through e.)	730,811	g. Total (a. through f.)	-
4. Total (1. + 2. + 3.f)	2,449,532	3. Total (1. + 2.g)	
			(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		861,119	861,119
(4). System Enhancement & Operation			-
(5). Total Construction (1) + (2) + (3) + (4)	-	861,119	861,119
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	-	861,119	861,119
			(Carry forward to page 1)

Notes and Comments: