

ARCHULETA COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2010



Wall, Smith, Bateman & Associates, Inc.

Certified Public Accountants

ARCHULETA COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Archuleta County, Colorado (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Archuleta County Housing Authority, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Archuleta County Housing Authority, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Archuleta County, Colorado, as of December 31, 2010, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements, schedules, and reports listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

June 20, 2011

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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, 2010. 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 at December 31, 2010 by \$36,610,902. Of this amount, \$5,414,421 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$407,889 (1.1%) during 2010. The governmental net assets increased by \$612,424 (1.7%) and the business-type net assets decreased by (\$204,535) or (25.7%).
- The combined governmental funds report fund balances at December 31, 2010 of \$8,473,274, an increase of \$1,774,590 in comparison to 2009. The unreserved combined fund balance is \$3,731,106 and is available for spending.
- The unreserved fund balance in the General Fund is \$2,012,060 and is 17% of the total General Fund expenditures.
- The County's total long term liability increased \$206,089. The County entered into a new capital lease in the amount of \$5,270,761 in 2010 to pay off another lease agreement with Wells Fargo Brokerage Services, LLC and purchased land with the additional funds.
- During 2010 the County received approximately \$1 million in unanticipated Sales Tax revenue, resulting from an audit performed by the State of Colorado for the period from February 2003 to December 2008.
- On December 28, 2010 the County purchased 95.8 acres on Highway 84 for \$750,000. The property had been appraised at a market value of \$1.2 million in March 2010. The property has 18 shares of water rights in the Park Ditch Company. There are many possible uses for this property to serve the public interest. Management is recommending engaging in a master planning process to determine the best and most practical uses.
- In March 2011 the Board of County Commissioners passed a resolution requiring adequate Board established Fund Balance Reserve in support of sound fiscal practice and responsible financial management. It is essential that adequate levels of fund balance be maintained to ensure stable cash flow, provide service continuity, mitigate risks, and to provide financial stability.
- At December 31, 2009 the County eliminated several special revenue funds and the Road Capital Improvement Fund. The elimination of these funds is to provide transparency in the County's operations and in preparation of the implementation of GASB 54. The funds that were eliminated include: The Tourism Fund, Fair Board Fund, Community Services Fund, Jail Commissary Fund, Sidewalk Building Fund, Emergency Reserve Fund, Airport Fund, the Road Capital Improvement Fund, and the 1A Ballot Fund. The elimination of these Funds reduced the number of special revenue funds from 18 to 8.

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the 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 financial statements. This report also contains 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 assets* presents information on all of Archuleta County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of Archuleta County include general government, public safety, public works, health & welfare, planning and building, recreation, and Employee Benefit Health Trust Fund. The Business-type Activities of Archuleta County include Solid Waste.

The government-wide financial statements include not only Archuleta County, but also one component unit, the Archuleta County Housing Authority (ACHA). Financial activities for the ACHA, which was created to provide management of housing assistance projects to low income elderly individuals. Financial information for ACHA is reported separately from the financial information presented for the County itself.

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 Assets and the Statement of Activities) and governmental funds in reconciliations.

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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 Assets and the Statement of Activities. In fact the County's enterprise fund (a component of proprietary funds) is 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. Internal service funds (the other component of proprietary funds) are used to report activities that provide services for the County's other programs and activities.

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 Financial Statements.

Notes to 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 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 assets may serve over time as a useful indicator of a government's financial position. For the County, assets exceeded liabilities by \$36,610,902 at December 31, 2010.

The following table provides a summary comparison of the County's governmental and business-type net assets for the year end 2010.

	<u>Net Assets</u>					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 17,601,693	\$ 16,067,348	\$ 154,415	\$ 161,780	\$ 17,756,108	\$ 16,229,128
Capital assets	34,698,794	35,529,290	889,929	1,095,932	35,588,723	36,625,222
Total assets	<u>52,300,487</u>	<u>51,596,638</u>	<u>1,044,344</u>	<u>1,257,712</u>	<u>53,344,831</u>	<u>52,854,350</u>
Other liabilities	9,909,881	10,020,780	39,622	52,220	9,949,503	10,073,000
Long-term debt outstanding	6,369,952	6,167,628	414,474	410,709	6,784,426	6,578,337
Total liabilities	<u>16,279,833</u>	<u>16,188,408</u>	<u>454,096</u>	<u>462,929</u>	<u>16,733,929</u>	<u>16,651,337</u>
Net assets:						
Invested in capital assets net of related debt	28,110,385	29,287,166	466,045	674,593	28,576,430	29,961,759
Restricted	2,620,051	1,117,771	-	-	2,620,051	1,117,771
Unrestricted	5,290,218	5,003,293	124,203	120,190	5,414,421	5,123,483
Total net assets	<u>\$ 36,020,654</u>	<u>\$ 35,408,230</u>	<u>\$ 590,248</u>	<u>\$ 794,783</u>	<u>\$ 36,610,902</u>	<u>\$ 36,203,013</u>

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

The largest portion of Archuleta County's net assets, 78%, reflect 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.

There are 7.2% of the County's net assets that are subject to restrictions on how they may be used. The remaining 14.8% is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

The Governmental Activities total revenues of \$23,585,274 exceeded expenditures including transfers out of \$22,972,850, resulting in an increase in net assets of \$612,424 at December 31, 2010.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 2,728,925	\$ 1,805,258	\$ 491,778	\$ 554,276	\$ 3,220,703	\$ 2,359,534
Operating grants	6,907,653	3,595,311	-	-	6,907,653	3,595,311
Capital grants/Contributions	410,794	2,022,542	-	-	410,794	2,022,542
General revenues:						
Property taxes	8,170,894	6,579,037	-	-	8,170,894	6,579,037
Sales and use taxes	4,077,846	3,171,795	-	-	4,077,846	3,171,795
Other taxes	871,871	1,398,893	-	-	871,871	1,398,893
Other general revenues	417,291	1,001,403	2,751	4,563	420,042	1,005,966
Total revenues	<u>23,585,274</u>	<u>19,574,239</u>	<u>494,529</u>	<u>558,839</u>	<u>24,079,803</u>	<u>20,133,078</u>
					-	-
Program expenses:						
General Government	8,240,752	6,865,407	-	-	8,240,752	6,865,407
Public Safety	3,064,741	3,168,354	-	-	3,064,741	3,168,354
Health and Welfare	4,487,047	2,292,592	-	-	4,487,047	2,292,592
Highways and Streets	6,262,761	5,697,346	-	-	6,262,761	5,697,346
Economic Development	4,493	82,725	-	-	4,493	82,725
Recreation	201,882	133,530	-	-	201,882	133,530
Interest Expense	593,584	318,238	-	-	593,584	318,238
Solid Waste	-	-	590,774	692,482	590,774	692,482
Total expenses	<u>22,855,260</u>	<u>18,558,192</u>	<u>590,774</u>	<u>692,482</u>	<u>23,446,034</u>	<u>19,250,674</u>
Excess before transfers	730,014	1,016,047	(96,245)	(133,643)	633,769	882,404
Transfers	(117,590)	(219,716)	-	16,765	(117,590)	(202,951)
Increase in net assets	612,424	796,331	(96,245)	(116,878)	516,179	679,453
Beginning net assets	35,408,230	34,611,899	794,783	911,661	36,203,013	35,523,560
Prior Period Adjustment	-	-	(108,290)	-	(108,290)	-
Ending net assets	<u>\$ 36,020,654</u>	<u>\$ 35,408,230</u>	<u>\$ 590,248</u>	<u>\$ 794,783</u>	<u>\$ 36,610,902</u>	<u>\$ 36,203,013</u>

Expenditures exceeded Program Revenues for Governmental Activities by \$12.8 million in 2010. In 2009 expenditures exceeded Program Revenues by \$11.1 million.

ARCHULETA COUNTY, COLORADO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2010

Total revenues for governmental activities are made up of 42.6% of program revenues and 57.4% general revenues. In 2009 program revenues were 37.9% of the total revenues and general revenues represented 62.1%.

Program Revenues increased \$2,624,261 or 35% in 2010 compared to 2009. The increase in program revenues is due to the operating grant revenue increasing \$3,312,342 in 2010, which is the result of the County reporting 100% of the Department of Human Services activities in 2010.

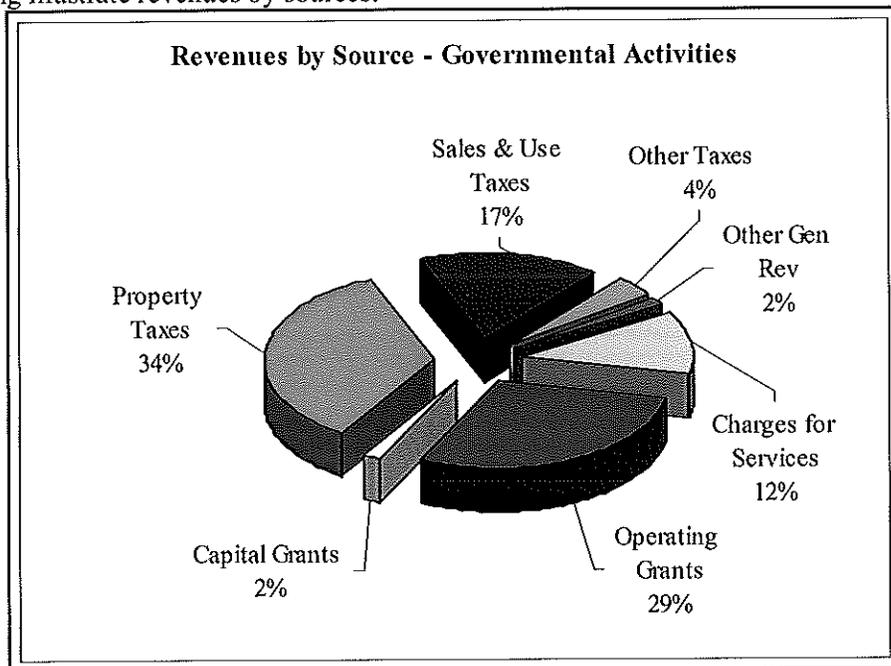
General revenues, primarily property taxes and sales taxes, were used to pay for \$12,807,888 of expenses that were not covered by program revenues.

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

Governmental Activities	Net Program Cost to Taxpayers		Net (Expense) Revenue
	Program Revenues	Expenses	
General Gov't	4,021,442	8,240,752	(4,219,310)
Public Safety	480,706	3,064,741	(2,584,035)
Health & Welfare	3,730,910	4,487,047	(756,137)
Highways & Streets	1,781,070	6,262,761	(4,481,691)
Economic Dev	-	4,493	(4,493)
Recreation & Cult	33,244	201,882	(168,638)
Interest Exp	-	593,584	(593,584)
Totals	10,047,372	22,855,260	(12,807,888)

Governmental Activities total revenues increased \$4,011,035 or 20.5% in 2010. The increase in Property Tax revenue of \$1,591,857 or 24.2% was the result of the increased assessed valuations reported in 2009. Charges for Services and Sales Tax revenue both increased approximately \$900,000 or 51.2% and 28.6% respectively. The largest decline in revenues is in Capital Grants at a decrease of (\$1,611,748) or (79.7%).

The following illustrate revenues by sources:



ARCHULETA COUNTY, COLORADO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2010

The total expenses for governmental activities were \$22,855,260 an increase \$4,297,068. The most significant increase is in the Health & Welfare function which experienced an increase of \$2,194,455 or 95.7%. As mentioned above the increase is due to the 100 % reporting of the Department of Human Services.

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

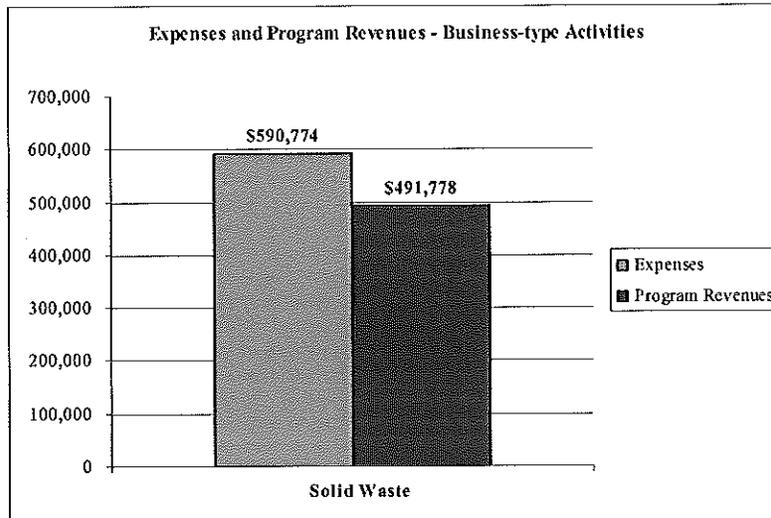
	<u>2010</u>	<u>2009</u>
General Government	36.1%	37.0%
Public Safety	13.4%	17.1%
Health and Welfare	19.6%	12.4%
Highways and Streets	27.4%	30.7%
Economic Development	0.0%	0.4%
Recreation	0.9%	0.7%
Interest Expense	2.6%	1.7%

Business-type Activities

Net assets in Business-type Activities decreased by (\$204,535) in 2010. The majority of this decrease (\$108,290) was caused by a prior period adjustment to restate fixed assets to actual. For more information on fixed assets see Note 15 to the financial statements.

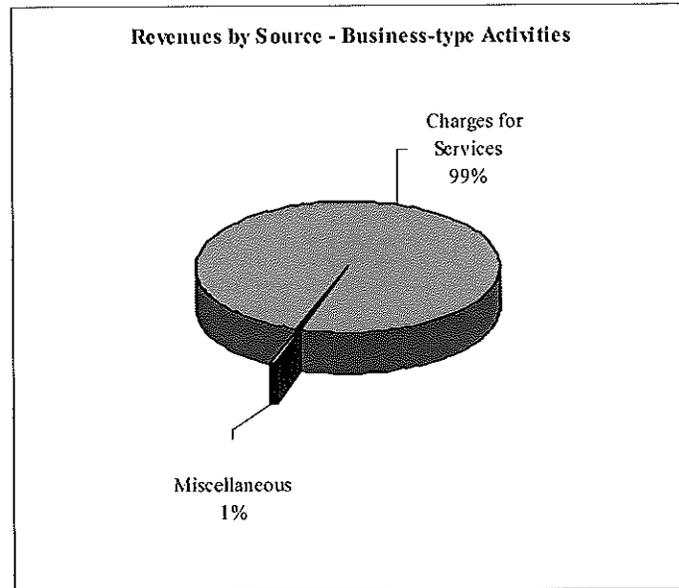
Revenues decreased in 2010 compared to 2009 by (\$64,310) due to a slower economy and depressed construction within Archuleta County. Expenses also decreased during 2010 by (\$101,708).

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



ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

Business-type activities Charges for Services for business-type activities represents 99% of revenues with the remaining 1% of miscellaneous revenue.



THE COUNTY'S FUNDS

At year end, the County's Governmental Funds reported a combined fund balance of \$8,473,274, an increase of \$1,774,590 compared to 2009. Fund balances in the Governmental Funds are as follows:

Governmental Fund Balances Comparison

	2010	2009	2008	2007	2006
General Government Fund	3,409,926	1,231,710	544,953	(860,557)	(457,983)
Road & Bridge Fund	3,839,783	4,439,481	3,137,896	2,883,344	2,969,308
Dept. of Human Services Fund	193,810	86,289	(618,072)	(633,858)	(363,445)
Other Governmental Funds	1,029,755	941,204	977,236	2,057,167	1,736,286
Combined Governmental Fund Balance	8,473,274	6,698,684	4,042,013	3,446,096	3,884,166

The Proprietary Funds ended 2010 with total unrestricted net assets of \$50,022, a decrease of (\$13,883) from 2009. The decrease is due to the Solid Waste Fund reported an operating loss of (\$91,103) in 2010 and the Employee Benefit Trust Fund reporting an operating loss of (\$136,517).

During 2010 the decision was made to move the County from its partial self funded Health Insurance plan to a fully funded Health Insurance plan in 2011. In the transition, it is expected an additional \$200,000 would be incurred as roll-out costs. Roll-out costs are 2010 incurred medical costs that would come in to be paid during 2011 and would not be covered by the Stop Loss Carrier.

Proprietary Funds Net Assets are as follows:

Solid Waste Fund	\$ 516,067
Employee Benefit Trust Fund	\$ -0-

The Employee Benefit Trust Fund net assets are reported at zero due to the fund being eliminated at December 31, 2010.

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

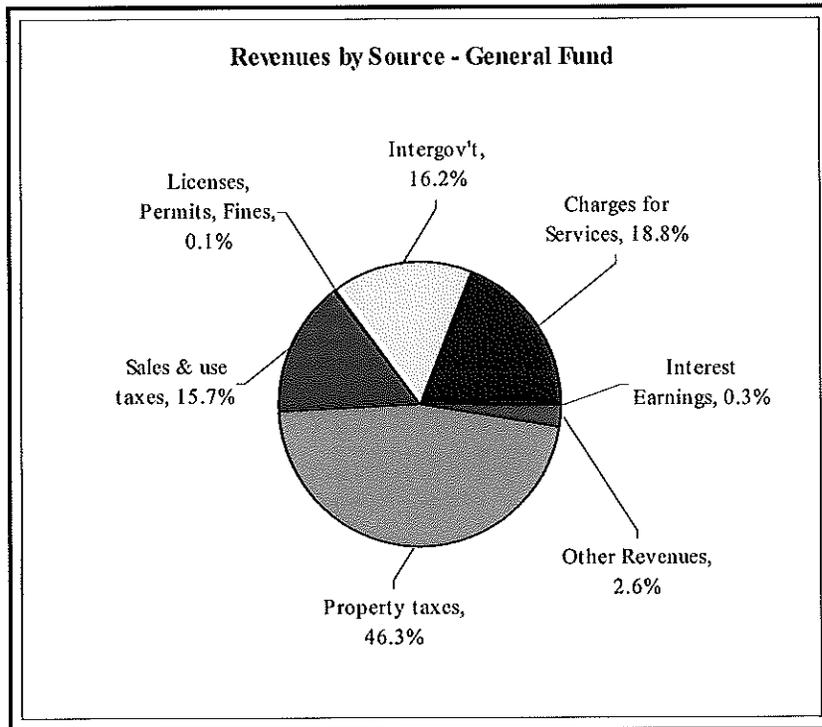
GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund accounts for all of the general services provided by the Archuleta County. At the end of 2010, the General Fund's fund balance totaled \$3,409,926. This is an increase of \$2,178,216 compared to 2009.

A comparison of unreserved fund balance to total fund expenditures is often a useful measure of the ability to continue financial operations. At December 31, 2010 the unreserved fund balance in the General Fund represented 17% of the General Fund expenditures.

2010 General Fund revenues increased \$2,018,424 from 2009. The \$1,381,692 increase in Property Tax revenue is due to the reported increase in assessed valuations in 2009. Sales Tax revenue increased due to the County receiving approximately \$1 million in unanticipated Sales Tax revenue, resulting from an audit performed by the State of Colorado for the period from February 2003 to December 2008.

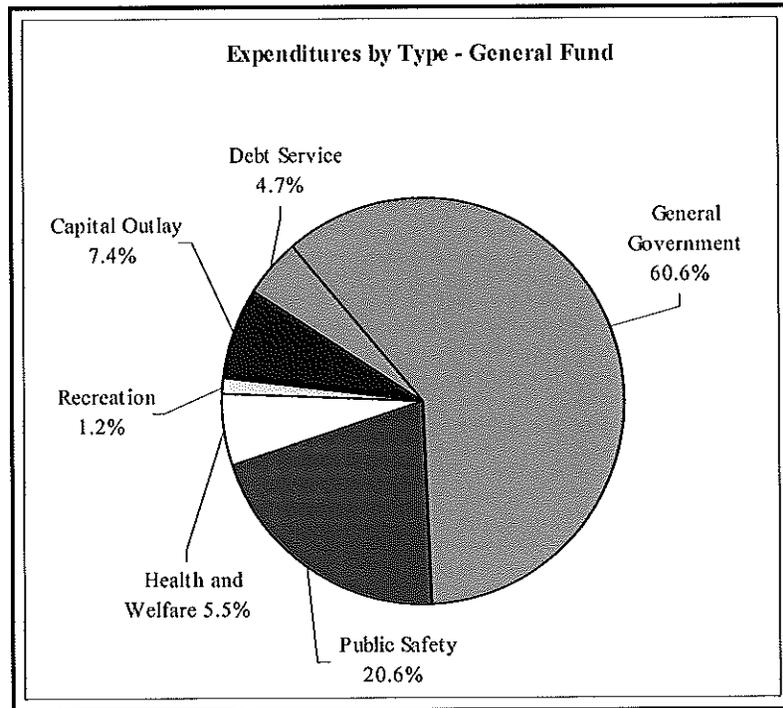
The following illustrates revenues by sources in the General Fund:



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 \$1,836,648 in 2010. The majority of the increase in expenditures, \$1,577,961, is due to eight of the eliminated funds at December 31, 2009 reporting expenditures in their individual funds; in 2010 all of the eight funds expenditures were reported in the General Fund in 2010.

ARCHULETA COUNTY, COLORADO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2010

The following illustrates expenditures by type for the General Fund:



During 2010, the County Commissioners approved two 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 were \$2,168,922 more than budgetary estimates (excluding other financing sources) and expenditures were \$766,686 more than the final budgetary estimates (excluding other financing uses). The difference between the final amended budget and actual is due to the County purchasing land at December 28, 2010.

The following illustrates General Fund Budget:

	2010 General Fund Budget		
	Adopted Budget	Amendments	Final Budget
Beginning Fund Balance	711,027	1,001,347	1,712,374
Sources	9,772,400	2,051,586	11,823,986
Uses	9,742,401	2,060,245	11,802,646
Ending Fund Balance	\$ 741,026	\$ 992,688	\$ 1,733,714

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

CAPITAL ASSETS

In 2010, the County invested in a broad range of capital assets, including land, runways, vehicles, and equipment.

The table below provides a comparative summary of total capital assets at December 31, 2010 and 2009.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$4,461	\$3,699	\$309	\$309	\$4,770	\$4,008
Runway	20,792	15,895	0	0	20,792	15,895
Buildings and Improvements	3,808	3,940	0	0	3,808	3,940
Improvements nonbuilding	82	80	0	0	82	80
Vehicles	740	303	1	3	741	306
Machinery & Equipment	594	1,390	173	347	767	1,737
Computer Equipment	485	584	0	0	485	584
Infrastructure	3,473	3,654	406	436	3,879	4,090
Construction in progress	263	5,984	0	0	263	5,984
Totals	\$34,698	\$35,529	\$889	\$1,095	\$35,587	\$36,624

Major capital expenditures during 2010 included:

Land	\$750,000
Runways	5,492,028
Vehicles	202,573
2011 Kenworth T800	99,431
CR 975 Pavement	699,432

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 2010, the County had total debt outstanding of \$6.75 million. \$1.28 million is a note payable, secured by a security interest in the County's Aviation Fuel Tax Refund revenue. \$5.4 million is capital leases, which covers the debt on various pieces of road equipment and is to be repaid from sales tax revenues. The County's total debt increased \$438,535 in 2010. The County entered into a new capital lease in the amount of \$5.27 million to pay off another lease agreement and purchase of Land in 2010.

Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Notes Payable	1,281,023	1,571,088	-	-	1,281,023	1,571,088
Capital leases	5,395,334	4,644,341	76,036	98,429	5,471,370	4,742,770
Totals	\$ 6,676,357	\$ 6,215,429	\$ 76,036	\$ 98,429	\$ 6,752,393	\$ 6,313,858

ARCHULETA COUNTY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Archuleta County is faced with unprecedented economic time where revenues are uncertain and the provision of services becomes increasingly difficult. Changing economic conditions in the county have decreased the resources available to deliver services and develop infrastructure. The 2011 budget was developed to ensure the fiscal health of the County through changing economic conditions.

Management continues to be cautious with its spending, delaying discretionary purchases as necessary and monitoring revenues to continually assess the County's financial position.

2011 is a reassessment year. The County Assessor has reported that assessed valuations have declined approximately 25%. Property tax revenue is the County's single largest source of revenue and represents approximately 40% of all revenues received. A decrease of 25% will have a significant impact on the County operations in 2012.

The 2011 Budget increase in expenditures is largely the result of budgeting the carryover of 1A funds from prior years, budgeting department full cost of Fleet expenditures, the inclusion of the Archuleta County Housing Authority Fund, and increased costs due to run out costs of the partially self funded health insurance plan.

For the year 2011, the Solid Waste Fund was expected to have an increase in revenues of approximately 2.78%. During the first quarter of 2011 revenues have increased 6.5%.

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 www.archuletacounty.org. Archuleta County Housing Authority issues publicly available annual financial statements, which may be obtained by writing to the Archuleta County Housing Authority, c/o Housing Solutions for the Southwest, Attn: Finance Department, 295 Girard Street, Durango, Colorado 81301.

ARCHULETA COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS

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ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government		TOTAL	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,631,003	\$ 98,036	\$ 7,729,039	\$ 54,118
Restricted Cash and Investments	-	-	-	123,958
Receivables				
Property Taxes	7,736,862	-	7,736,862	-
Other	290,880	82,198	373,078	-
Inventory	131,340	-	131,340	-
Prepaid Expenses	11,781	-	11,781	-
Due From Other Governments	1,663,307	-	1,663,307	-
Internal Balances	25,819	(25,819)	-	-
Total Current Assets	<u>17,490,992</u>	<u>154,415</u>	<u>17,645,407</u>	<u>178,076</u>
Noncurrent Assets:				
Issuance Cost	110,701	-	110,701	-
Capital Assets:				
Land	4,460,928	309,166	4,770,094	81,999
Construction in Progress	263,010	-	263,010	-
Runway Improvements, net	20,792,625	-	20,792,625	-
Buildings, net	3,807,781	-	3,807,781	768,268
Machinery, net	593,766	173,509	767,275	-
Vehicles, net	739,949	995	740,944	-
Improvements - non-building, net	82,671	-	82,671	73,348
Computer Equipment, net	485,406	-	485,406	-
Infrastructure	3,472,658	406,259	3,878,917	-
Accumulated Depreciation for Component Units	-	-	-	(739,632)
Loan Costs, net	-	-	-	12,335
Total Noncurrent Assets	<u>34,809,495</u>	<u>889,929</u>	<u>35,699,424</u>	<u>196,318</u>
TOTAL ASSETS	<u>52,300,487</u>	<u>1,044,344</u>	<u>53,344,831</u>	<u>374,394</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	511,052	620	511,672	89,707
Due to Other Governments	515,730	-	515,730	-
Incurred but Unreported Medical Claims	117,570	-	117,570	-
Accrued Interest	22,753	2,064	24,817	-
Accrued Payroll and Liabilities	177,883	11,529	189,412	-
Deposits Payable	7,922	-	7,922	3,761
Deferred Revenue	7,761,742	-	7,761,742	-
Accrued Vacation and Sick Leave, Current Portion	50,482	1,600	52,082	-
Notes Payable, Portion Due or Payable Within One Year	744,747	23,809	768,556	5,584
Total Current Liabilities:	<u>9,909,881</u>	<u>39,622</u>	<u>9,949,503</u>	<u>99,052</u>
Noncurrent Liabilities:				
Closure and Post Closure Costs	-	347,848	347,848	-
Accrued Vacation and Sick Leave, Noncurrent Portion	438,342	14,399	452,741	-
Notes Payable, Portion Due or Payable After One Year	5,931,610	52,227	5,983,837	786,824
Total Noncurrent Liabilities	<u>6,369,952</u>	<u>414,474</u>	<u>6,784,426</u>	<u>786,824</u>
TOTAL LIABILITIES	<u>16,279,833</u>	<u>454,096</u>	<u>16,733,929</u>	<u>885,876</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	28,110,385	466,045	28,576,430	(608,425)
Restricted for:				
Capital Projects	494,108	-	494,108	-
Emergencies	620,080	-	620,080	-
Inventory	131,340	-	131,340	-
Forest Reserve Title III	93,596	-	93,596	-
Ballot Measure 1A	1,280,927	-	1,280,927	-
Component Unit Restrictions	-	-	-	120,223
Unrestricted	5,290,218	124,203	5,414,421	(23,280)
TOTAL NET ASSETS	<u>\$ 36,020,654</u>	<u>\$ 590,248</u>	<u>\$ 36,610,902</u>	<u>\$ (511,482)</u>

See Notes to the Basic Financial Statements

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ARCHULETA COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs Primary Government:	Net (Expense) Revenue and Changes in Net Assets						Component Units
	Program Revenues			Primary Government			
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	TOTAL	
General Government	\$ 8,240,752	\$ 1,473,951	\$ 252,792	\$ (4,219,310)	\$ (4,219,310)	\$ (4,219,310)	
Public Safety	3,064,741	92,495	158,002	(2,584,035)	(2,584,035)	(2,584,035)	
Health and Welfare	4,487,047	3,635,341	-	(756,137)	(756,137)	(756,137)	
Highways and Streets	6,262,761	1,705,866	-	(4,481,691)	(4,481,691)	(4,481,691)	
Economic Development	4,493	-	-	(4,493)	(4,493)	(4,493)	
Recreation	201,882	-	-	(168,638)	(168,638)	(168,638)	
Interest Expense	593,584	-	-	(593,584)	(593,584)	(593,584)	
Total Governmental Activities	22,855,260	6,907,653	410,794	(12,807,888)	(12,807,888)	(12,807,888)	
Business-Type Activities:							
Solid Waste	590,774	-	-	(98,996)	(98,996)	(98,996)	
Total Business-Type Activities	590,774	-	-	(98,996)	(98,996)	(98,996)	
Total Primary Government	\$ 23,446,034	\$ 6,907,653	\$ 410,794	(12,807,888)	(12,807,888)	(12,906,884)	
Component Units:							
Archuleta County Housing	\$ 556,678	\$ 575,182	\$ -	-	-	-	\$ 37,959
Total Component Units							
General Revenues:							
Taxes:							
Property Taxes				8,170,894	-	8,170,894	-
Sales and Use Taxes				4,077,846	-	4,077,846	-
Payments in Lieu of Taxes				871,871	-	871,871	-
Interest Income				43,908	-	43,908	468
Miscellaneous				373,383	2,751	376,134	45
Transfers				(117,590)	-	(117,590)	-
Total General Revenues and Transfers				13,420,312	2,751	13,423,063	513
Change in Net Assets							
				612,424	(96,245)	516,179	38,472
Net Assets - Beginning, as previously stated				35,408,230	794,783	36,203,013	(549,954)
Prior Period Adjustment				-	(108,290)	(108,290)	-
Net Assets - Beginning, restated				35,408,230	686,493	36,094,723	(549,954)
Net Assets - Ending				\$ 36,020,654	\$ 590,248	\$ 36,610,902	\$ (511,482)

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	GENERAL FUND	ROAD AND BRIDGE FUND	HUMAN SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 3,040,834	\$ 3,321,398	\$ 136,853	\$ 1,027,130	\$ 7,526,215
Receivables					
Property Taxes	5,740,800	1,698,605	297,457	-	7,736,862
Other	200,865	55,657	2,406	18,920	277,848
Inventories, at Cost	80,339	51,001	-	-	131,340
Prepays	7,938	3,843	-	-	11,781
Due From Other Governments	1,050,382	473,507	139,418	-	1,663,307
Due From Other Funds	100,000	-	-	-	100,000
TOTAL ASSETS	\$ 10,221,158	\$ 5,604,011	\$ 576,134	\$ 1,046,050	\$ 17,447,353
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 408,183	\$ 38,290	\$ 59,942	\$ 4,387	\$ 510,802
Accrued Payroll and Liabilities	138,597	27,333	45	11,908	177,883
Due to Other Governments	515,730	-	-	-	515,730
Inmate Deposits	7,922	-	-	-	7,922
Deferred Revenue	5,740,800	1,698,605	322,337	-	7,761,742
TOTAL LIABILITIES	6,811,232	1,764,228	382,324	16,295	8,974,079
FUND BALANCE					
Fund Balance					
Reserved					
Emergencies	347,000	159,000	110,000	4,080	620,080
Inventory	80,339	51,001	-	-	131,340
Forest Reserve Title III	-	93,596	-	-	93,596
Ballot Measure 1A	970,527	310,400	-	-	1,280,927
Unreserved Fund Balance	-	-	-	-	-
Designated for Future Capital Projects	-	-	-	494,108	494,108
Designated for Subsequent Year Expenditure	-	1,788,117	-	334,000	2,122,117
Undesignated	2,012,060	1,437,669	83,810	197,567	3,731,106
TOTAL FUND BALANCE	3,409,926	3,839,783	193,810	1,029,755	8,473,274
TOTAL LIABILITIES AND FUND BALANCE	\$ 10,221,158	\$ 5,604,011	\$ 576,134	\$ 1,046,050	\$ 17,447,353

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2010

Total governmental fund balances	\$	8,473,274
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		34,698,794
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
<p>Capital Leases Payable</p>	\$ (5,395,334)	
<p>Notes Payable</p>	(1,281,023)	
<p>Compensated Absences</p>	(488,824)	
<p>Accrued Interest Payable</p>	<u>(22,753)</u>	
		(7,187,934)
<p>Certain transactions from the capital lease transactions are expensed in the governmental funds, but are required to be capitalized and amortized in the government-wide financial statements.</p>		110,701
<p>Internal service funds are used by management to charge the costs of self-insurance, fleet management, and nutrition for the jail and community groups to the individual funds. The assets and liabilities of these funds are included in governmental activities in the statement of net assets.</p>		<u>(74,181)</u>
Net assets of governmental activities	\$	<u>36,020,654</u>

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	GENERAL FUND	ROAD AND BRIDGE FUND	HUMAN SERVICES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 6,201,173	\$ 1,656,509	\$ 313,212	\$ -	\$ 8,170,894
Sales and Use Tax	2,096,709	1,981,137	-	-	4,077,846
Licenses and Permits	8,365	-	-	-	8,365
Intergovernmental	2,178,803	2,144,110	3,620,613	277,558	8,221,084
Charges for Services	2,516,928	11,990	-	128,428	2,657,346
Interest Earnings	41,171	-	-	2,737	43,908
Other	350,759	15,157	-	7,417	373,333
TOTAL REVENUE	13,393,908	5,808,903	3,933,825	416,140	23,552,776
EXPENDITURES					
General Government	7,170,133	-	-	-	7,170,133
Public Safety	2,441,122	-	-	539,085	2,980,207
Health and Welfare	649,112	-	3,826,304	-	4,475,416
Highways and Streets	-	5,674,947	-	30,000	5,704,947
Economic Development	-	-	-	-	-
Culture and Recreation	147,537	-	-	50,000	197,537
Capital Outlay	873,354	125,977	-	-	999,331
Debt Service	556,876	607,677	-	-	1,164,553
TOTAL EXPENDITURES	11,838,134	6,408,601	3,826,304	619,085	22,692,124
Excess (Deficiency) of Revenues Over Expenditures	1,555,774	(599,698)	107,521	(202,945)	860,652
OTHER SOURCES (USES) OF FUNDS					
Capital Lease Proceeds	1,031,528	-	-	-	1,031,528
Operating Transfers In	8,612	-	-	300,108	308,720
Operating Transfers Out	(417,698)	-	-	(8,612)	(426,310)
TOTAL OTHER FINANCING SOURCES (USES)	622,442	-	-	291,496	913,938
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	2,178,216	(599,698)	107,521	88,551	1,774,590
Fund Balance at Beginning of Year	1,231,710	4,439,481	86,289	941,204	6,698,684
Fund Balance at End of Year	\$ 3,409,926	\$ 3,839,783	\$ 193,810	\$ 1,029,755	\$ 8,473,274

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds \$ 1,774,590

Amounts reported for governmental activities in the statements of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements 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 outlays in the current period.

Fixed asset purchases	\$ 1,046,979	
Depreciation expense	<u>(1,877,475)</u>	(830,496)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of principal include:

Loan and capital lease payments	571,846	
Debt issuance costs (net due to refinance)	(370)	-
Capital lease proceeds	<u>(1,031,528)</u>	(460,052)

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	32,511	
Accrued Interest Payable	<u>113,767</u>	146,278

Internal Service Funds are used by management to charge the costs of self-insurance, fleet management, and nutrition for the jail and community groups to the individual funds. The net revenue or loss of these services is reported with governmental activities.

	<u>(17,896)</u>
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Change in net assets of governmental funds	<u>\$ 612,424</u>
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ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Business-type Activities	Governmental - Activities
	SOLID WASTE FUND	INTERNAL SERVICE FUNDS
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 98,036	\$ 104,788
Accounts Receivable	82,198	13,032
Total Current Assets	180,234	117,820
Noncurrent Assets		
Land	309,166	-
Machinery and Equipment, net	173,509	-
Vehicles, net	995	-
Infrastructure, net	406,259	-
Total Noncurrent Assets	889,929	-
TOTAL ASSETS	1,070,163	117,820
LIABILITIES		
Current Liabilities		
Accounts Payable	620	250
Incurred but Unreported Medical Claims	-	117,570
Due to Other Funds	100,000	-
Accrued Interest Payable	2,064	-
Accrued Payroll and Liabilities	11,529	-
Accrued Vacation and Sick Leave	15,999	-
Notes Payable	23,809	-
Total Current Liabilities	154,021	117,820
Noncurrent Liabilities		
Notes Payable	52,227	-
Closure and Post-Closure Costs	347,848	-
Total Current Liabilities	400,075	-
TOTAL LIABILITIES	554,096	117,820
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	466,045	-
Unrestricted	50,022	-
TOTAL NET ASSETS	516,067	\$ -
Adjustments:		
Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	74,181	
Net Assets of Business-Type Activities	\$ 590,248	

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Business-type Activities	Governmental - Activities
	SOLID WASTE FUND	INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for Services	\$ 491,778	\$ 1,121,514
Reinsurance Recoveries	-	142,556
Other	2,751	38,679
Total Operating Revenues	494,529	1,302,749
OPERATING EXPENSES		
Current		
Salaries and Benefits	284,164	-
Materials and Supplies	149,953	-
Purchased Services	53,034	-
Other	767	1,439,266
Depreciation	97,714	-
Total Operating Expenses	585,632	1,439,266
Operating Income (Loss)	(91,103)	(136,517)
NONOPERATING REVENUES (EXPENSES)		
Interest Revenues	-	285
Interest Expense	(4,397)	-
Total Nonoperating Revenues (Expenses)	(4,397)	285
Income (Loss) Before Transfers	(95,500)	(136,232)
Transfers In	-	117,590
Changes in Net Assets	(95,500)	(18,642)
Net Assets at beginning of year, as previously stated	719,857	18,642
Prior Period Adjustment	(108,290)	-
Net Assets at beginning of year, restated	611,567	18,642
Net Assets at end of year	516,067	\$ -
Adjustments:		
Reflects the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	74,181	
Change in Net Assets of Business-Type Activities	\$ 590,248	

ARCHULETA COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	<u>Business-type Activities</u>	<u>Governmental - Activities</u>
	<u>SOLID WASTE FUND</u>	<u>INTERNAL SERVICE FUNDS</u>
Cash flows from operating activities:		
Cash received from customers	\$ 506,055	\$ 1,160,193
Cash reinsurance recoveries	-	311,159
Cash paid to employees	(286,413)	-
Cash paid to suppliers	(183,128)	(1,505,620)
Net cash provided (used) by operating activities	36,514	(34,268)
Cash flows from noncapital financing activities:		
Interfund transfers	-	117,590
Net cash provided (used) by noncapital financing activities	-	117,590
Cash flows from capital and related financing activities:		
Payment of note principal and interest	(28,615)	-
Net cash provided (used) by capital and related financing activities	(28,615)	-
Cash flows from investing activities:		
Interest Received	-	285
Net cash provided (used) by investing activities	-	285
Increase (decrease) in cash and investments	7,899	83,607
Cash and cash equivalents, Beginning of the Year	90,137	21,181
Cash and cash equivalents, End of the Year	\$ 98,036	\$ 104,788
Operating income (loss)	\$ (91,103)	\$ (136,517)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	97,714	-
(Increase) decrease in accounts receivable	11,526	168,603
(Increase) decrease in inventory	2,992	-
Increase (decrease) in accounts payable	(7,304)	250
Increase (decrease) in incurred but not reported claims	-	(66,604)
Increase (decrease) in accrued employee expenses	(2,249)	-
Increase (decrease) in accrued post closure liability	24,938	-
Total adjustments	127,617	102,249
Net cash provided (used) by operating activities	\$ 36,514	\$ (34,268)

ARCHULETA COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
For the Year Ended December 31, 2010

	<u>TREASURER'S AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 655,998</u>
TOTAL ASSETS	<u><u>\$ 655,998</u></u>
LIABILITIES	
Funds Held For Others	<u>\$ 655,998</u>
TOTAL LIABILITIES	<u><u>\$ 655,998</u></u>

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ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America 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 five other elected officials - assessor, clerk and recorder, coroner, sheriff, 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 combined financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

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

Discretely Presented Component Units

The Archuleta County Housing Authority is a legally separate organization, but the County is financially accountable for the Housing Authority because the County Commissioners approve a voting majority of the Authority's governing body and impose their will by having the ability to remove appointed members of the Authority's board. The Archuleta County Housing Authority is presented in the County's financial statements. The Housing Authority issues separate financial statements with a fiscal year end of December 31st and may be obtained by contacting the Housing Authority. Note 20 contains the footnote information for the Housing Authority and this information is not included in any other footnote disclosures of the County's financial report.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the County and its component units, 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 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. 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.

ARCHULETA COUNTY, COLORADO
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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, 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 upon determination of net income, financial position, and cash flows.

The Proprietary Fund is 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 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 County reports the following fund type:

- **Internal Service Funds.** This fund accounts for the self-insured health insurance plan.

Fiduciary fund financial statements consist of the trust and 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

ARCHULETA COUNTY, COLORADO
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Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities, internal service fund transactions have been eliminated.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are service fees charged to the other funds and employee contributions. Operating expenses for the internal service fund include insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES, AND NET ASSETS 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 from 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 February 28 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 2010 property tax levy due January 1, 2011, has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

Receivables/Payables from Other County Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

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 a reservation of 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 fund 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 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, except for computer equipment which uses an individual cost of more than \$500. 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	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 other financing uses.

Compensated Absences

A maximum of 80 to 160 hours of vacation time, per year, may be accumulated by each employee. 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 either receiving payment or having accrued vacation time added to the employee's contribution to the retirement plan. Such contributions shall be the monetary equivalent of any vacation time earned over 80 hours in a given year.

Employees will be paid for up to the maximum accumulated of unused vacation hours upon separation from County service after six months of continuous service.

Full-time employees may accumulate up to 480 hours of sick leave; Part time employees may accumulate a percentage of 480 hours, based on the hours approved for benefits. After the maximum accumulated sick leave is reached (480), an employee shall be eligible to be paid for 50% of any unused sick time over the 480 hours or a maximum of 48 hours, as calculated on December 31, of each year, at the hourly rate which the employee is receiving as of the December 31 date.

ARCHULETA COUNTY, COLORADO
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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.

Deferred 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 deferred revenues.

Fund Equity

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted by outside parties of use for a specific purpose. Fund reservations include capital projects, forest reserve title III, ballot measure 1A, inventories, and TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Forest Reserve Title III - Funds may be used to carry out activities under the Firewise Communities program, to reimburse the county for search and rescue and other emergency services, and to develop community wildfire protection plans. Counties allocating funds for Title III projects must annually submit a certification that the funds were used in accordance with Title III. Projects are developed and selected by the counties. The County allocated \$42,472 during the 2010 year for a total of \$93,596 restricted for Title III purpose at December 31, 2010. These funds were reserved for future use.

Ballot Measure 1A – In 2007, the voters of Archuleta County approved ballot measure “1A” that removed certain TABOR revenue limits; for a period of five years. The Board of County Commissioners committed to allocate 1A funding within specified categories: Road Maintenance, Information Technology/Training, Parks and Recreation, and Facilities. The Fund Balance reserved for 1A in the General Fund and the Road & Bridge Fund represent those amounts allocated by the Board of County Commissioners for 1A projects that remain unspent.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Sales Tax Allocation

The County collects a 2% sales tax; one percent is allocated to the General Fund and one percent is allocated to the Road Capital Improvement Fund for capital expenditures.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 Director 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 Finance Director is required to present a monthly report to the Board of County Commissioners noting any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
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 did adopt supplemental appropriations during 2010.

Stewardship

Expenditures (including transfers) in the following funds exceeded appropriations during 2010. This may be a violation of Colorado State Statutes.

	Excess
General Fund	\$ 929,614
Human Services Fund	1,620,379
Conservation Trust Fund	50,000
Fairfield Settlement Fund	8,612
Self-Insurance Fund	339,166.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

At December 31, 2010, the financial statements reflected cash and cash equivalents as follows:

Governmental Type Activities:	
Cash and Cash Equivalents	\$ 7,631,003
Business Type Activities:	
Cash and Cash Equivalents	98,036
Fiduciary Fund:	
Cash and Cash Equivalents	655,998
	<u>\$ 8,385,037</u>

The carrying amounts of deposits and investments are as follows:

Cash on Hand	\$ 3,048
Cash Deposited with Banks	3,736,640
Investments	4,645,349
	<u>\$ 8,385,037</u>

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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At December 31, 2010, \$1,267,420 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2010, the local government investment pool (COLOTRUST) in which the County had invested, was rated AAA by Standard & Poor's.

<u>Investment Type</u>		<u>Rating</u>	<u>Fair Value</u>	<u>Up to 120 Days</u>	<u>121 Days to 5 Years</u>
Federal National Mortgage Association	53%	AAA	\$ 2,486,440	\$ -	\$ 2,486,440
Federal Farm Credit Banks	11%	AAA	495,516	-	495,516
			2,981,956	-	2,981,956
Money Market Funds (unrated)	0%	10,010			
ColoTrust	36%	1,653,383			
			<u>1,663,393</u>		
			<u>\$ 4,645,349</u>		

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 values arising from increasing interest rates. The County has no investments with maturities past five years.

The Colorado Government Liquid Asset Trust (COLOTRUST), is an investment vehicle 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2010, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 5,740,800
Road and Bridge Fund	1,698,605
Human Services Fund	<u>297,457</u>
	<u>\$ 7,736,862</u>

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between many of 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, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund transfers during 2010 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Non-Major Fund	\$ 8,612
Non-Major Fund	General Fund	300,108
Self Insurance Fund	General Fund	<u>117,590</u>
		<u>\$ 426,310</u>

The General Fund transferred funds to the Self Insurance Fund to supplement the fund's deficit and close the fund. Also, the General Fund transferred funds to the Combined Dispatch Fund to contribute the County's share of operating funds.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Reclassification	Additions	Deletions	Balance 12/31/2010
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,698,683	\$ -	\$ 762,245	\$ -	\$ 4,460,928
Construction in Progress	5,983,896	-	-	5,720,886	263,010
Total capital assets not being depreciated	<u>9,682,579</u>	<u>-</u>	<u>762,245</u>	<u>5,720,886</u>	<u>\$ 4,723,938</u>
Capital assets being depreciated					
Runway	19,365,344	-	5,672,240	-	25,037,584
Improvements Non-building	83,215	-	8,333	-	91,548
Buildings and Improvements	5,428,890	-	-	-	5,428,890
Machinery and Equipment	6,129,262	(3,755,786)	99,431	40,935	2,431,972
Vehicles	754,771	3,277,256	202,573	83,670	4,150,930
Computer Equipment	1,238,307	478,530	-	64,352	1,652,485
Infrastructure	4,196,295	-	25,312	-	4,221,607
Total capital assets being depreciated	<u>37,196,084</u>	<u>-</u>	<u>6,007,889</u>	<u>188,957</u>	<u>43,015,016</u>
Less accumulated depreciation for:					
Runway	3,470,645	-	774,314	-	4,244,959
Improvements Non-building	2,774	-	6,103	-	8,877
Buildings and Improvements	1,488,705	-	132,404	-	1,621,109
Machinery and Equipment	4,739,143	(3,091,904)	229,633	38,666	1,838,206
Vehicles	451,751	2,746,593	296,307	83,670	3,410,981
Computer Equipment	654,452	345,311	231,668	64,352	1,167,079
Infrastructure	541,903	-	207,046	-	748,949
	<u>11,349,373</u>	<u>-</u>	<u>1,877,475</u>	<u>186,688</u>	<u>13,040,160</u>
Total capital assets being depreciated, net	<u>25,846,711</u>	<u>-</u>	<u>4,130,414</u>	<u>2,269</u>	<u>29,974,856</u>
Governmental activities capital assets, net	<u>\$ 35,529,290</u>	<u>\$ -</u>	<u>\$ 4,892,659</u>	<u>\$ 5,723,155</u>	<u>\$ 34,698,794</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 309,166	\$ -	\$ -	\$ 309,166
Total capital assets not being depreciated	309,166	-	-	\$ 309,166
Capital assets being depreciated				
Machinery and Equipment	859,450	-	256,887	602,563
Vehicles	50,007	-	30,960	19,047
Infrastructure	451,399	-	-	451,399
Total capital assets being depreciated	1,360,856	-	287,847	1,073,009
Less accumulated depreciation for:				
Machinery and Equipment	512,420	65,231	148,597	429,054
Vehicles	46,622	2,390	30,960	18,052
Infrastructure	15,047	30,093	-	45,140
	574,089	97,714	179,557	492,246
Total capital assets being depreciated, net	786,767	(97,714)	108,290	580,763
Governmental activities capital assets, net	\$ 1,095,933	\$ (97,714)	\$ 108,290	\$ 889,929

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

Governmental activities:	
General Government	\$ 1,203,168
Public Safety	79,128
Highways and Streets	577,320
Economic Development	4,493
Recreation	4,345
Health and Welfare	9,021
	<u>\$ 1,877,475</u>
Business-type activities:	
Solid Waste	<u>\$ 97,714</u>

NOTE 7 SHORT TERM DEBT

On January 26, 2010, the County obtained a \$500,000 promissory note, which was repaid April 7, 2010. The Note yielded a fixed interest rate of 4.00%. This was to provide temporary source of cash for the payment of the duly budgeted and appropriated expenses of the County in anticipation of the receipt of property tax revenues in the year 2010.

Balance January 01, 2010	\$ -
Additions	290,000
Reductions	290,000
Balance December 31, 2010	<u>\$ -</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Ending Balance 12/31/2009	Additions	Deletions	Ending Balance 12/31/2010	Due Within One Year
Governmental activities:					
Capital Leases Payable	\$ 4,644,341	\$ 1,032,774	\$ 281,781	\$ 5,395,334	\$ 443,079
Notes Payable	1,571,088	-	290,065	1,281,023	301,668
Accrued Interest on Long Term Debt	136,519	22,753	136,519	22,753	22,753
Compensated Absences	521,335	-	32,511	488,824	50,482
Governmental activities long-term liabilities	<u>\$ 6,873,283</u>	<u>\$ 1,055,527</u>	<u>\$ 740,876</u>	<u>\$ 7,187,934</u>	<u>\$ 817,982</u>
Business-type activities:					
Capital Leases Payable	\$ 98,429	\$ -	\$ 22,393	\$ 76,036	\$ 23,809
Compensated Absences	19,206	-	3,207	15,999	1,600
Business-type activities long-term liabilities	<u>\$ 117,635</u>	<u>\$ -</u>	<u>\$ 25,600</u>	<u>\$ 92,035</u>	<u>\$ 25,409</u>

GOVERNMENTAL ACTIVITIES:

Capital Leases Payable

The County has adopted the policy of acquiring certain fixed 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 net asset.

The County entered into a \$91,452 capital lease payable with Caterpillar Financial Services Corporation, payable in monthly installments of \$1,747, beginning March 6, 2008, at 5.50% interest, for the purchase of a drum compactor. Payments are made from the Road and Bridge Fund. Final payment is due in 2013. This asset is recorded in the fixed assets of the government-wide financial statements at \$136,452, less accumulated depreciation of \$88,406 at December 31, 2010. At December 31, 2010, the balance outstanding was \$42,888.

The County entered into a \$5,270,761 capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$483,403, beginning May 1, 2011, at 5.40% interest, to pay off August 1, 2009, \$5,000,000 capital lease with Wells Fargo Brokerage Services, LLC, and the additional funds are to purchase land. Final payment is due in 2026. Collateral includes the county courthouse, road and bridge equipment, and vacant land. This lease is collateralized. Payments will be made from the Road and Bridge and Conservation Trust Funds. At December 31, 2010, the balance outstanding was \$5,270,761.

The County entered into a \$121,317 capital lease payable to Kansas State Bank of Manhattan, payable in two annual installments of \$43,183, beginning April 8, 2011, at 5.50% interest, for the purchase of three vehicles. Final payment is due in 2012. This asset is recorded in the fixed assets of the government-wide financial statements at \$121,354, less accumulated depreciation of \$11,593 at December 31, 2010. At December 31, 2010, the balance outstanding was \$81,685.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

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

YEAR	PRINCIPAL	INTEREST	TOTALS
2011	\$ 443,079	\$ 104,469	\$ 547,548
2012	283,800	266,930	550,730
2013	234,979	251,918	486,897
2014	243,995	239,408	483,403
2015	257,171	226,232	483,403
2016-2020	1,509,782	907,233	2,417,015
2021-2025	1,963,890	453,125	2,417,015
2026	458,638	24,766	483,404
	<u>\$ 5,395,334</u>	<u>\$ 2,474,081</u>	<u>\$ 7,869,415</u>

Note Payable

Note payable to the Colorado Department of Transportation, payable in annual payments of \$308,227, including interest at 4%. Final payment is due in 2014. The note is secured by a security interest in the County's Aviation Fuel Tax Refund revenue. This debt is being serviced in the Airport Fund/General Fund and the balance at December 31, 2010, was \$1,281,023. The note was re-amortized in July 2008 changing the annual payments to \$352,909.

The annual debt service for the note payable is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2011	\$ 301,668	\$ 51,241	\$ 352,909
2012	313,735	39,174	352,909
2013	326,284	26,625	352,909
2014	339,336	13,573	352,909
	<u>\$ 1,281,023</u>	<u>\$ 130,613</u>	<u>\$ 1,411,636</u>

BUSINESS-TYPE ACTIVITIES:

The County entered into a \$127,045 capital lease payable to Paccar Financial, payable in annual payments of \$28,616, beginning May 15, 2009, including interest at 6.32%, for the purchase of solid waste equipment. Payments will be made from the Solid Waste Fund. Final payment is due in 2013. The asset is recorded at \$127,045, less accumulated depreciation of \$27,224 at December 31, 2010.

YEAR	PRINCIPAL	INTEREST	TOTALS
2011	\$ 23,809	\$ 4,807	\$ 28,616
2012	25,314	3,302	28,616
2013	26,913	1,703	28,616
	<u>\$ 76,036</u>	<u>\$ 9,812</u>	<u>\$ 85,848</u>

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 \$150,085.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 10 RETIREMENT

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. 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 base salary each month. 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 2010 was \$6,666,636. Both the County and the covered employees made the required contributions, amounting to \$261,923 from the County and \$261,923 from employees. Information is not available to determine the base salary amount which determined the County's contribution. 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 monthly contribution.

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 raising, 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.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. The entity 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

Colorado Revised Statute Section 29-1-301 establishes a 5.5% property tax revenue growth limitation that may be exceeded upon the affirmative vote of the qualified electors. Archuleta County voters approved such a measure in November 2006, whereby the County is authorized to collect, retain, spend, and reserve all revenues derived from property taxes under its current property tax levy of 18.233 mills in 2007 and each subsequent year through 2011.

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

Self- Insurance Fund

In 1991, the County began a self-insurance program for medical and dental claims. The purpose of the program is to pay medical and dental claims of the County employees and minimize annual medical insurance costs to the County. Medical claims exceeding \$40,000 per covered individual or any amount over \$1,000,000 in employer claim liability is covered by a private insurance carrier. The self-insurance fund is funded through payroll withholdings from employees and County funds.

The County does not report excess insurance risk liabilities unless it is probable that these risks will not exceed insurance. There were no material changes in insurance coverage or settlements exceeding insurance coverage for the last three fiscal years.

The claim liability of \$117,570 reported in the Self Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claim liability amount in fiscal year 2010 are as follows:

	2010
Liability at January 1	\$ 184,174
Current year claims and changes in estimates	993,025
Claims paid	(1,059,629)
Balance at December 31	\$ 117,570

The self-insurance fund was discontinued January 1, 2011, with the County's change to a purchased insurance program.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

Colorado Counties Casualty and Property Pool (CAPP)

The County is exposed to various risks of loss related to property and casualty losses. The County joined together with other counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The inter-governmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2010, CAPP had assets of \$25,802,874, liabilities of \$9,190,983 (including \$5,747,309 reserved for losses and claims), and members' equity of \$16,611,891. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2010, amounted to \$7,541,291 and total expenses were \$10,578,359, resulting in an excess of expenses over revenues of \$3,037,068.

Colorado Workers' Compensation Pool (CWCP)

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

At December 31, 2010, CWCP had assets of \$33,905,852, liabilities of \$19,881,253 (including \$19,057,859 reserved for losses and claims) and members' equity of \$14,024,599. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2010, amounted to \$10,353,089, total expenses were \$9,949,590, resulting in an excess of revenues over expenses of \$403,499.

NOTE 13 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 engineering studies in 2008 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, 2010, the estimated liability for landfill closure and post closure care costs of \$347,848 is based on the use of 43% of capacity of all landfill cells.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

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, 2010. The County will recognize the estimated remaining costs of closure and post-closure care of \$457,738 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 14 COMMITMENTS AND CONTINGENCIES

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

Operating Leases – The County is committed under various leases for facilities and equipment. Additional information is not available as of December 31, 2010.

NOTE 15 PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$108,290 was required to accurately state the Solid Waste Fund machinery and equipment asset and accumulated depreciation liability accounts for a piece of equipment that had been incorrectly capitalized in prior years.

NOTE 16 SUBSEQUENT EVENTS

In June 2011, the County agreed to pay the Town of Pagosa Springs \$195,991 for their portion of Ballot Measure 1A property tax collected between 2008 and 2011 under the provisions of Colorado Revised Statute 43-2-202 – county road and bridge fund – apportionment to municipalities. This will be budgeted and expended in 2012.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2010

Combined Dispatch Loan – The County, along with other participating entities of the combined dispatch, entered into a \$475,000 loan on January 17, 2011 to purchase equipment.

NOTE 17 ARCHULETA COUNTY HOUSING AUTHORITY COMPONENT UNIT NOTES

The following important note disclosures have been presented for Archuleta County Housing Authority, a component unit of Archuleta County, Colorado. Archuleta County Housing Authority issues publicly available annual financial statements, that may be obtained by writing the County’s Finance Department at Archuleta County, PO Box 1507, Pagosa Springs, Colorado 81147.

Property and Equipment

Major classes of fixed assets are as follows:

	12/31/2010
Land	\$ 42,250
Land Improvements	39,749
Building and Improvements	768,268
Furniture and Fixtures	73,348
Total Fixed Assets	923,615
Less Accumulated Depreciation	(739,632)
Net	\$ 183,983

Depreciation is computed using the straight-line method based on estimated useful lives.

Mortgage Payable

Mortgage payable to Colorado Housing and Finance Authority, payable in 360 monthly payments of \$691 including interest at 4%. Said note represents a first deed of trust on the apartments \$ 121,524

Mortgage payable to HUD payable in amounts equal to surplus cash as defined by a mortgage restructuring the deed of trust note dated August 28, 2002, said note to have an interest of 1%. 523,626

Mortgage payable to HUD payable in amounts equal to surplus cash as defined by a deed of trust dated August 28, 2002, said note to have and interest rate of 1%. 143,708

Promissory note to Housing Solutions of the Southwest payable in 120 months of \$114 including interest of 2%. 3,550

Total Mortgage Payable \$ 792,408

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ARCHULETA COUNTY, COLORADO
REQUIRED SUPPLEMENTARY INFORMATION

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ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 4,909,000	\$ 5,509,000	\$ 6,201,173	\$ 692,173
Sales and Use Tax	1,490,000	1,622,400	2,096,709	474,309
Licenses and Permits	72,700	5,000	8,365	3,365
Intergovernmental Revenue	1,168,800	1,628,237	2,178,803	550,566
Charges for Services	1,758,100	2,102,656	2,516,928	414,272
Interest	80,000	80,100	41,171	(38,929)
Miscellaneous	293,800	277,593	350,759	73,166
TOTAL REVENUES	<u>9,772,400</u>	<u>11,224,986</u>	<u>13,393,908</u>	<u>2,168,922</u>
EXPENDITURES				
Current				
General Government	5,323,354	7,000,514	7,170,133	(169,619)
Public Safety	2,961,461	2,508,360	2,441,122	67,238
Health and Welfare	126,240	682,387	649,112	33,275
Culture and Recreation	190,470	135,749	147,537	(11,788)
Capital Outlay	103,150	85,000	873,354	(788,354)
Debt Service	143,600	496,510	556,876	(60,366)
TOTAL EXPENDITURES	<u>8,848,275</u>	<u>10,908,520</u>	<u>11,838,134</u>	<u>(929,614)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>924,125</u>	<u>316,466</u>	<u>1,555,774</u>	<u>1,239,308</u>
OTHER SOURCES (USES) OF FUNDS				
Capital Lease Proceeds	-	-	1,031,528	1,031,528
Operating Transfers In	-	599,000	8,612	(590,388)
Operating Transfers Out	(894,126)	(894,126)	(417,698)	476,428
TOTAL OTHER FINANCING SOURCES (USES)	<u>(894,126)</u>	<u>(295,126)</u>	<u>622,442</u>	<u>917,568</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	29,999	21,340	2,178,216	2,156,876
Fund Balance at Beginning of Year	<u>711,027</u>	<u>1,712,374</u>	<u>1,231,710</u>	<u>(480,664)</u>
Fund Balance at End of Year	<u>\$ 741,026</u>	<u>\$ 1,733,714</u>	<u>\$ 3,409,926</u>	<u>\$ 1,676,212</u>

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, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 786,800	\$ 1,686,800	\$ 1,656,509	\$ (30,291)
Sales and Use Tax	-	1,490,000	1,981,137	491,137
Licenses and Permits	12,000	12,000	-	(12,000)
Intergovernmental Revenue	1,421,000	2,117,200	2,144,110	26,910
Charges for Services	60,000	60,000	11,990	(48,010)
Miscellaneous	2,500	2,500	15,157	12,657
TOTAL REVENUES	2,282,300	5,368,500	5,808,903	440,403
EXPENDITURES				
Current				
Highways and Streets	1,988,150	6,191,185	5,674,947	516,238
Capital Outlay	30,500	485,140	125,977	359,163
Debt Service	123,075	483,977	607,677	(123,700)
TOTAL EXPENDITURES	2,141,725	7,160,302	6,408,601	751,701
Excess (Deficiency) of Revenues Over Expenditures	140,575	(1,791,802)	(599,698)	1,192,104
Other Financing Sources (Uses)				
Transfers In	-	197,000	-	(197,000)
Transfers Out	(68,179)	(68,179)	-	68,179
Total Other Financing Sources (Uses)	(68,179)	128,821	-	(128,821)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	72,396	(1,662,981)	(599,698)	1,063,283
Fund Balance at Beginning of Year	37,857	3,525,105	4,439,481	914,376
Fund Balance at End of Year	\$ 110,253	\$ 1,862,124	\$ 3,839,783	\$ 1,977,659

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, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Property Taxes	\$ 314,200	\$ 314,200	\$ 313,212	\$ (988)
Intergovernmental Revenues	1,879,427	1,879,427	3,606,161	1,726,734
Charges for Services	-	-	-	-
Miscellaneous Revenues	25,000	25,000	-	(25,000)
Total Revenues	<u>2,218,627</u>	<u>2,218,627</u>	<u>3,919,373</u>	<u>1,700,746</u>
EXPENDITURES				
Health and Welfare	<u>2,205,925</u>	<u>2,205,925</u>	<u>3,826,304</u>	<u>(1,620,379)</u>
Total Expenditures	<u>2,205,925</u>	<u>2,205,925</u>	<u>3,826,304</u>	<u>(1,620,379)</u>
Excess (Deficiency) of Revenues Over Expenditures	12,702	12,702	93,069	80,367
Fund Balance at Beginning of Year	<u>219,354</u>	<u>219,354</u>	<u>86,289</u>	<u>(133,065)</u>
Fund Balance at End of Year	<u>\$ 232,056</u>	<u>\$ 232,056</u>	<u>\$ 179,358</u>	<u>\$ (52,698)</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

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ARCHULETA COUNTY, COLORADO

OTHER SUPPLEMENTARY INFORMATION

The Combining Financial Statements represent the second level of financial reporting for the County. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**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 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 PROJECTS 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 Defaulted Improvements Settlement Fund – This fund is used to partially compensate property owners in the eligible subdivisions when they complete the extension of electrical power to their lot.

ARCHULETA COUNTY, COLORADO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	<u>Special Revenue</u>		<u>Capital Projects</u>	TOTALS
	<u>Conservation Trust Fund</u>	<u>Combined Dispatch Fund</u>	<u>FairField Settlement Fund</u>	
ASSETS				
Cash and Investments	\$ 345,600	\$ 187,422	\$ 494,108	\$ 1,027,130
Other Receivables	-	18,920	-	18,920
TOTAL ASSETS	<u>\$ 345,600</u>	<u>\$ 206,342</u>	<u>\$ 494,108</u>	<u>\$ 1,046,050</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ 4,387	\$ -	\$ 4,387
Accrued Payroll and Liabilities	-	11,908	-	11,908
TOTAL LIABILITIES	<u>-</u>	<u>16,295</u>	<u>-</u>	<u>16,295</u>
FUND BALANCE				
Reserved for TABOR	-	4,080	-	4,080
Unreserved				
Designated for Future Capital Projects	-	-	494,108	494,108
Designated For Subsequent Year Expenditure	295,000	39,000	-	334,000
Unreserved, Undesignated	50,600	146,967	-	197,567
TOTAL FUND BALANCE	<u>345,600</u>	<u>190,047</u>	<u>494,108</u>	<u>1,029,755</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 345,600</u>	<u>\$ 206,342</u>	<u>\$ 494,108</u>	<u>\$ 1,046,050</u>

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>TOTALS</u>
	<u>Conservation Trust Fund</u>	<u>Combined Dispatch Fund</u>	<u>FairField Settlement Fund</u>	
REVENUES				
Intergovernmental	\$ 91,766	\$ 185,792	\$ -	\$ 277,558
Charges for Services	-	128,428	-	128,428
Interest	768	-	1,969	2,737
Other	-	7,417	-	7,417
TOTAL REVENUE	<u>92,534</u>	<u>321,637</u>	<u>1,969</u>	<u>416,140</u>
EXPENDITURES				
Public Safety	-	539,085	-	539,085
Highways and Streets	30,000	-	-	30,000
Recreation	50,000	-	-	50,000
TOTAL EXPENDITURES	<u>80,000</u>	<u>539,085</u>	<u>-</u>	<u>619,085</u>
Excess (Deficiency) of Revenues Over Expenditures	12,534	(217,448)	1,969	(202,945)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	300,108	-	300,108
Transfers Out	-	-	(8,612)	(8,612)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>300,108</u>	<u>(8,612)</u>	<u>291,496</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	12,534	82,660	(6,643)	88,551
Fund Balance at Beginning of Year	<u>333,066</u>	<u>107,387</u>	<u>500,751</u>	<u>941,204</u>
Fund Balance at End of Year	<u>\$ 345,600</u>	<u>\$ 190,047</u>	<u>\$ 494,108</u>	<u>\$ 1,029,755</u>

ARCHULETA COUNTY, COLORADO
INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by a department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Self Insurance Fund – This fund is used to account for the health insurance plan provided by the County to its employees. The premiums charged are allocated to the County funds that employ those covered by the health insurance plan.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2010

	SELF INSURANCE FUND
ASSETS	
Current Assets	
Cash and Investments	\$ 104,788
Other Receivables	13,032
TOTAL ASSETS	117,820
LIABILITIES	
Accounts Payable	250
Incurred but Unreported Medical Claims	117,570
TOTAL LIABILITIES	117,820
NET ASSETS	
Unrestricted	-
TOTAL NET ASSETS	\$ -

ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010

	<u>SELF INSURANCE FUND</u>
OPERATING REVENUES	
Charges for Services	\$ 1,121,514
Reinsurance Recoveries	142,556
Other	<u>38,679</u>
Total Operating Revenues	<u>1,302,749</u>
OPERATING EXPENSES	
Benefits Expenses	<u>1,439,266</u>
Total Operating Expenses	<u>1,439,266</u>
Operating Income (Loss)	(136,517)
Nonoperating Income (Expenses)	
Interest Income	285
Transfers In	<u>117,590</u>
Total Nonoperating Expenses	<u>117,875</u>
Changes in Net Assets	(18,642)
Net Assets at beginning of year	<u>18,642</u>
Net Assets at end of year	<u><u>\$ -</u></u>

ARCHULETA COUNTY, COLORADO
SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010

	<u>SELF INSURANCE FUND</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,160,193
Cash paid for claims and premiums	(1,505,620)
Cash received from reinsurance recoveries	<u>311,159</u>
Net cash provided (used) by operating activities	(34,268)
Cash flows from noncapital financing activities:	
Cash transferred from other funds	<u>117,590</u>
Net cash provided (used) by noncapital financing activities	117,590
Cash flows from investing activities	
Interest Received	<u>285</u>
Net cash provided (used) by investing activities	<u>285</u>
Increase (Decrease) in Cash and Investments	83,607
Cash and cash equivalents, Beginning of the Year	<u>21,181</u>
Cash and cash equivalents, End of the Year	<u>\$ 104,788</u>
Operating income (loss)	\$ (136,517)
Adjustments to reconcile net income to net cash provided (used) by operating activities	
(Increase) decrease in accounts receivable	168,603
Increase (decrease) in incurred but unreported claims	(66,604)
Increase (decrease) in accounts payable	250
Total adjustments	<u>102,249</u>
Net cash provided (used) by operating activities	<u>\$ (34,268)</u>

ARCHULETA COUNTY, COLORADO
OTHER SCHEDULES AND REPORTS

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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, 2010

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON ADJUSTMENTS TO THE GAAP BASIS		EXPENDITURES ON THE BUDGETARY BASIS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	TO BUDGETARY BASIS	BASIS	BASIS	
Governmental Funds							
Non-major Governmental Funds							
Special Revenue Funds							
Conservation Trust Fund	\$ 30,000	\$ 30,000	\$ 80,000	\$ -	\$ -	\$ -	\$ (50,000)
Combined Dispatch Fund	618,100	618,100	539,085	-	-	-	79,015
Capital Projects Funds							
Fairfield Settlement	-	-	8,612	-	-	-	(8,612)
Total Non-major Governmental Funds	\$ 648,100	\$ 648,100	\$ 627,697	\$ -	\$ -	\$ -	\$ 20,403
Proprietary Funds							
Enterprise Funds							
Solid Waste Fund	585,259	585,259	590,029	(75,321)	514,708	514,708	70,551
Total Enterprise Funds	585,259	585,259	590,029	(75,321)	514,708	514,708	70,551
Internal Service Funds							
Self Insurance Fund	1,100,100	1,100,100	1,439,266	-	-	-	(339,166)
Total Internal Service Funds	1,100,100	1,100,100	1,439,266	-	-	-	(339,166)
Total Proprietary Funds	\$ 1,685,359	\$ 1,685,359	\$ 2,029,295	\$ (75,321)	\$ 514,708	\$ 514,708	\$ (268,615)

Adjustments to budgetary basis include principal reductions on long-term debt, costs of capitalized assets, and depreciation expense.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

<u>FEDERAL GRANTOR /PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE			
COLORADO DEPT. OF HUMAN SERVICES			
<i>SNAP Cluster</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 68,818
<i>Schools and Roads Cluster</i>			
COLORADO DEPT. OF TREASURY			
Secure Payments for States and Counties Containing Federal Lands Title I and Title III Funds	10.665		
Direct Expenditures: Title III Funds			42,472
Passed to Sub recipients: Title I Funds			515,730
Secure Payments for States and Counties Containing Federal Lands Title II Funds	10.665		145,150
Total for <i>Schools and Roads Cluster</i>			<u>703,352</u>
Recovery Act of 2009: Capital Improvement and Maintenance	10.687		375,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
SAN JUAN BASIN AREA AGENCY ON AGING			
<i>Aging Cluster</i>			
Special Programs for the Aging-Title III Part B	93.044		21,231
Nutrition Services Incentive Program	93.053		44,211
Total for <i>Aging Cluster</i>			<u>65,442</u>
COLORADO DEPT. OF HUMAN SERVICES			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		275,634
Child Support Enforcement	93.563		133,315
Low-Income Home Energy Assistance	93.568		282,243
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		(35,997)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		62,857
ARRA - Child Care and Development Block Grant	93.713		14,389
Total for <i>CCDF Cluster</i>			<u>41,249</u>
Child Welfare Services-State Grants	93.645		7,378
Foster Care-Title IV-E	93.658		105,545
Adoption Assistance	93.659		11,822
Social Services Block Grant	93.667		59,608
Family Violence Prevention and Services	93.671		7,170
Medical Assistance Program (<i>Medicaid Cluster</i>)	93.778		77,306
Domestic Violence	93.T11DOMA-T2		2,380
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		187,140

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

<u>FEDERAL GRANTOR /PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
COLORADO DEPT. OF LOCAL AFFAIRS			
Emergency Operations Centers	97.052	10EM78E04	68,907
Flood Mitigation Assistance	97.029		26,095
Emergency Management Performance Grants	97.042		53,000
U.S. DEPARTMENT OF TRANSPORTATION			
COLORADO DEPT. OF TRANSPORTATION			
Formula Grants for Other Than Urbanized Areas	20.509		<u>38,307</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,589,711</u>

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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
Archuleta County, Colorado
Pagosa Springs, Colorado

We have audited the financial statements of the governmental activities, 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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2010-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

The County's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

June 20, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Archuleta County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Archuleta County, Colorado complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.
Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

June 20, 2011

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ yes no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes ✓ none reported
- Noncompliance material to financial statements noted? ✓ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes ✓ no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes ✓ none reported

Type of auditors’ report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Cluster
10.687	Recovery Act of 2009: Capital Improvement and Maintenance
93.558	Temporary Assistance for Needy Families (TANF) Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee?

 yes ✓ no

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

Section II – Financial Statement Findings

Finding 10-01: Internal Control Over Financial Reporting
(Repeat of Finding 07-1, 08-1, 09-1)

Type of finding: Internal Control (material weakness) and Compliance (#1 is material noncompliance)

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets.

Effect: As a result of this condition the following areas were affected:

1. The following funds had expenditures (including transfers) that exceeded the adopted budget for the year ended December 31, 2010, as described in Note 2. This may be a violation of Colorado Revised Statute 29-1-110. (Material noncompliance)

	Excess
General Fund	\$ 929,614
Human Services Fund	1,620,379
Conservation Trust Fund	50,000
Fairfield Settlement Fund	8,612
Self-Insurance Fund	339,166

2. The Finance Department did not reconcile general ledger cash to the treasurer ledger cash during 2010, on a timely basis. In preparation for the 2010 audit, the Finance Department investigated differences and proposed transfers between County funds on the treasurer's fund ledger. These transfers were required to correct errors in postings that had accumulated during 2010.
3. Capital lease transactions were not correctly recorded in the General Fund. Generally accepted accounting principles (NCGA-5) states that when the capitalized lease represents the purchase of general capital assets, the transaction should be shown as expenditures and other financing sources in the governmental fund.
4. Audit adjustments were proposed to properly state the General Fund and the Solid Waste Fund in the County financial statements as of December 31, 2010, in accordance with generally accepted accounting principles.

Recommendation: The County should implement a system of internal control that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets to prevent these problems in the future.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

ARCHULETA COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010

Section II – Financial Statement Findings

Finding 09-01: Internal Control Over Financial Reporting
(Repeat of Finding 07-1, 08-1)

Type of finding: Internal Control (material weakness) and Compliance (#1 is material noncompliance)

Condition/Cause: The County does not have a complete system of internal control to prevent and detect financial misstatements.

Status: Partially Implemented

Finding 09-02: Department of Social Services Internal Control over Grant Disbursements

Type of Finding: Internal Control (material weakness) and Noncompliance (material noncompliance)

Condition: The County Department of Social Services has disbursed grant funds in a manner that is not in compliance with TANF program requirements.

Status: Implemented

Section III – Federal Award Findings and Questioned Costs

Finding 09-03: Temporary Assistance for Needy Families Cluster, CFDA No. 93.558,
U.S. Department of Health and Human Services
Supplemental Nutrition Assistance Program Cluster, CFDA No. 10.551 and 10.561
U.S. Department of Agriculture

Passed through Colorado Department of Human Services

Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility and Special Tests and Provisions

Grant No.: Not applicable

Type of finding: Internal Control (material weakness)

Condition: Colorado Benefits Management System (CBMS) security profiles and supervisory review applications are not being utilized to prevent unauthorized access and segregate duties among personnel.

Status: Implemented

ARCHULETA COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010

**Finding 09-04: Temporary Assistance for Needy Families (TANF) Cluster, CFDA No. 93.558,
U.S. Department of Health and Human Services**

Passed through Colorado Department of Human Services

Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility and Special Tests and Provisions

Grant No.: Not applicable

Type of finding: Internal Control (material weakness) and Compliance (material noncompliance)

Condition: The County Department of Human Services is not in compliance with TANF program requirements.

Status: Implemented

ARCHULETA COUNTY

Finance Department
449 San Juan St., PO Box 1507
Pagosa Springs, CO 81147-1507



Voice (970) 264-8556
Fax (970) 264-8559

CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture

Archuleta County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2010.

Independent Accountants: Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended December 31, 2010

The findings from the December 31, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 10-01: Internal Control Over Financial Reporting (Repeat of Finding 07-01, 08-1, 09-1)

Type of finding: Internal Control (material weakness) and Compliance (#1 is material noncompliance)

Recommendation: The County should implement a system of internal control that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets to prevent these problems in the future.

Action Taken:

- 1) *Expenditures exceeding adopted budget. Finance Director will present to the Board of County Commissioners by July 31, 2011 improvements needed in internal controls over spending. Recommendation will be to implement, document, and monitor a policy requiring that no authorization is given to incur a liability without the written authorization from the Finance Director. The Finance Director will authorize only those expenditures that were appropriated or which a qualifying budget supplement has been prepared and submitted.*

- 2) *During 2010 improvements were made to the cash reconciliation process. Improvements included the development and implementation of the Cash Reconciliation process, Treasury reconciliations, the exporting of revenues to the Finance Department, and the exporting of expenditures to the Treasury Department.*

Due to turnover in the Finance department and the additional responsibilities of the Archuleta County Housing Authority's two Federal Housing Programs the Finance Department was unable to complete cash reconciliations monthly.

Cash reconciliation will be completely reconciled as of July 31, 2011 and on a monthly basis going forward.

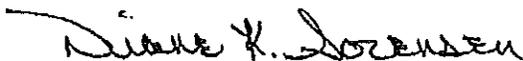
- 3) *The Capital lease transactions- By July 31, 2011 recommendation will be made to the Board of County Commissioners that policy of the County should require a financial analysis, from the County's Finance Director, on the total affect of such obligations will have on the County's financial situation prior to decisions. The Finance Director shall be given the authority and responsibility to compile information needed in the preparation of the financial analysis.*
- 4) *Audit adjustments-County policy on disposal of assets will be developed and presented to the BOCC approval by July 31, 2011. The County's Policy on the accounts payable will be reviewed, updated, and monitored to improve the prevention and detection an errors from occurring.*

Internal Controls have been and still remains a concern for the County. In June 2011 the County engaged GFOA to provide Internal Controls training to all employees of the County. By July 31, 2011 the Board of County Commissioners will be asked to adopt a resolution requiring the design, documentation, and monitoring of internal controls as the responsibility of all employees and to hold each department head and management accountable for the implementation of and adherence to the County's Internal Controls.

Responsible Party: Diane K. Sorensen, Finance Director (970) 264-855

If the U.S. Department of Health and Human Services and U.S. Department of Agriculture have questions regarding this plan, please call the responsible parties listed above.

Sincerely yours,



Diane K. Sorensen, CPA, CGFM
Finance Director

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 2010	
This Information From The Records Of (example - City of _ or County of) County of Archuleta	Prepared By: Diane K. Sorensen, Finance Director Phone: (970)264-8556

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	4,882,048
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations		b. Snow and ice removal	240,432
3. Other local imposts (from page 2)	3,637,646	c. Other	0
4. Miscellaneous local receipts (from page 2)	27,147	d. Total (a. through c.)	240,432
5. Transfers from toll facilities		4. General administration & miscellaneous	678,444
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	0
a. Bonds - Original Issues		6. Total (1 through 5)	5,800,924
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	3,664,793	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,581,458	2. Notes:	
D. Receipts from Federal Government (from page 2)	562,652	a. Interest	365,565
E. Total receipts (A.7 + B + C + D)	5,808,903	b. Redemption	242,112
		c. Total (a. + b.)	607,677
		3. Total (1.c + 2.c)	607,677
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	6,408,601

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	4,439,481	5,808,903	6,408,601	3,839,783	0

Notes and Comments:

Prior year ending balance	5,844,825		
Current year beginning balance	4,439,481		
Difference	1,405,344	Difference due to the closing of additional R&B funds from 1A and Road Capital Improvement Funds in 2009.	

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2010

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	1,616,686	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	1,981,137	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees		d. Parking Meter Fees	0
3. Liens		e. Sale of Surplus Property	0
4. Licenses		f. Charges for Services	11,990
5. Specific Ownership &/or Other	39,823	g. Other Misc. Receipts	15,157
6. Total (1. through 5.)	2,020,960	h. Other	0
c. Total (a. + b.)	3,637,646	i. Total (a. through h.)	27,147
	(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	1,518,244	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	562,652
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	63,214	d. Federal Transit Admin	0
d. Other - Juanita Bridge Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	63,214	g. Total (a. through f.)	562,652
4. Total (1. + 2. + 3.f)	1,581,458	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			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: