

ARCHULETA COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2009

ARCHULETA COUNTY, COLORADO
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INDEPENDENT AUDITORS' REPORT

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, 2009, 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, 2009, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison information for the General Fund and the Major Special Revenue Funds, 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 July 12, 2010, 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 as listed 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 EBT authorizations, warrant expenditures, and total expenditures, 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

July 12, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

This 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, 2009. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Archuleta County's assets of \$52,854,350 exceeded its liabilities of \$16,651,337 at the close of 2009 by \$36 million (net assets). Of this amount, the County's unrestricted net asset is \$5.1 million.
- The County's total net assets increased by approximately \$679,452 in 2009.
- At December 31, 2009, the combined fund balance for the County's governmental funds was \$6.7 million, an increase of \$2.6 million over 2008. The increase in fund balance is due to the elimination of Interfund Due Froms and Loans. The County was in noncompliance with Colorado State Statutes going back to 2008, due to negative fund balances in four governmental funds. All were the consequence of overspending, operations and the decisions of the County prior to 2007.
- The unrestricted fund balance in the General Fund was \$851,624, or 8.5% of the total General Fund expenditures.
- The County's total long term liability increased \$3.4 million. The County entered into a new capital lease in the amount of \$5 million to pay off other lease agreements, road work, and purchase of equipment in 2009.
- The Government Accounting Standards Board or GASB has issued statement 54 which requires the elimination of Special Revenue Funds without specific revenue source that is restricted or committed and is a substantial portion of the Fund's revenues. 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 14 to 5.

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).

Both of the 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 administration, streets maintenance, planning and building, and recreation. 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 after the fund financial statements.

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 - such as the County's Employee Insurance Funds.

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 \$35.4 million at the close of 2009.

The following table provides a summary comparison of the County's governmental and business-type net assets for the year end 2009 to 2008.

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$15,957,524	\$13,040,472	\$161,780	\$489,395	\$16,119,304	\$13,529,867
Capital assets	35,639,114	34,174,721	1,095,932	763,465	36,735,046	34,938,186
Total assets	51,596,638	47,215,193	1,257,712	1,252,860	52,854,350	48,468,053
Long-term debt outstanding	6,129,107	2,847,366	410,709	329,559	6,539,816	3,176,925
Other liabilities	10,059,301	9,755,928	52,220	11,640	10,111,521	9,767,568
Total liabilities	16,188,408	12,603,294	462,929	341,199	16,651,337	12,944,493
Net assets:						
Invested in capital assets net of related debt	29,287,166	31,277,173	674,593	763,465	29,961,759	32,040,638
Restricted	1,117,771	7,052,463	16,765	0	1,134,536	7,052,463
Unrestricted	5,003,293	(3,717,737)	103,425	148,196	5,106,718	(3,569,541)
Total net assets	35,408,230	34,611,899	794,783	911,661	36,203,013	35,523,560

The largest portion of Archuleta County's net assets (83%) 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. Unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

The restricted portion of net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets is unrestricted and totals \$5,106,718.

CHANGES IN NET ASSETS

The County's total revenues were \$20.1 million and exceeded program expenditures of \$19.3 million by \$882,404. The total increase in net assets for 2009 is \$679,453.

Changes in Net Assets

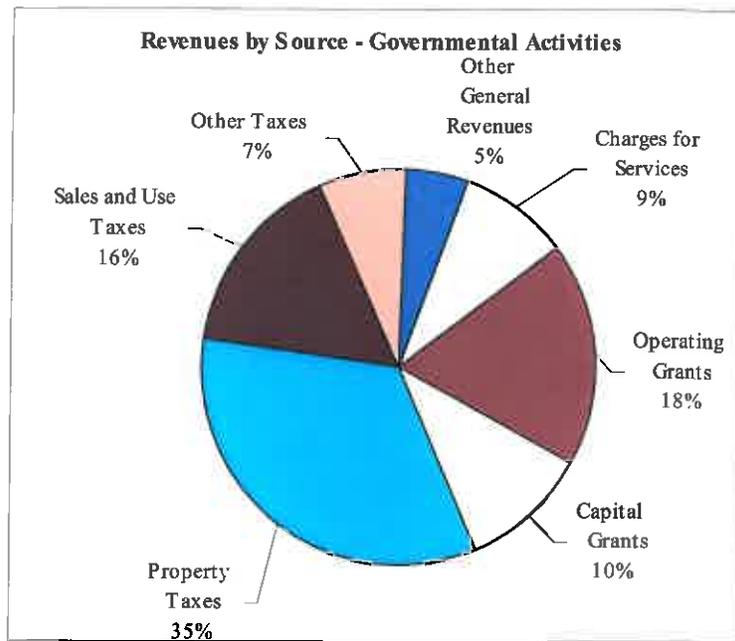
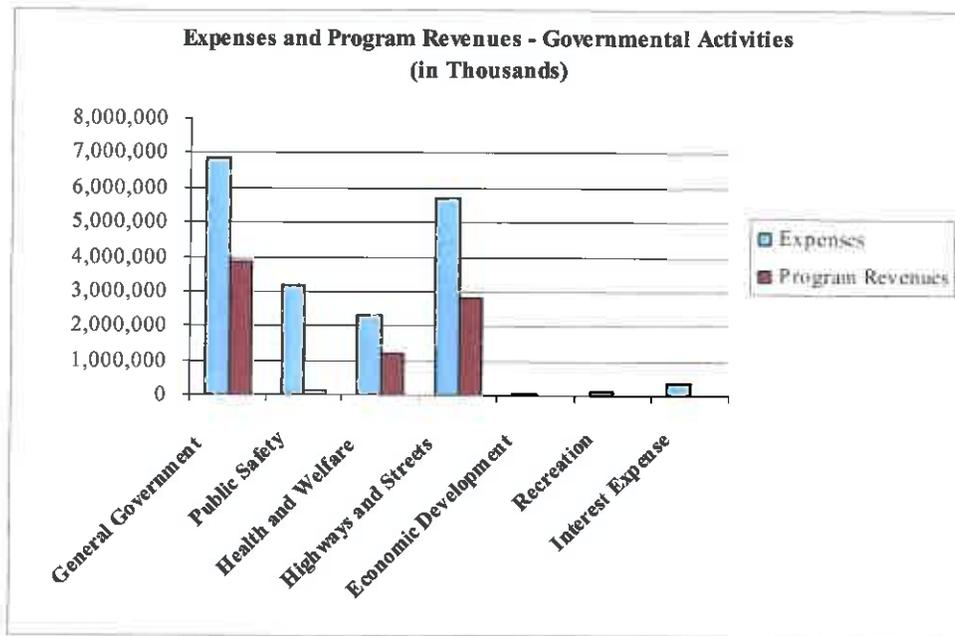
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$1,805,258	\$2,285,030	\$554,276	\$631,667	\$2,359,534	\$2,916,697
Operating grants	3,595,311	3,552,612	0	0	3,595,311	3,552,612
Capital grants/Contributions	2,022,542	4,194,698	0	0	2,022,542	4,194,698
General revenues:					0	0
Property taxes	6,579,037	6,999,767	0	0	6,579,037	6,999,767
Sales and use taxes	3,171,795	3,383,985	0	0	3,171,795	3,383,985
Other taxes	1,398,893	894,142	0	0	1,398,893	894,142
Other general revenues	1,001,403	537,817	4,563	5,612	1,005,966	543,429
Total revenues	19,574,239	21,848,051	558,839	637,279	20,133,078	22,485,330
Program expenses:						
General Government	6,865,407	6,369,792	0	0	6,865,407	6,369,792
Public Safety	3,168,354	3,249,135	0	0	3,168,354	3,249,135
Health and Welfare	2,292,592	2,044,266	0	0	2,292,592	2,044,266
Highways and Streets	5,697,346	2,936,244	0	0	5,697,346	2,936,244
Economic Development	82,725	97,390	0	0	82,725	97,390
Recreation	133,530	227,101	0	0	133,530	227,101
Interest Expense	318,238	49,941	0	0	318,238	49,941
Airport	0	0	0	0	0	0
Solid Waste	0	0	692,482	617,432	692,482	617,432
Total expenses	18,558,192	14,973,869	692,482	617,432	19,250,674	15,591,301
Excess before transfers	1,016,047	6,874,182	(133,643)	19,847	882,404	6,894,029
Transfers	(219,716)	65,734	16,765	(65,734)	(202,951)	0
Increase in net assets	796,331	6,939,916	(116,878)	(45,887)	679,453	6,894,029
Beginning net assets	34,611,899	6,724,945	911,661	20,756,984	35,523,560	27,481,929
Prior Period Adjustment	0	1,147,602	0	0	0	1,147,602
Change in Accounting Principle	0	19,799,436	0	19,799,436	0	0
Beginning net assets, Restated	34,611,899	27,671,983	911,661	957,548	35,523,560	28,629,531
Ending net assets	\$35,408,230	\$34,611,899	\$794,783	\$911,661	\$36,203,013	\$35,523,560

Governmental Activities

Expenditures exceeded Program Revenues for Governmental Activities by \$11 million for 2009. In 2008 expenditures exceeded Program Revenues by \$4.9 million. Total expenditures increased 3.6 million in 2009 or 24% compared to 2008. The increase in expenditures is due to \$2.7 million increase in highways and streets and \$500,000 increase in General Government expenditures

Program Revenues declined \$2.6 million or 26% in 2009 compared to 2008. The decline in revenues is the result of \$2.1 million decrease in Capital Grants and \$480,000 decrease in Charges for Services.

The following illustrates the Governmental Activities revenues and expenditures:

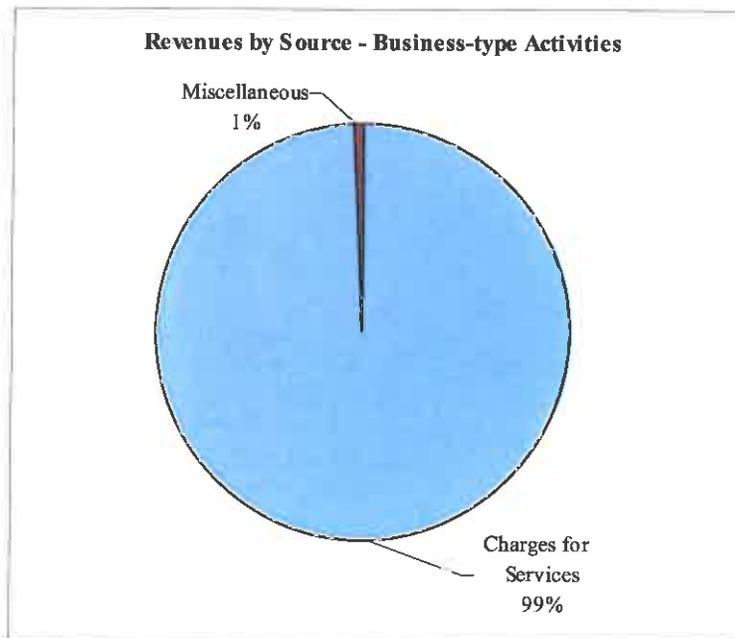
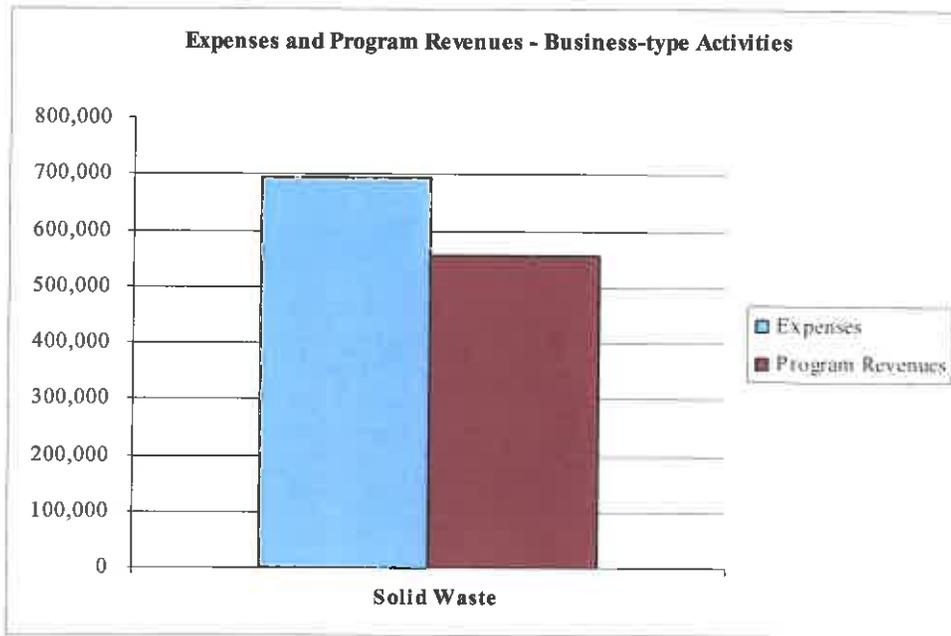


Governmental Activities total revenues declined (\$2,273,812) or 10.4% in 2009. The largest decline in revenues are Capital Grants and Charges for Services, -52% and -21% respectively. Property tax revenue and Sales tax revenue both decreased 6% in 2009.

Overall program expenditures increased \$3,584,323 million in 2009. The increase is due to the County entered into a new capital lease in the amount of \$5 million to pay off other lease agreements, road work, and purchase of equipment in 2009.

Business-type Activities

Net assets in Business-type Activities decreased by (\$116,878). The following illustrates the Business-type Activities revenues and expenses:



Charges for services for business-type activities decreased (\$77,391), or -12%, compared to 2008, this is due to a slower economy and depressed construction within Archuleta County.

THE COUNTY'S FUNDS

At year end, the County's Governmental Funds reported a combined fund balance of \$6.7 million, an increase of \$2.7 million from 2008. Fund balances in the Governmental Funds are as follows:

General Fund:	
Undesignated	\$ 851,624
Reserved	380,086
Road & Bridge Fund:	
Undesignated	2,503,638
Reserved	1,935,843
Department of Human Services Fund:	
Undesignated	45,181
Reserved	41,108
Other Governmental Fund:	
Undesignated	435,434
Reserved	505,770

The Proprietary Funds ended 2009 with total unrestricted net assets of \$47,140, a decrease of (\$229,874) from 2008. The decrease is due to the Solid Waste Fund reported an operating loss of (\$129,022) in 2009 and the Employee Benefit Trust Fund reporting a loss of (\$221,426).

Proprietary Funds are as follows:

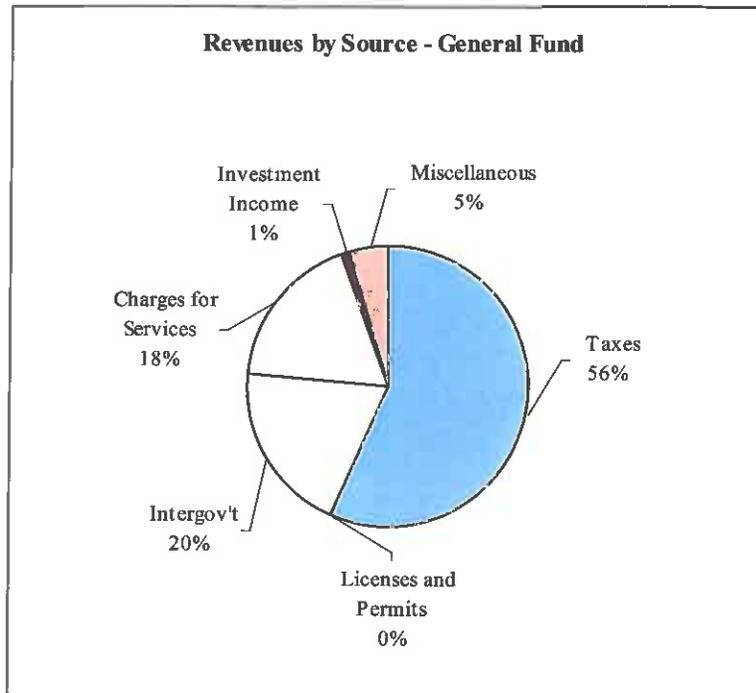
Solid Waste Fund	\$ 28,498
Employee Benefit Trust Fund	\$ 18,642

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund accounts for all of the general services provided by the Archuleta County. At the end of 2009, the fund balance totaled \$1,231,710, an increase from 2008 of \$686,757. The year end fund balance is 12.3% of General Fund expenditures. Fund balance levels are needed to support operations for the first three month of the year. Increasing fund balance levels and obtaining fiscal stability is a primary goal for Archuleta County in the coming years.

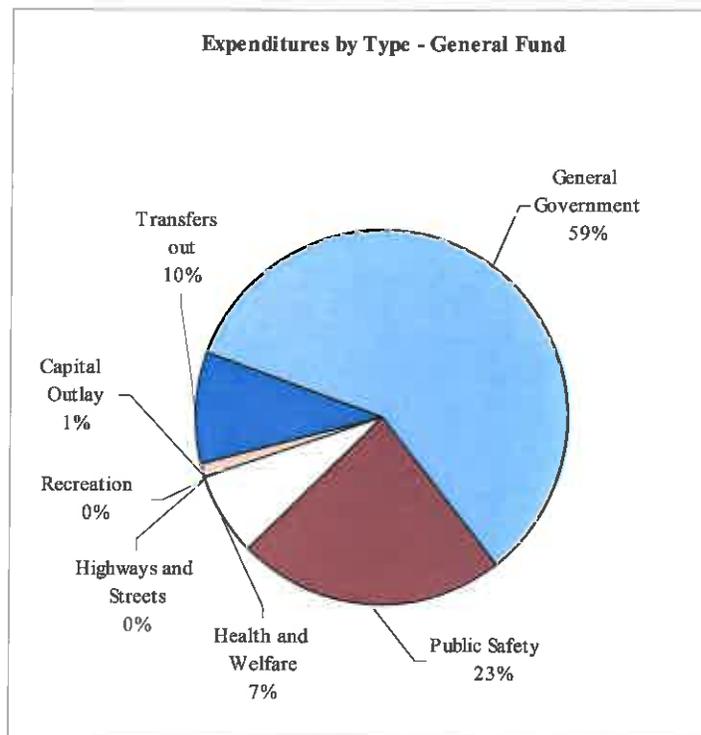
2009 General Fund revenues increased \$1.8 million from 2008. The increase is primarily due to the elimination of several special revenues funds at December 31, 2009. The majority of these funds were appropriately combined with the General Fund activities.

The following illustrates revenues by source for 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 \$900,000 in 2009.

The following illustrates expenditures by type for the General Fund:



During 2009, the County Commissioners approved one budget amendment that included changes to the General Fund budget. All recommended amendments to the budget come through the Finance Department to the County Commissioners via Resolution as required by law. 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.

For the General Fund, the original budgeted revenues were \$9.9 million. The final budgeted amount was \$9.9 million. Actual revenues of \$10.3 million were \$352,500 over the final budget.

The General Fund original budgeted expenditures of \$8.8 million increased by \$164,810 to \$8.943 million in the final budget.

CAPITAL ASSETS

In 2009, the County invested in a broad range of capital assets, including roads, runways, equipment and other infrastructure improvements.

The table below provides a comparative summary of total capital assets at December 31, 2009 and 2008:

	Capital Assets at Year-end (Net of Depreciation, in Thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$3,699	\$3,699	\$309	\$309	\$4,008	\$4,008
Runway	15,895	16,519	0	0	15,895	16,519
Buildings and Improvements	3,940	3,576	0	0	3,940	3,576
Improvements nonbuilding	80	0	0	0	80	0
Vehicles	303	227	118	0	421	227
Machinery & Equipment	1,390	1,553	233	315	1,623	1,868
Computer Equipment	584	288	0	0	584	288
Infrastructure	3,654	1,714	436	0	4,090	1,714
Construction in progress	<u>5,984</u>	<u>6,599</u>	<u>0</u>	<u>139</u>	<u>5,984</u>	<u>6,738</u>
Totals	<u>\$35,529</u>	<u>\$34,175</u>	<u>\$1,096</u>	<u>\$763</u>	<u>\$36,625</u>	<u>\$34,938</u>

Major capital expenditures during 2009 included:

Parallel Taxiway	\$4,469,614
Integrated Software	415,705
Pinon Causeway	399,453
Caterpillar Drum Compactor	136,452

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 2009, the County had total debt outstanding of \$6.2 million. \$1.57 million is a note payable, secured by a security interest in the County's Aviation Fuel Tax Refund revenue. \$4.64 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 \$3.4 million in 2009. The County entered into a new capital lease in the amount of \$5 million to pay off other lease agreements, road work, and purchase of equipment in 2009.

Outstanding Debt, at Year-end (in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Notes Payable	1,571	1,850	98	0	1,669	1,850
Capital leases	4,644	1,010	0	0	4,644	1,010
Totals	\$6,215	\$2,860	\$98	\$0	\$6,313	\$2,860

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Archuleta County is committed to improve its financial position. In preparing of the 2010 Budget, the County was cautious in projecting revenue for property tax, sales taxes and investment earnings. The County continues to be cautious with its spending, delaying discretionary purchases as necessary and monitoring revenues to continually assess the County's financial position. The 2010 Budget reflects the County's continued commitment to capital replacement with maintenance of County infrastructure as a top priority, along with the completion of an integrated software implementation that began in 2009.

The 2010 Budget anticipated property tax revenues to increase 17% over projected 2009 amounts. Sales tax was anticipated to decrease another 3% from 2009. Through the first quarter of 2010, sales tax is down approximately 8% compared to 2009. With other revenues projected to have modest increases, overall General Fund revenues should offset inflationary increases in expenditures. The County anticipates ending 2010 with a fund balance in the General Fund at approximately 13% of operating expenditures.

For the year 2010, the Solid Waste Fund was expected to have an increase in revenues of approximately 2%. During the first quarter of 2010 revenues have decreased 39%. The County is expecting to implement a reverse budget supplement to reduce spending during 2010.

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, 2009

	Primary Government		TOTAL	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,316,139	\$ 90,137	\$ 6,406,276	\$ 7,971
Restricted Cash and Investments	-	-	-	130,058
Receivables				
Property Taxes	7,739,559	-	7,739,559	-
Other	315,660	93,724	409,384	336
Accrued Interest	44	-	44	-
Inventory	92,793	2,992	95,785	-
Prepaid Expenses	23,781	-	23,781	429
Due From Other Governments	1,444,475	-	1,444,475	-
Internal Balances	25,073	(25,073)	-	-
Total Current Assets	15,957,524	161,780	16,119,304	138,794
Noncurrent Assets:				
Issuance Cost	109,824	-	109,824	-
Capital Assets:				
Land	3,698,683	309,166	4,007,849	81,999
Construction in Progress	5,983,896	-	5,983,896	-
Runway Improvements, net	15,894,699	-	15,894,699	-
Buildings, net	3,940,185	-	3,940,185	763,720
Machinery, net	1,390,119	350,414	1,740,533	-
Vehicles, net	303,020	-	303,020	-
Improvements - non-building, net	80,441	-	80,441	73,349
Computer Equipment, net	583,855	-	583,855	-
Infrastructure	3,654,392	436,352	4,090,744	-
Accumulated Depreciation for Component Units	-	-	-	(710,427)
Loan Costs, net	-	-	-	12,920
Total Noncurrent Assets	35,639,114	1,095,932	36,735,046	221,561
TOTAL ASSETS	51,596,638	1,257,712	52,854,350	360,355
LIABILITIES				
Current Liabilities:				
Accounts Payable	591,889	7,924	599,813	110,337
Retainage Payables	58,372	-	58,372	-
Due to Other Governments	517,748	-	517,748	-
Incurred but Unreported Medical Claims	184,174	-	184,174	-
Accrued Interest	136,519	3,889	140,408	-
Accrued Payroll and Liabilities	198,973	10,571	209,544	-
Deposits Payable	1,552	-	1,552	3,392
Deferred Revenue	7,762,417	-	7,762,417	-
Accrued Vacation and Sick Leave, Current Portion	38,204	7,443	45,647	-
Notes Payable, Portion Due or Payable Within One Year	530,932	22,393	553,325	4,649
Total Current Liabilities:	10,020,780	52,220	10,073,000	118,378
Noncurrent Liabilities:				
Closure and Post Closure Costs	-	322,910	322,910	-
Accrued Vacation and Sick Leave, Noncurrent Portion	483,131	11,763	494,894	-
Notes Payable, Portion Due or Payable After One Year	5,684,497	76,036	5,760,533	791,931
Total Noncurrent Liabilities	6,167,628	410,709	6,578,337	791,931
TOTAL LIABILITIES	16,188,408	462,929	16,651,337	910,309
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	29,287,166	674,593	29,961,759	(587,939)
Restricted for:				
Capital Projects	500,751	-	500,751	-
Emergencies	524,227	-	524,227	-
Inventory	92,793	-	92,793	-
Component Unit Restrictions	-	-	-	(49,445)
Unrestricted	5,003,293	120,190	5,123,483	87,430
TOTAL NET ASSETS	\$ 35,408,230	\$ 794,783	\$ 36,203,013	\$ (549,954)

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions	Primary Government		Business-Type Activities		TOTAL
			Governmental Activities	Business-Type Activities						
Primary Government:										
Governmental Activities:										
General government	\$ 6,865,407	\$ 1,430,709	\$ 1,071,138	\$ 740,546	\$ (3,623,014)	\$	\$ (3,623,014)			
Public safety	3,168,354	123,620	1,500	-	(3,043,234)	-	(3,043,234)			
Health and Welfare	2,292,592	132,249	1,079,518	-	(1,080,825)	-	(1,080,825)			
Highways and Streets	5,697,346	90,953	1,443,155	1,281,996	(2,881,242)	-	(2,881,242)			
Economic Development	82,725	-	-	-	(82,725)	-	(82,725)			
Recreation	133,530	27,727	-	-	(105,803)	-	(105,803)			
Interest Expense	318,238	-	-	-	(318,238)	-	(318,238)			
Total Governmental Activities	18,558,192	1,805,258	3,595,311	2,022,542	(11,135,081)		(11,135,081)			
Business-Type Activities:										
Solid Waste	692,482	554,276	-	-	(138,206)	-	(138,206)			
Total Business-Type Activities	692,482	554,276	-	-	(138,206)		(138,206)			
Total Primary Government	\$ 19,250,674	\$ 2,359,534	\$ 3,595,311	\$ 2,022,542	(11,135,081)		(11,273,287)			
Component Units:										
Archuleta County Housing	\$ 608,833	\$ 17,721	\$ 550,048	\$ -			\$ (41,064)			
Total Component Units							\$ (41,064)			
General Revenues:										
Taxes:										
Property Taxes					6,579,037		6,579,037			
Sales and Use Taxes					3,171,795		3,171,795			
Other Taxes and Shared Revenues					526,023		526,023			
Payments in Lieu of Taxes					872,870		872,870			
Interest Income					152,343	4	152,347	735		
Miscellaneous					849,060	4,559	853,619	3,110		
Transfers					(219,716)	16,765	(202,951)	-		
Total General Revenues and Transfers					11,931,412	21,328	11,952,740	3,845		
Change in Net Assets					796,331	(116,878)	679,453	(37,219)		
Net Assets - Beginning					34,611,899	911,661	35,523,560	(512,735)		
Net Assets - Ending					\$ 35,408,230	\$ 794,783	\$ 36,203,013	\$ (549,954)		

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	GENERAL FUND	ROAD AND BRIDGE FUND	HUMAN SERVICES FUND	BALLOT MEASURE 1A FUND	ROAD CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and Cash Equivalents	\$ 1,002,151	\$ 4,201,496	\$ 110,361	\$ -	\$ -	\$ 980,950	\$ 6,294,958
Receivables	5,825,116	1,617,403	297,040	-	-	-	7,739,559
Property Taxes	44	-	-	-	-	-	44
Accrued Interest	100,282	15,128	2,455	-	-	16,160	134,025
Other	58,754	34,039	-	-	-	-	92,793
Inventories, at Cost	20,513	1,884	-	-	-	1,384	23,781
Prepays	950,058	418,927	75,490	-	-	-	1,444,475
Due From Other Governments	100,000	-	-	-	-	-	100,000
Due From Other Funds	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 8,056,918	\$ 6,288,877	\$ 485,346	\$ -	\$ -	\$ 998,494	\$ 15,829,635
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 322,342	\$ 146,694	\$ 78,851	\$ -	\$ -	\$ 44,002	\$ 591,889
Accrued Payroll and Liabilities	158,450	26,927	308	-	-	13,288	198,973
Due to Other Governments	517,748	-	-	-	-	-	517,748
Inmate Deposits	1,552	-	-	-	-	-	1,552
Retainage Payable	-	58,372	-	-	-	-	58,372
Deferred Revenue	5,825,116	1,617,403	319,898	-	-	-	7,762,417
TOTAL LIABILITIES	6,825,208	1,849,396	399,057	-	-	57,290	9,130,951
FUND BALANCE							
Fund Balance							
Reserved for Emergencies							
Emergencies	312,673	166,427	41,108	-	-	4,019	524,227
Inventory	58,754	34,039	-	-	-	-	92,793
Unreserved Fund Balance							
Designated for Future Capital Projects							
Designated for Subsequent Year Expenditure	8,659	1,735,377	-	-	-	500,751	500,751
Undesignated	851,624	2,503,638	45,181	-	-	435,434	1,745,036
TOTAL FUND BALANCE	1,231,710	4,439,481	86,289	-	-	941,204	6,698,684
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,056,918	\$ 6,288,877	\$ 485,346	\$ -	\$ -	\$ 998,494	\$ 15,829,635

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2009

Total governmental fund balances	\$	6,698,684
<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>		35,529,290
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Notes Payable	\$	(6,215,429)
Compensated Absences		(521,335)
Accrued Interest Payable		(136,519)
		(6,873,283)
<p>Certain transactions from the advanced refunding of bonds are expensed in the governmental funds, but are required to be capitalized and amortized in the government-wide financial statements.</p>		
Debt Issuance Cost		109,824
<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>		
		(56,285)
Net assets of governmental activities	\$	35,408,230

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	GENERAL FUND	ROAD AND BRIDGE FUND	HUMAN SERVICES FUND	BALLOT MEASURE 1A FUND	ROAD CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Property Taxes	\$ 4,819,481	\$ 772,041	\$ 314,513	\$ 1,199,025	\$ -	\$ -	\$ 7,105,060
Sales and Use Tax	1,581,101	-	-	-	1,514,813	75,881	3,171,795
Licenses and Permits	6,228	20,000	-	-	-	-	26,228
Intergovernmental	2,278,141	1,498,618	1,079,518	55,159	1,281,996	940,030	7,133,462
Charges for Services	2,072,610	15,490	25,614	-	-	227,659	2,341,373
Interest Earnings	105,729	29	-	-	37,404	9,181	152,343
Other	512,194	19,114	276,711	-	6,230	84,811	899,060
TOTAL REVENUE	11,375,484	2,325,292	1,696,356	1,254,184	2,840,443	1,337,562	20,829,321
EXPENDITURES							
General Government	6,529,648	-	-	124,816	-	249,448	6,903,912
Public Safety	2,559,254	-	-	4,333	-	570,514	3,134,101
Health and Welfare	807,215	-	1,518,845	7,236	-	-	2,333,296
Highways and Streets	-	2,221,082	-	891,990	1,300,519	-	4,413,591
Economic Development	-	-	-	-	-	75,840	75,840
Culture and Recreation	-	-	-	66,520	-	62,666	129,186
Capital Outlay	105,369	29,782	25,090	164,726	3,339,004	336,693	4,000,664
Debt Service	-	19,801	14,021	-	1,572,038	356,484	1,962,344
TOTAL EXPENDITURES	10,001,486	2,270,665	1,557,956	1,259,621	6,211,561	1,651,645	22,952,934
Excess (Deficiency) of Revenues Over Expenditures	1,373,998	54,627	138,400	(5,437)	(3,371,118)	(314,083)	(2,123,613)
OTHER SOURCES (USES) OF FUNDS							
Operating Transfers In	1,164,363	6,549,380	558,738	-	-	2,487,752	10,760,233
Operating Transfers Out	(1,084,300)	(1,521,772)	-	(1,027,729)	(6,145,708)	(1,200,440)	(10,979,949)
Capital Lease Proceeds	-	-	-	-	5,000,000	-	5,000,000
TOTAL OTHER FINANCING SOURCES (USES)	80,063	5,027,608	558,738	(1,027,729)	(1,145,708)	1,287,312	4,780,284
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	1,454,061	5,082,235	697,138	(1,033,166)	(4,516,826)	973,229	2,656,671
Fund Balance at Beginning of Year, as Previously Stated	544,953	(1,378,928)	(618,072)	1,033,166	4,516,826	(55,932)	4,042,013
Prior Period Adjustment	(767,304)	736,174	7,223	-	-	23,907	-
Fund Balance at Beginning of Year, Restated	(222,351)	(642,754)	(610,849)	1,033,166	4,516,826	(32,025)	4,042,013
Fund Balance at End of Year	\$ 1,231,710	\$ 4,439,481	\$ 86,289	\$ -	\$ -	\$ 941,204	\$ 6,698,684

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, 2009

Net change in fund balances - total governmental funds **\$ 2,656,671**

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	\$	2,935,070	
Depreciation expense		<u>(1,580,501)</u>	
			1,354,569

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:

Debt Issuance Cost		109,824	
Capital lease payments		1,644,106	
Capital lease Proceeds		<u>(5,000,000)</u>	
			(3,246,070)

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		147,326	
Accrued Interest Payable		<u>(98,505)</u>	
			48,821

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.

(17,660)

Change in net assets of governmental funds **\$ 796,331**

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Property Taxes				
General Property Taxes	\$ 4,428,900	\$ 4,428,900	\$ 4,393,933	\$ (34,967)
Specific Ownership Tax	430,000	430,000	389,291	(40,709)
Penalty and Interest on Tax	37,700	37,700	36,257	(1,443)
Sales and Use Tax	<u>1,623,800</u>	<u>1,623,800</u>	<u>1,581,101</u>	<u>(42,699)</u>
Total Taxes	<u>6,520,400</u>	<u>6,520,400</u>	<u>6,400,582</u>	<u>(119,818)</u>
Licenses and Permits	<u>7,100</u>	<u>7,100</u>	<u>6,228</u>	<u>(872)</u>
Intergovernmental Revenue				
Federal Sources	955,500	955,500	1,060,445	104,945
State Sources	104,400	104,400	111,172	6,772
Local IGA Sources	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total Intergovernmental Revenue	<u>1,059,900</u>	<u>1,059,900</u>	<u>1,173,117</u>	<u>113,217</u>
Charges for Services	<u>1,912,860</u>	<u>1,912,860</u>	<u>2,072,610</u>	<u>159,750</u>
Interest and Miscellaneous				
Interest Earnings	73,000	73,000	105,729	32,729
Miscellaneous	<u>344,700</u>	<u>344,700</u>	<u>512,194</u>	<u>167,494</u>
Total Interest and Miscellaneous	<u>417,700</u>	<u>417,700</u>	<u>617,923</u>	<u>200,223</u>
TOTAL REVENUES	<u>9,917,960</u>	<u>9,917,960</u>	<u>10,270,460</u>	<u>352,500</u>
EXPENDITURES				
Current				
General Government - General				
Board of County Commissioners	212,100	212,400	266,239	(53,839)
Administration	427,350	416,550	541,694	(125,144)
Human Resources	89,500	89,500	87,626	1,874
Global Information Systems	381,550	429,550	474,901	(45,351)
Finance Office	294,075	294,675	272,841	21,834
Public Trustee	14,260	14,260	14,960	(700)
Planning	214,800	215,900	196,440	19,460
County Clerk and Recorder	367,204	367,704	362,094	5,610
County Clerk - Elections	71,280	71,280	42,526	28,754
County Treasurer	203,279	223,779	219,785	3,994
County Assessor	611,415	611,415	601,816	9,599
County Attorney	177,780	252,780	398,492	(145,712)
Buildings and Maintenance	<u>251,575</u>	<u>251,575</u>	<u>219,660</u>	<u>31,915</u>
Total General Government - General	<u>3,316,168</u>	<u>3,451,368</u>	<u>3,699,074</u>	<u>(247,706)</u>

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
General Government - Judicial				
District Attorney	368,500	368,500	337,071	31,429
Total General Government - Judicial	368,500	368,500	337,071	31,429
General Government - Auxiliary				
Veterans' Office	57,000	56,000	55,231	769
Extension Services	126,200	126,200	118,073	8,127
Total General Government - Auxiliary	183,200	182,200	173,304	8,896
General Government - Other				
Contributions, Dues, and Subscriptions	177,006	177,006	186,657	(9,651)
SMM	2,540	2,540	-	2,540
County Surveyor	9,517	9,517	8,865	652
Seniors - Pagosa	125,775	125,775	122,566	3,209
Fleet Services	860,785	860,785	810,343	50,442
Transportation	88,815	88,815	86,744	2,071
General Government - Other	1,264,438	1,264,438	1,215,175	49,263
Total General Government	5,132,306	5,266,506	5,424,624	(158,118)
Public Safety				
County Sheriff	1,034,610	1,051,610	1,057,645	(6,035)
County Jail	1,160,830	1,163,330	1,228,797	(65,467)
Court Security	48,090	48,990	55,888	(6,898)
Animal Control	168,710	168,710	159,358	9,352
County Coroner	55,200	55,200	57,566	(2,366)
Total Public Safety	2,467,440	2,487,840	2,559,254	(71,414)
Health and Welfare				
Emergency Management	279,775	287,585	293,148	(5,563)
Building Inspections	226,000	226,900	191,275	35,625
Nutrition	226,950	226,950	208,260	18,690
Weed and Pest Control	98,200	98,200	114,532	(16,332)
Total Health and Welfare	830,925	839,635	807,215	32,420
Total Capital Outlay	204,550	206,050	105,369	100,681
Total Debt Service	143,600	143,600	-	143,600
TOTAL BUDGETED EXPENDITURES	8,778,821	8,943,631	8,896,462	47,169

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON GAAP) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Non-Budgeted Pass-Thru Funds				
Federal Sources				
National Forest Payment - Secure Rural Schools			517,748	
General Government				
National Forest Payment - Secure Rural Schools			<u>(517,748)</u>	
TOTAL NON-BUDGETED PASS-THRU FUNDS			<u>-</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>1,139,139</u>	<u>974,329</u>	<u>1,373,998</u>	<u>399,669</u>
OTHER SOURCES (USES) OF FUNDS				
Operating Transfers In	-	-	1,164,363	1,164,363
Operating Transfers Out	<u>(883,218)</u>	<u>(883,218)</u>	<u>(1,084,300)</u>	<u>(201,082)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(883,218)</u>	<u>(883,218)</u>	<u>80,063</u>	<u>963,281</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>255,921</u>	<u>91,111</u>	<u>1,454,061</u>	<u>1,362,950</u>
Fund Balance at Beginning of Year, as Previously Stated	398,358	398,358	544,953	146,595
Prior Period Adjustment	-	-	<u>(767,304)</u>	<u>(767,304)</u>
Fund Balance at Beginning of Year, Restated	<u>398,358</u>	<u>398,358</u>	<u>(222,351)</u>	<u>(620,709)</u>
Fund Balance at End of Year	<u>\$ 654,279</u>	<u>\$ 489,469</u>	<u>\$ 1,231,710</u>	<u>\$ 742,241</u>

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2009

	<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				
General Property Taxes	\$ 700,100	\$ 700,100	\$ 704,552	\$ 4,452
Specific Ownership Tax	57,000	57,000	61,118	4,118
Penalty and Interest Tax	4,000	4,000	6,371	2,371
Total Property Taxes	<u>761,100</u>	<u>761,100</u>	<u>772,041</u>	<u>10,941</u>
Licenses and Permits	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Intergovernmental Revenue				
Forest Service - Mag Chloride			42,600	42,600
National Forest Payment	143,000	143,000	88,367	(54,633)
Highway Users	1,500,000	1,500,000	1,309,355	(190,645)
Automobile Registration	50,000	50,000	55,463	5,463
Other	<u>-</u>	<u>-</u>	<u>2,833</u>	<u>2,833</u>
Total Intergovernmental Revenue	<u>1,693,000</u>	<u>1,693,000</u>	<u>1,498,618</u>	<u>(194,382)</u>
Charges for Services	<u>20,000</u>	<u>20,000</u>	<u>15,490</u>	<u>(4,510)</u>
Other				
Interest			29	29
Refunds and Reimbursements	2,500	2,500	19,114	16,614
Total Other	<u>2,500</u>	<u>2,500</u>	<u>19,143</u>	<u>16,643</u>
TOTAL REVENUES	<u>2,476,600</u>	<u>2,476,600</u>	<u>2,325,292</u>	<u>(151,308)</u>
EXPENDITURES				
Current				
Highways and Streets				
Administration	550,350	470,415	490,803	(20,388)
Maintenance of Condition	1,655,100	1,710,100	1,730,279	(20,179)
Total Highways and Streets	<u>2,205,450</u>	<u>2,180,515</u>	<u>2,221,082</u>	<u>(40,567)</u>
Capital Outlay	<u>32,500</u>	<u>32,500</u>	<u>29,782</u>	<u>2,718</u>
Debt Service	<u>46,075</u>	<u>46,075</u>	<u>19,801</u>	<u>26,274</u>
TOTAL EXPENDITURES	<u>2,284,025</u>	<u>2,259,090</u>	<u>2,270,665</u>	<u>(11,575)</u>
Excess (Deficiency) of Revenues Over Expenditures	192,575	217,510	54,627	(162,883)
Other Financing Sources (Uses)				
Transfers In			6,549,380	6,549,380
Transfers Out	(68,179)	(68,179)	(1,521,772)	(1,453,593)
Total Other Financing Sources (Uses)	<u>(68,179)</u>	<u>(68,179)</u>	<u>5,027,608</u>	<u>5,095,787</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>124,396</u>	<u>149,331</u>	<u>5,082,235</u>	<u>4,932,904</u>

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Fund Balance at Beginning of Year as Previously Stated	34,656	34,656	(1,378,928)	(1,413,584)
Prior Period Adjustment	-	-	736,174	736,174
Fund Balance at Beginning of Year, Restated	34,656	34,656	(642,754)	(677,410)
Fund Balance at End of Year	\$ 159,052	\$ 183,987	\$ 4,439,481	\$ 4,255,494

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HUMAN SERVICES FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
General Property Tax	\$ 291,300	\$ 291,300	\$ 289,540	\$ (1,760)
Specific Ownership	17,000	17,000	24,973	7,973
Total Taxes	<u>308,300</u>	<u>308,300</u>	<u>314,513</u>	<u>6,213</u>
Intergovernmental				
State Programs	<u>1,309,996</u>	<u>1,309,996</u>	<u>1,079,518</u>	<u>(230,478)</u>
Charges for Services	<u>-</u>	<u>-</u>	<u>25,614</u>	<u>25,614</u>
Miscellaneous Revenues	<u>193,812</u>	<u>193,812</u>	<u>276,711</u>	<u>82,899</u>
Total Revenues	<u>1,812,108</u>	<u>1,812,108</u>	<u>1,696,356</u>	<u>(115,752)</u>
EXPENDITURES				
Social Services	1,527,161	1,527,161	1,518,845	8,316
Capital Outlay	29,121	29,121	25,090	4,031
Debt Service	<u>-</u>	<u>-</u>	<u>14,021</u>	<u>(14,021)</u>
Total Expenditures	<u>1,556,282</u>	<u>1,556,282</u>	<u>1,557,956</u>	<u>(1,674)</u>
Excess (Deficiency) of Revenues Over Expenditures	255,826	255,826	138,400	(117,426)
Other Financing Sources (Uses)				
Transfers In	<u>-</u>	<u>-</u>	<u>558,738</u>	<u>558,738</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>558,738</u>	<u>558,738</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>255,826</u>	<u>255,826</u>	<u>697,138</u>	<u>441,312</u>
Fund Balance at Beginning of Year, as Previously Stated	102,881	102,881	(618,072)	(720,953)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>7,223</u>	<u>7,223</u>
Fund Balance at Beginning of Year, Restated	<u>102,881</u>	<u>102,881</u>	<u>(610,849)</u>	<u>(713,730)</u>
Fund Balance at End of Year	<u>\$ 358,707</u>	<u>\$ 358,707</u>	<u>\$ 86,289</u>	<u>\$ (272,418)</u>

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BALLOT MEASURE 1A FUND
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Property Taxes				
General Property Taxes	\$ 1,194,658	\$ 1,194,658	\$ 1,193,324	\$ (1,334)
Penalty and Interest Tax	-	-	5,701	5,701
Total Property Taxes	<u>1,194,658</u>	<u>1,194,658</u>	<u>1,199,025</u>	<u>4,367</u>
Intergovernmental - State and Local	-	-	55,159	55,159
TOTAL REVENUES	<u>1,194,658</u>	<u>1,194,658</u>	<u>1,254,184</u>	<u>59,526</u>
EXPENDITURES				
General Government				
Administration	377,955	673,405	98,120	575,285
Finance Department	4,000	5,300	5,150	150
Global Information Systems	-	-	13,463	(13,463)
Other	9,450	27,700	8,083	19,617
Total General Government	<u>391,405</u>	<u>706,405</u>	<u>124,816</u>	<u>581,589</u>
Public Safety				
Sheriff	14,470	22,616	4,333	18,283
Health and Welfare	6,000	10,767	7,236	3,531
Highways and Streets				
Maintenance of Condition	1,079,647	779,647	891,990	(112,343)
Recreation	415,626	415,626	66,520	349,106
Capital Outlay	161,900	161,900	164,726	(2,826)
TOTAL EXPENDITURES	<u>2,069,048</u>	<u>2,096,961</u>	<u>1,259,621</u>	<u>837,340</u>
Excess (Deficiency) of Revenues Over Expenditures	(874,390)	(902,303)	(5,437)	896,866
Other Financing Sources (Uses)				
Operating Transfers Out	-	-	(1,027,729)	(1,027,729)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,027,729)</u>	<u>(1,027,729)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(874,390)	(902,303)	(1,033,166)	(130,863)
Fund Balance at Beginning of Year	<u>908,412</u>	<u>908,412</u>	<u>1,033,166</u>	<u>124,754</u>
Fund Balance at End of Year	<u>\$ 34,022</u>	<u>\$ 6,109</u>	<u>\$ -</u>	<u>\$ (6,109)</u>

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009

	Business-type Activities	Governmental - Activities
	SOLID WASTE FUND	INTERNAL SERVICE FUNDS
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 90,137	\$ 21,181
Accounts Receivable	93,724	181,635
Inventory	2,992	-
Total Current Assets	186,853	202,816
Noncurrent Assets		
Land	309,166	-
Machinery and Equipment, net	350,414	-
Infrastructure, net	436,352	-
Total Noncurrent Assets	1,095,932	-
TOTAL ASSETS	1,282,785	202,816
LIABILITIES		
Current Liabilities		
Accounts Payable	7,924	-
Incurred but Unreported Medical Claims	-	184,174
Due to Other Funds	100,000	-
Accrued Interest Payable	3,889	-
Accrued Payroll and Liabilities	10,571	-
Accrued Vacation and Sick Leave	19,206	-
Notes Payable	22,393	-
Total Current Liabilities	163,983	184,174
Noncurrent Liabilities		
Notes Payable	76,036	-
Closure and Post-Closure Costs	322,910	-
Total Current Liabilities	398,946	-
TOTAL LIABILITIES	562,929	184,174
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	674,593	-
Unrestricted	45,263	18,642
TOTAL NET ASSETS	719,856	\$ 18,642
Adjustments:		
Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	74,927	
Net Assets of Business-Type Activities	\$ 794,783	

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities	Governmental - Activities
	SOLID WASTE FUND	INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for Services	\$ 554,276	\$ 1,090,856
Reinsurance Recoveries	-	427,408
Other	4,559	4,804
Total Operating Revenues	558,835	1,523,068
OPERATING EXPENSES		
Current		
Salaries and Benefits	321,719	-
Materials and Supplies	191,482	-
Purchased Services	59,874	1,744,494
Other	8,101	-
Depreciation	106,681	-
Total Operating Expenses	687,857	1,744,494
Operating Income (Loss)	(129,022)	(221,426)
NONOPERATING REVENUES (EXPENSES)		
Interest Revenues	4	76
Interest Expense	(3,889)	-
Total Nonoperating Revenues (Expenses)	(3,885)	76
Income (Loss) Before Transfers	(132,907)	(221,350)
Transfers In	16,765	202,951
Changes in Net Assets	(116,142)	(18,399)
Net Assets at beginning of year	835,998	37,041
Net Assets at end of year	719,856	\$ 18,642
Adjustments:		
Reflects the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	74,927	
Change in Net Assets of Business-Type Activities	\$ 794,783	

ARCHULETA COUNTY, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities	Governmental - Activities
	SOLID WASTE FUND	INTERNAL SERVICE FUNDS
Cash flows from operating activities:		
Cash received from customers	\$ 604,130	\$ 1,095,660
Cash reinsurance recoveries	-	290,228
Cash paid for interfund receivables	71,453	-
Cash paid to employees	(325,179)	-
Cash paid to suppliers	(232,400)	(1,676,634)
	118,004	(290,746)
Net cash provided (used) by operating activities		
Cash flows from noncapital financing activities:		
Interfund transfers	16,765	202,951
	16,765	202,951
Net cash provided (used) by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital acquisitions	(439,150)	-
Proceeds from issuance of debt	127,045	-
Payment of note principal	(28,616)	-
	(340,721)	-
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest Received	6	76
	6	76
Net cash provided (used) by investing activities		
Increase (decrease) in cash and investments	(205,946)	(87,719)
Cash and cash equivalents, Beginning of the Year	296,083	108,900
Cash and cash equivalents, End of the Year	\$ 90,137	\$ 21,181
Operating income (loss)	\$ (129,022)	\$ (221,426)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	106,681	-
(Increase) decrease in accounts receivable	45,295	(137,180)
(Increase) decrease in inventory	4,184	-
Increase (decrease) in interfund payable	71,453	-
Increase (decrease) in accounts payable	4,963	-
Increase (decrease) in incurred but not reported claims	-	67,860
Increase (decrease) in accrued employee expenses	(3,460)	-
Increase (decrease) in accrued post closure liability	17,910	-
Total adjustments	247,026	(69,320)
Net cash provided (used) by operating activities	\$ 118,004	\$ (290,746)

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
For the Year Ended December 31, 2009

	TREASURER'S AGENCY FUND
ASSETS	
Cash and Cash Equivalents	<u>\$ 322,131</u>
TOTAL ASSETS	<u><u>\$ 322,131</u></u>
LIABILITIES	
Funds Held For Others	<u>\$ 322,131</u>
TOTAL LIABILITIES	<u><u>\$ 322,131</u></u>

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ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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 as a proprietary fund type 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
December 31, 2009

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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.
- The **Ballot Measure 1A Fund** is used to account for activities associated with supplemental road maintenance, parks and recreation, County facilities, technology and supplemental training that are funded through Ballot Measure 1A. This fund was closed at December 31, 2009. Beginning in 2010, the Ballot Measure 1A funds will be allocated to the General Fund and Road and Bridge Fund according to the County budget.
- The **Road Capital Improvement Fund** is used to account for continuing capital improvements to the County's road system and the acquisition of machinery and equipment to perform those capital improvements. This fund was closed at December 31, 2009. Beginning in 2010, the sales tax funds will be accounted for in the Road and Bridge Fund.

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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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.

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 2009 property tax levy due January 1, 2010 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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

Capital Assets

Capital Assets, which include land, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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.

After six months 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 debt service, 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.

Sales Tax Allocation

The County collects a 2% sales tax. The first one percent is allocated 100 percent to the General Fund. The remaining one percent of taxes collected is allocated 100 percent 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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 2009.

Stewardship

Expenditures (including transfers) in the following funds exceeded appropriations during 2009. Many of these excesses relate to the closing of funds as detailed in Note 5. This may be a violation of Colorado State Statutes.

	Excess
General Fund	\$ 153,913
Road and Bridge Fund	1,465,168
Human Services Fund	1,674
Ballot Measure 1A Fund	190,389
Road Capital Improvement Fund	5,298,269
Emergency Reserve Fund	559,475
Tourism Fund	15,881
Community Service Fund	1,327
Jail Commissary Fund	20,943
Sidewalk Escrow Fund	15,171
Capital Improvement Fund	597,519
Self Insurance Fund	644,394

ARCHULETA COUNTY, COLORADO
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NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

At December 31, 2009 the financial statements reflected cash and cash equivalents as follows:

Governmental Type Activities:	
Cash and Cash Equivalents	\$ 6,316,139
Business Type Activities:	
Cash and Cash Equivalents	90,137
Fiduciary Fund:	
Cash and Cash Equivalents	322,131
	<u>\$ 6,728,407</u>

The carrying amounts of deposits and investments are as follows:

Cash on hand	\$ 4,149
Cash deposits	6,576,281
Certificates of deposit	23,282
Investments held in COLOTRUST	124,695
	<u>\$ 6,728,407</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, 2009, \$5,068,570 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

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:

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- 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, 2009, the local government investment pool (COLOTRUST) in which the County had invested, was rated AAA by Standard & Poor's.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair 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. 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, 2009, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 5,825,116
Road and Bridge Fund	1,617,403
Human Services Fund	297,040
	<u>7,739,559</u>
	<u>\$ 7,739,559</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 receivable and payable balances at December 31, 2009 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	<u>\$ 100,000</u>

Interfund transfers during 2009 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Ballot Measure 1A Fund	\$ 740,484
	TABOR	385,175
	Nonmajor Governmental Funds	38,704
		<u>1,164,363</u>
Human Services	Road & Bridge Fund	517,630
	TABOR	41,108
		<u>558,738</u>
Road and Bridge Fund	Road Capital Improvement Fund	6,145,708
	Ballot Measure 1A Fund	287,245
	TABOR	116,427
		<u>6,549,380</u>
Airport Fund	Capital Improvement Fund	602,261
	Road and Bridge Fund	1,004,142
	General Fund	512,000
		<u>2,118,403</u>
Solid Waste Fund	TABOR	16,765
Nonmajor Funds	General Fund	369,349
Employee Benefit Trust Fund	General Fund	202,951
		<u>\$ 10,979,949</u>

The transfers made during 2009 were primarily to close out the Emergency Reserve, Ballot Measure 1A, Road Capital Improvement, Airport, Capital Improvement, and various other nonmajor 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, 2009 was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,698,683	\$ -	\$ -	\$ 3,698,683
Construction in Progress	6,598,747	242,822	857,673	5,983,896
Total capital assets not being depreciated	<u>10,297,430</u>	<u>242,822</u>	<u>857,673</u>	<u>\$ 9,682,579</u>
Capital assets being depreciated				
Runway	19,365,344	-	-	19,365,344
Improvements Non-building	-	83,215	-	83,215
Buildings and Improvements	4,938,461	490,429	-	5,428,890
Machinery and Equipment	5,947,621	275,297	93,656	6,129,262
Vehicles	613,665	167,864	26,758	754,771
Computer Equipment	781,727	456,580	-	1,238,307
Infrastructure	2,119,759	2,076,536	-	4,196,295
Total capital assets being depreciated	<u>33,766,577</u>	<u>3,549,921</u>	<u>120,414</u>	<u>37,196,084</u>
Less accumulated depreciation for:				
Runway	2,845,694	624,951	-	3,470,645
Improvements Non-building	-	2,774	-	2,774
Buildings and Improvements	1,362,431	126,274	-	1,488,705
Machinery and Equipment	4,394,645	438,154	93,656	4,739,143
Vehicles	387,148	91,361	26,758	451,751
Computer Equipment	493,846	160,606	-	654,452
Infrastructure	405,522	136,381	-	541,903
	<u>9,889,286</u>	<u>1,580,501</u>	<u>120,414</u>	<u>11,349,373</u>
Total capital assets being depreciated, net	<u>23,877,291</u>	<u>1,969,420</u>	<u>-</u>	<u>25,846,711</u>
Governmental activities capital assets, net	<u>\$ 34,174,721</u>	<u>\$ 2,212,242</u>	<u>\$ 857,673</u>	<u>\$ 35,529,290</u>
	Balance			Balance
	12/31/2008	Additions	Deletions	12/31/2009
Business-Type Activities:				
Capital assets not being depreciated				
Land	309,166	-	-	309,166
Construction in Progress	139,295	-	139,295	-
Total capital assets not being depreciated	<u>448,461</u>	<u>-</u>	<u>139,295</u>	<u>309,166</u>
Capital assets being depreciated				
Infrastructure	-	451,399	-	451,399
Machinery and Equipment	782,412	127,045	-	909,457
Total capital assets not being depreciated	<u>782,412</u>	<u>578,444</u>	<u>-</u>	<u>1,360,856</u>
Less accumulated depreciation for:				
Infrastructure	-	15,047	-	15,047
Machinery and Equipment	467,408	91,634	-	559,042
	<u>467,408</u>	<u>106,681</u>	<u>-</u>	<u>574,089</u>
Total capital assets being depreciated, net	<u>315,004</u>	<u>471,763</u>	<u>-</u>	<u>786,767</u>
Business-type activities capital assets, net	<u>\$ 763,465</u>	<u>\$ 471,763</u>	<u>\$ 139,295</u>	<u>\$ 1,095,933</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 1,012,887
Public Safety	82,181
Highways and Streets	467,537
Economic Development	6,885
Recreation	4,344
Health and Welfare	6,667
	\$ 1,580,501
Business-type activities:	
Solid Waste	\$ 106,681

NOTE 7 SHORT TERM DEBT

On January 28, 2009, the County obtained a \$500,000 promissory note, which was repaid March 26, 2009. The Note yielded a fixed interest rate of 4.50%. This was to provide needed cash to cover the projected cash-flow deficits of the County's General Fund during 2009.

Balance January 28, 2009	\$ -
Additions	292,600
Reductions	292,600
Balance December 31, 2009	\$ -

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Ending Balance 12/31/2008	Additions	Deletions	Ending Balance 12/31/2009	Due Within One Year
Governmental activities:					
Capital Leases Payable	\$ 1,009,538	\$ 5,000,000	\$ 1,365,197	\$ 4,644,341	\$ 240,866
Notes Payable	1,849,997	-	278,909	1,571,088	290,066
Accrued Interest on Long Term Debt	38,013	136,519	38,013	136,519	136,519
Compensated Absences	668,661	-	147,326	521,335	38,204
Governmental activities long-term liabilities	\$ 3,566,209	\$ 5,136,519	\$ 1,829,445	\$ 6,873,283	\$ 705,655
Business-type activities:					
Capital Leases Payable	\$ -	\$ 127,045	\$ 28,616	\$ 98,429	\$ 22,393
Compensated Absences	24,559	-	5,353	19,206	1,407
Business-type activities long-term liabilities	\$ 24,559	\$ 127,045	\$ 33,969	\$ 117,635	\$ 23,800

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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 capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$116,123, beginning July 28, 2005, at 3.50% interest, for the purchase of road and bridge equipment. This lease was paid off in May 2009 with the proceeds from the new lease and purchase option agreement with Wells Fargo dated May 6, 2009.

The County entered into a capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$256,845, beginning December 8, 2006, at 4.15% interest, for the purchase of road and bridge equipment. This lease was paid off in May 2009 with the proceeds from the new lease and purchase option agreement with Wells Fargo dated May 6, 2009.

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 were made from the Road Capital Improvement Fund through 2009 and will be made from the Road and Bridge Fund in 2010 through maturity. 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 \$37,362 at December 31, 2009. At December 31, 2009, the balance outstanding was \$61,025.

The County entered into a \$5,000,000 capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$483,977, beginning August 1, 2009, at 5.70% interest, to pay off other lease agreements with Wells Fargo Brokerage Services, LLC, and the additional funds are for road work. Payments were made from the Road Capital Improvement Fund in 2009 and will be made from the Road and Bridge Fund in 2010 through maturity. Final payment is due in 2023. Collateral includes the County Courthouse and road and bridge equipment. These items are recorded in the fixed assets of the government-wide financial statements at \$2,824,343 less accumulated depreciation of \$1,777,820. At December 31, 2009, the balance outstanding was \$4,583,316.

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

YEAR	PRINCIPAL	INTEREST	TOTALS
2010	\$ 240,866	\$ 264,073	\$ 504,939
2011	254,585	250,354	504,939
2012	269,085	235,854	504,939
2013	266,511	220,960	487,471
2014	278,019	205,958	483,977
2015-2019	1,646,658	773,257	2,419,915
2019-2023	1,688,617	247,472	1,936,089
	<u>\$ 4,644,341</u>	<u>\$ 2,197,928</u>	<u>\$ 6,842,269</u>

ARCHULETA COUNTY, COLORADO
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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, 2009 was \$1,571,088. 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
2010	\$ 290,066	\$ 62,843	\$ 352,909
2011	301,668	51,241	352,909
2012	313,735	39,174	352,909
2013	326,284	26,625	352,909
2014	339,335	13,574	352,909
	<u>\$ 1,571,088</u>	<u>\$ 193,457</u>	<u>\$ 1,764,545</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 \$9,075 at December 31, 2009.

YEAR	PRINCIPAL	INTEREST	TOTALS
2010	\$ 22,393	\$ 6,223	\$ 28,616
2011	23,809	4,807	28,616
2012	25,314	3,302	28,616
2013	26,913	1,703	28,616
	<u>\$ 98,429</u>	<u>\$ 16,035</u>	<u>\$ 114,464</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 \$150,073. Future minimum lease payments for these leases are as follows:

2010	\$ 137,130
2011	132,518
2012	90,580
2013	56,181
2014	<u>31,011</u>
The future minimum lease payments	<u>\$ 447,420</u>

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 2009 was \$6,108,041. Both the County and the covered employees made the required contributions, amounting to \$265,135 from the County and \$265,135 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 be exceeding insurance. There were no material changes in insurance coverage or settlements exceeding insurance coverage for the last three fiscal years.

The claim liability of \$184,174 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Changes in the Fund's claim liability amount in fiscal year 2009 are as follows:

	2009
Liability at January 1	\$ 116,314
Current year claims and changes in estimates	1,317,086
Claims paid	(1,249,226)
Balance at December 31	\$ 184,174

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, 2009, CAPP had assets of \$28,471,095, liabilities of \$8,822,136 (including \$4,899,651 reserved for losses and claims), and members' equity of \$19,648,959. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2009 amounted to \$7,996,368 and total expenses were \$7,105,635, resulting in an excess of revenues over expenses of \$890,751.

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, 2009, CWCP had assets of \$33,641,111, liabilities of \$20,020,011 (including \$19,141,181 reserved for losses and claims) and members' equity of \$13,621,100. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2009 amounted to \$10,669,328, total expenses were \$8,813,071, resulting in an excess of revenues over expenses of \$1,856,257.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2009 the estimated liability for landfill closure and post closure care costs of \$322,910 is based on the use of 41% of capacity of all landfill cells. The estimated total current cost of the landfill closure and post closure is based on the amount that would be paid if all equipment facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2009. The County will recognize the estimated remaining costs of closure and post-closure care of \$467,889 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, 2009.

Construction Projects – At year-end, the County was engaged with two contractors for work being performed at the County Airport under Airport Improvement Project #16. This project is funded by grants from the Federal Aviation Administration and the State of Colorado Department of Transportation, Aeronautics Division. The anticipated completion date of these contracts is fiscal year 2011.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were required to accurately state current year beginning fund balance account balances. The 2007 cash deficit on the Treasurer's Ledger was allocated to various funds. These adjustments were inadvertently recorded again in 2008. A summary of how these adjustments affected the fund financial statements is as follows:

GOVERNMENTAL ACTIVITIES	
Reversal of prior year Prior Period Adjustment	
General Fund	\$ 767,304
Road and Bridge Fund	(736,174)
Human Services Fund	(7,223)
Airport Fund	(23,907)
Total Governmental Funds	<u>\$ -</u>
STATEMENT OF ACTIVITIES PRIOR PERIOD ADJUSTMENT	<u><u>\$ -</u></u>

NOTE 16 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 to the Archuleta County Housing Authority, c/o Housing Solutions for the Southwest, Attn: Finance Department, 295 Girard Street, Durango, Colorado 81301.

Property and Equipment

Major classes of fixed assets are as follows:

	<u>12/31/2009</u>
Land	\$ 42,250
Land Improvements	39,749
Building and Improvements	763,720
Furniture and Fixtures	<u>73,349</u>
Total Fixed Assets	919,068
Less Accumulated Depreciation	<u>(710,427)</u>
Net	<u><u>\$ 208,641</u></u>

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

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

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	\$ 125,160
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%.	<u>4,086</u>
Total Mortgage Payable	<u><u>\$ 796,580</u></u>

ARCHULETA COUNTY, COLORADO

SUPPLEMENTARY INFORMATION

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**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.

Emergency Reserve Fund – This fund is used to account for emergency funds set aside in compliance with Article X, Section 20 of the Colorado Constitution (known as the TABOR Amendment). This fund was closed on December 31, 2009 with the reserve balances being transferred into the General Fund and other funds required to have TABOR reserves.

Tourism Fund – This fund is used to account for lodging tax revenues and related expenditures.

Fair Board Fund – This fund is used to account for County fair activity. *

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.

Community Service Fund – This fund is used to account for revenues from court fines. *

Jail Commissary Fund – This fund is used to account for the revenue and expenditures associated with providing commissary items to the prisoners at the County Jail. *

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. *

Airport Fund – This fund is used to account for operations, maintenance and capital improvements of the County Airport. *

Sidewalk Escrow Fund – This fund is used to account for assessments paid to fund new sidewalks. *

*These funds were closed to the General Fund at December 31, 2009 to prepare for GASB 54.

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).

Capital Improvement Fund – This fund is used to account for resources designated for capital expenditures.

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 BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 480,199	\$ 500,751	\$ 980,950
Prepays	1,384	-	1,384
Other Receivables	16,160	-	16,160
TOTAL ASSETS	\$ 497,743	\$ 500,751	\$ 998,494
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 44,002	\$ -	\$ 44,002
Accrued Payroll and Liabilities	13,288	-	13,288
TOTAL LIABILITIES	57,290	-	57,290
FUND BALANCE			
Fund Balance			
Reserved for TABOR	4,019	-	4,019
Unreserved Fund Balance			
Designated for Future Capital Projects	-	500,751	500,751
Designated for Subsequent Years Expenditures	1,000	-	1,000
Undesignated	435,434	-	435,434
TOTAL FUND BALANCE	440,453	500,751	941,204
TOTAL LIABILITIES AND FUND BALANCE	\$ 497,743	\$ 500,751	\$ 998,494

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	NONMAJOR SPECIAL REVENUE FUND	NONMAJOR CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Sales and Use Tax	\$ 75,881	\$ -	\$ 75,881
Intergovernmental	940,030	-	940,030
Charges for Services	227,659	-	227,659
Interest	4,365	4,816	9,181
Other	84,811	-	84,811
TOTAL REVENUE	1,332,746	4,816	1,337,562
EXPENDITURES			
Current			
General Government	249,448	-	249,448
Public Safety	570,514	-	570,514
Recreation	62,666	-	62,666
Economic Development	75,840	-	75,840
Capital Outlay	336,693	-	336,693
Debt Service	352,909	3,575	356,484
TOTAL EXPENDITURES	1,648,070	3,575	1,651,645
Excess (Deficiency) of Revenues Over Expenditures	(315,324)	1,241	(314,083)
OTHER FINANCING SOURCES (USES)			
Transfers In	2,487,752	-	2,487,752
Transfers Out	(598,179)	(602,261)	(1,200,440)
TOTAL OTHER FINANCING SOURCES (USES)	1,889,573	(602,261)	1,287,312
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	1,574,249	(601,020)	973,229
Fund Balance at Beginning of Year, as Previously Stated	(1,157,703)	1,101,771	(55,932)
Prior Period Adjustment	23,907	-	23,907
Fund Balance at Beginning of Year, Restated	(1,133,796)	1,101,771	(32,025)
Fund Balance at End of Year	\$ 440,453	\$ 500,751	\$ 941,204

ARCHULETA COUNTY, COLORADO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2009

	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Combined Dispatch Fund	Airport Fund	Sidewalk Escrow Fund	TOTALS
ASSETS										
Cash and Investments	\$ -	\$ -	\$ -	\$ 333,066	\$ -	\$ -	\$ 147,133	\$ -	\$ -	\$ 480,199
Prepays	-	-	-	-	-	-	1,384	-	-	1,384
Other Receivables	-	-	-	-	-	-	16,160	-	-	16,160
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 333,066	\$ -	\$ -	\$ 164,677	\$ -	\$ -	\$ 497,743
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,002	\$ -	\$ -	\$ 44,002
Accrued Payroll and Liabilities	-	-	-	-	-	-	13,288	-	-	13,288
TOTAL LIABILITIES	-	-	-	-	-	-	57,290	-	-	57,290
FUND BALANCE										
Reserved for T&OR	-	-	-	-	-	-	4,019	-	-	4,019
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated For Subsequent Year Expenditure	-	-	-	-	-	-	1,000	-	-	1,000
Unreserved, Undesignated	-	-	-	333,066	-	-	102,368	-	-	435,434
TOTAL FUND BALANCE	-	-	-	333,066	-	-	107,387	-	-	440,453
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ -	\$ 333,066	\$ -	\$ -	\$ 164,677	\$ -	\$ -	\$ 497,743

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2009

	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Combined Dispatch Fund	Airport Fund	Sidewalk Escrow Fund	TOTALS
REVENUES										
Sales and Use Tax	\$ -	\$ 75,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,881
Intergovernmental	-	-	-	99,643	-	-	155,000	685,387	-	940,030
Charges for Services	-	-	27,727	-	-	-	133,967	65,965	-	227,659
Interest	-	-	352	3,203	-	10	-	-	800	4,365
Other	-	-	(112)	-	10,764	11,616	-	62,543	-	84,811
TOTAL REVENUE	-	75,881	27,967	102,846	10,764	11,626	288,967	813,895	800	1,332,746
EXPENDITURES										
General Government	-	-	-	-	9,516	-	-	239,932	-	249,448
Public Safety	-	-	-	-	-	12,562	557,952	-	-	570,514
Economic Development	-	75,840	-	-	-	-	-	-	-	75,840
Recreation	-	-	62,666	-	-	-	-	-	-	62,666
Capital Outlay	-	-	-	30,000	-	-	43,052	263,641	-	336,693
Debt Service	-	-	-	-	-	-	-	352,909	-	352,909
TOTAL EXPENDITURES	-	75,840	62,666	30,000	9,516	12,562	601,004	856,482	-	1,648,070
Excess (Deficiency) of Revenues Over Expenditures		41	(34,699)	72,846	1,248	(936)	(312,037)	(42,587)	800	(315,324)
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	88,449	-	-	-	280,900	2,118,403	-	2,487,752
Transfers Out	(559,475)	(41)	-	-	(5,011)	(18,481)	-	-	(15,171)	(598,179)
TOTAL OTHER FINANCING SOURCES (USES)	(559,475)	(41)	88,449	-	(5,011)	(18,481)	280,900	2,118,403	(15,171)	1,889,573
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(559,475)	-	(53,750)	72,846	(3,763)	(19,417)	(31,137)	2,075,816	(14,371)	1,574,249
Fund Balance at Beginning of Year, as Previously Stated	559,475	-	(53,750)	260,220	3,763	19,417	138,524	(2,099,723)	14,371	(1,157,703)
Prior Period Adjustment	-	-	-	-	-	-	-	23,907	-	23,907
Fund Balance at Beginning of Year, Restated	559,475	-	(53,750)	260,220	3,763	19,417	138,524	(2,075,816)	14,371	(1,133,796)
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ 333,066	\$ -	\$ -	\$ 107,387	\$ -	\$ -	\$ 440,453

**ARCHULETA COUNTY, COLORADO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2009**

	CAPITAL IMPROVEMENT FUND	FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 500,751	\$ 500,751
TOTAL ASSETS	\$ -	\$ 500,751	\$ 500,751
LIABILITIES AND FUND BALANCE			
LIABILITIES			
TOTAL LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCE			
Fund Balance			
Unreserved, Designated for Future Capital Projects	-	500,751	500,751
TOTAL FUND BALANCE	-	500,751	500,751
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 500,751	\$ 500,751

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended December 31, 2009

	CAPITAL IMPROVEMENT FUND	FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND	TOTAL
REVENUES			
Interest	\$ -	\$ 4,816	\$ 4,816
TOTAL REVENUE	<u>-</u>	<u>4,816</u>	<u>4,816</u>
EXPENDITURES			
Debt Service	3,575	-	3,575
TOTAL EXPENDITURES	<u>3,575</u>	<u>-</u>	<u>3,575</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,575)	4,816	1,241
OTHER FINANCING SOURCES (USES)			
Transfers Out	(602,261)	-	(602,261)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(602,261)</u>	<u>-</u>	<u>(602,261)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(605,836)	4,816	(601,020)
Fund Balance at Beginning of Year	<u>605,836</u>	<u>495,935</u>	<u>1,101,771</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 500,751</u>	<u>\$ 500,751</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, 2009

	SELF INSURANCE FUND
ASSETS	
Current Assets	
Cash and Investments	\$ 21,181
Other Receivables	<u>181,635</u>
TOTAL ASSETS	<u>202,816</u>
LIABILITIES	
Incurred but Unreported Medical Claims	<u>184,174</u>
TOTAL LIABILITIES	<u>184,174</u>
NET ASSETS	
Unrestricted	<u>18,642</u>
TOTAL NET ASSETS	<u><u>\$ 18,642</u></u>

ARCHULETA COUNTY, COLORADO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009

	<u>SELF INSURANCE FUND</u>
OPERATING REVENUES	
Charges for Services	\$ 1,090,856
Reinsurance Recoveries	427,408
Other	<u>4,804</u>
Total Operating Revenues	<u>1,523,068</u>
OPERATING EXPENSES	
Current	
Purchased Services	<u>1,744,494</u>
Total Operating Expenses	<u>1,744,494</u>
Operating Income (Loss)	(221,426)
Nonoperating Income (Expenses)	
Interest Income	76
Transfers In	<u>202,951</u>
Total Nonoperating Expenses	<u>203,027</u>
Changes in Net Assets	(18,399)
Net Assets at beginning of year	<u>37,041</u>
Net Assets at end of year	<u>\$ 18,642</u>

ARCHULETA COUNTY, COLORADO
SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009

	<u>SELF INSURANCE FUND</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,095,660
Cash received from reinsurance recoveries	290,228
Cash paid to suppliers for purchased services	<u>(1,676,634)</u>
Net cash provided (used) by operating activities	(290,746)
Cash flows from noncapital financing activities:	
Cash transferred from other funds	<u>202,951</u>
Net cash provided (used) by noncapital financing activities	202,951
Cash flows from investing activities	
Interest Received	<u>76</u>
Net cash provided (used) by investing activities	<u>76</u>
Increase (Decrease) in Cash and Investments	(87,719)
Cash and cash equivalents, Beginning of the Year	<u>108,900</u>
Cash and cash equivalents, End of the Year	<u><u>\$ 21,181</u></u>
Operating income (loss)	\$ (221,426)
Adjustments to reconcile net income to net cash provided (used) by operating activities	
(Increase) decrease in accounts receivable	(137,180)
Increase (decrease) in incurred but unreported claims	<u>67,860</u>
Total adjustments	<u>(69,320)</u>
Net cash provided (used) by operating activities	<u><u>\$ (290,746)</u></u>

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ARCHULETA COUNTY, COLORADO
OTHER SCHEDULES AND REPORTS

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ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
ALL MAJOR CAPITAL PROJECTS FUNDS, NON-MAJOR GOVERNMENTAL FUNDS, AND ALL PROPRIETARY FUNDS
BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON THE GAAP BASIS		ADJUSTMENTS TO BUDGETARY BASIS	EXPENDITURES ON THE BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	THE GAAP BASIS				
Governmental Funds							
Major Capital Projects Funds							
Road Capital Improvement Fund	\$ 3,280,138	\$ 7,059,000	\$ 12,357,269	\$ -	\$ -	\$ -	\$ (5,298,269)
Total Major Capital Projects Funds	<u>\$ 3,280,138</u>	<u>\$ 7,059,000</u>	<u>\$ 12,357,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,298,269)</u>
Non-major Governmental Funds							
Special Revenue Funds							
Emergency Reserve Fund	\$ -	\$ -	\$ 559,475	\$ -	\$ -	\$ -	\$ (559,475)
Tourism Fund	60,000	60,000	75,881	-	-	-	(15,881)
Fair Board Fund	67,250	67,250	62,666	-	-	-	4,584
Conservation Trust Fund	280,000	280,000	30,000	-	-	-	250,000
Community Service Fund	13,200	13,200	14,527	-	-	-	(1,327)
Jail Commissary Fund	10,100	10,100	31,043	-	-	-	(20,943)
Combined Dispatch Fund	799,400	799,400	601,004	-	-	-	198,396
Airport Fund	961,040	1,221,040	856,482	-	-	-	364,558
Sidewalk Escrow Fund	-	-	15,171	-	-	-	(15,171)
Capital Projects Funds							
Capital Improvements	8,317	8,317	605,836	-	-	-	(597,519)
Fairfield Settlement	-	-	-	-	-	-	-
Total Non-major Governmental Funds	<u>\$ 2,199,307</u>	<u>\$ 2,459,307</u>	<u>\$ 2,852,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (392,778)</u>
Proprietary Funds							
Enterprise Funds							
Solid Waste Fund	1,004,279	894,279	691,746	154,196	845,942	845,942	48,337
Total Enterprise Funds	<u>1,004,279</u>	<u>894,279</u>	<u>691,746</u>	<u>154,196</u>	<u>845,942</u>	<u>845,942</u>	<u>48,337</u>
Internal Service Funds							
Self Insurance Fund	1,100,100	1,100,100	1,744,494	-	-	-	(644,394)
Total Internal Service Funds	<u>1,100,100</u>	<u>1,100,100</u>	<u>1,744,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(644,394)</u>
Total Proprietary Funds	<u>\$ 2,104,379</u>	<u>\$ 1,994,379</u>	<u>\$ 2,436,240</u>	<u>\$ 154,196</u>	<u>\$ 845,942</u>	<u>\$ 845,942</u>	<u>\$ (596,057)</u>

ARCHULETA COUNTY, COLORADO
DEPARTMENT OF HUMAN SERVICES
SCHEDULE OF EBT AUTHORIZATIONS, WARRANT EXPENDITURES, AND TOTAL EXPENDITURES
For the Year Ended December 31, 2009

Program	A	B	C	D	E
	County EBT Authorizations	County Share of Authorizations EBT Only OR MOE	Expenditures By County Warrants Issued	County EBT Authorizations plus Expenditures by County Warrant (Col. A + Col. C)	Total Expenditures (Col. B + Col.C)
COLORADO WORKS/TANF	\$ 101,603	\$ 33,336	\$ 227,025	\$ 328,628	\$ 260,361
CHILD CARE	100,170	14,195	26,415	126,585	40,610
CHILD WELFARE	192,285	33,195	519,520	711,805	552,715
COUNTY ADMINISTRATION	-	-	171,267	171,267	171,267
CORE SERVICES	233,818	20,179	58,378	292,196	78,557
HB 1414 & 1451	-	-	1,777	1,777	1,777
CHILD SUPPORT ENFORCEMENT	-	-	101,506	101,506	101,506
LEAP	278,386	-	28,641	307,027	28,641
AID TO THE NEEDY DISABLED	10,887	729	-	10,887	729
OLD AGE PENSION	66,718	-	5,576	72,294	5,576
SUBTOTAL	\$ 983,867	\$ 101,634	\$ 1,140,105	\$ 2,123,972	\$ 1,241,739
FOOD ASSISTANCE	1,041,831	-	-	1,041,831	-
FOOD STAMP JOB SEARCH/ EMPLOYMENT FIRST	-	-	30,986	30,986	30,986
PROMOTING SAFE & STABLE FAMILIES (PSSF)	-	-	21,454	21,454	21,454
GENERAL ASSISTANCE	-	-	2,378	2,378	2,378
MEDICAID	-	-	32,245	32,245	32,245
POST ADOPTION	-	-	1,200	1,200	1,200
FATHERHOOD INITIATIVE	-	-	204,753	204,753	204,753
ARCHULETA CTY TOTAL (Note)	\$ 2,025,698	\$ 101,634	\$ 1,433,121	\$ 3,458,819	\$ 1,534,755
* ARCHULETA CTY 12/31/09 Net A/P	-	-	30,273	30,273	30,273
^ Unidentified reconciling item	-	-	(7,072)	(7,072)	(7,072)
GRAND TOTAL	\$ 2,025,698	\$ 101,634	\$ 1,456,322	\$ 3,482,020	\$ 1,557,956

* Net of the PY Reversal of Accounts Payable and Accounts Payable @ 12/31/09 which is not recorded on the CFMS County Report.

^ This amount is an unidentified reconciling item between Client G.L and the State CFMS Reporting System.

NOTE 1:

The County Social Service recipient awards are provided by the State of Colorado Electronic Benefit Transfer System (EBT).

The County's direct payments include other direct payments made during 2009, including the County's share of the EBT transfer.

- A. Welfare payments authorized by the Archuleta County Department of Human Services. These county authorizations are paid by the Colorado Department of Human Services by QWEST debit cards or by electronic funds transfer (EFT).
- B. County share of EBT authorizations. These amounts are settled monthly by a reduction of State cash advances to the County.
- C. Expenditures made by county warrants or other county payment methods.
- D. This represents the total cost of the welfare programs that are administered by Archuleta County.
- E. This total matches the expenditures on the Human Services Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

FEDERAL GRANTOR /PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
COLORADO DEPT. OF HUMAN SERVICES			
<i>SNAP Cluster</i>			
Supplemental Nutrition Assistance Program	10.551		\$ 1,041,831
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		71,306
Total for <i>SNAP Cluster</i>			<u>1,113,137</u>
COLORADO DEPT. OF TREASURY			
<i>Schools and Roads Cluster</i>			
Secure Payments for States and Counties Containing Federal Lands	10.665		
Direct Expenditures			234,435
Passed to Subrecipients			1,105,024
			<u>1,339,459</u>
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		26,398
Nutrition Services Incentive Program	93.053		58,572
Total for <i>Aging Cluster</i>			<u>84,970</u>
COLORADO DEPT. OF HUMAN SERVICES			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families	93.558		291,050
Child Support Enforcement	93.563		119,931
Low-Income Home Energy Assistance	93.568		294,818
<i>CCDF Cluster</i>			
Child Care and Development Block Grant	93.575		19,113
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		57,021
ARRA - Child Care and Development Block Grant	93.713		28,056
Total for <i>CCDF Cluster</i>			<u>104,190</u>
Child Welfare Services-State Grants	93.645		6,612
Foster Care-Title IV-E	93.658		113,395
Adoption Assistance	93.659		13,018
Social Services Block Grant	93.667		70,343
Medical Assistance Program (<i>Medicaid Cluster</i>)	93.778		50,819
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		204,503
U.S. DEPARTMENT OF HOMELAND SECURITY			
COLORADO DEPT. OF LOCAL AFFAIRS			
State Homeland Security Program (SHSP)	97.042		36,300
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		3,650
Edward Byrne Memorial Justice Assistance Grant	16.738		17,775
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Airport Improvement Grants</i>			
Airport Improvement Program No.3-08-0066-17	20.106		7,905
Airport Improvement Program No.3-08-0066-18	20.106		512,395
Airport Improvement Program No.3-08-0066-19	20.106		138,435
Total for <i>Airport Improvement Grants</i>			<u>658,735</u>

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

FEDERAL GRANTOR /PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
COLORADO DEPT. OF TRANSPORTATION Formula Grants for Other Than Urbanized Areas	20.509		32,981
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,555,686

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, 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 12, 2010. 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. Findings 09-01 and 09-02.

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 findings 09-01 and 09-02.

Archuleta County, Colorado's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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, others within the entity, the Board of County Commissioners, 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

July 12, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO 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 the compliance of Archuleta County, Colorado (the County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 Organization*. 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.

As described in finding 09-04 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility and Special Tests and Provisions that are applicable to its Temporary Assistance for Needy Families (TANF) Cluster. Compliance with such requirements is necessary, in our opinion, for Archuleta County, Colorado to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Archuleta County, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 in order to determine our 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 09-03 and 09-04 to be material weaknesses.

Archuleta County, Colorado's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, the Board of County Commissioners, 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

July 12, 2010

**ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section I – Summary of Auditor’s 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 for all major programs except for Temporary Assistance for Needy Families (TANF) Cluster, which was qualified.

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>
10.551 and 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster
10.665	Schools and Roads Cluster
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, 2009**

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.

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, 2009, as described in Note 2. This is a violation of Colorado Revised Statute 29-1-110. (Material noncompliance)

	Excess
General Fund	\$ 153,913
Road and Bridge Fund	1,465,168
Human Services Fund	1,674
Ballot Measure 1A Fund	190,389
Road Capital Improvement Fund	5,298,269
Emergency Reserve Fund	559,475
Tourism Fund	15,881
Community Service Fund	1,327
Jail Commissary Fund	20,943
Sidewalk Escrow Fund	15,171
Capital Improvement Fund	597,519
Self Insurance Fund	644,394

2. The Treasurer's Office did not adequately reconcile cash during 2009. As individual transactions and accounts were investigated in an attempt to reconcile in 2010 various errors were detected, including the over distribution of \$65,000 of Specific Ownership Tax in April and May 2009. Other errors included incorrect distribution between two taxing entities outside of the County and September 2009 motor vehicle license fees were not properly distributed to the Road and Bridge Fund. These errors were corrected in 2010. In addition, the Clerk's Imprest checking account has accumulated approximately \$9,000 in interest as of December 31, 2009 that should be recorded in the General Fund.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

3. Security features within Incode, the financial accounting software are not being utilized. The features are intended to segregate duties and prevent unauthorized transaction posting and record changes. Specifically, the journal entry application should be limited and segregated to ensure all transactions are properly approved and posted. The human resources and payroll applications should be isolated to separate the employee set up and change functions from the payroll processing functions. In addition, the cash account reconciliations to the Treasurer were being performed manually rather than using the pooled cash reconciliation features in Incode.
4. There is a lack of control in the receiving, depositing, and recording of receipts for the solid waste landfill. The solid waste transfer stations do not issue receipts for any fees collected. In addition, numerical order of receipts issued at the landfill are not accounted for and missing receipts are not identified. The transfer stations and the landfill offices should list all receipts, preferably on a prescribed form such as a pre-numbered receipt book. The series of receipts listed should be deposited to the Treasurer on a timely basis to reduce the risk of loss from burglary, misplacement, or misappropriation since cash is inherently subject to error and mishandling.
5. The revenues and expenditures of the Human Services Fund were not accurately updated and reconciled timely to the County Financial Management System (CFMS) on a monthly basis in 2009. As a result, the County hired an outside accountant to perform the 2009 reconciliation procedures and prepare the Schedule of EBT Authorizations, Warrant Expenditures, and Total Expenditures for inclusion in these financial statements as required, in January 2010.

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.

Management's Response: See corrective action plan.

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.

Cause: The County Department of Social Services does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: A system of internal controls over compliance includes the design, documentation, and ongoing monitoring of control activities to provide the following:

- reasonable assurance that federal awards are expended only for allowable activities and that the cost of goods and services charged to federal awards are allowable and in accordance with the specific cost principles

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

- reasonable assurance that only eligible individuals and organizations receive assistance under federal award programs and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements through program reviews

Effect: As detailed in Finding 09-04, total questioned costs of \$23,201 have been identified and recorded as a liability in the Human Services Fund. There are additional findings in which questioned costs are undeterminable.

Recommendation: The County Department of Human Services should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities to provide reasonable assurance that federal awards are expended only for allowable activities, in accordance with the specific cost principles and that only eligible individuals and organizations receive assistance under federal award programs in accordance with program requirements to prevent these problems in the future.

Management's Response: See corrective action plan.

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.

Cause: The County Department of Human Services staff is not knowledgeable of these applications to use them efficiently.

Criteria: A system of internal controls over compliance includes the design, documentation, and ongoing monitoring of control activities to provide the following:

- reasonable assurance that federal awards are expended only for allowable activities and that the cost of goods and services charged to federal awards are allowable and in accordance with the specific cost principles

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

- reasonable assurance that only eligible individuals and organizations receive assistance under federal award programs and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements through program reviews

Effect: There is a reasonable possibility that material noncompliance will not be prevented, detected, or corrected on a timely basis.

Recommendation: The Department should research training options with the Colorado Department of Human Services to implement a system of internal control over compliance as it relates to the electronic benefits management system.

Grantee's Response: See corrective action plan.

**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.

Cause: The Department does not have a complete system of internal control to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Criteria: A system of internal controls over compliance includes the design, documentation, and ongoing monitoring of control activities to provide the following:

- reasonable assurance that federal awards are expended only for allowable activities and that the cost of goods and services charged to federal awards are allowable and in accordance with the specific cost principles
- reasonable assurance that only eligible individuals and organizations receive assistance under federal award programs and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements through program reviews

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Effect: As a result of this condition, the following compliance issues were noted:

1. The County engaged in a service contract to provide a transportation program for Colorado Works (TANF) and low-income families. During 2009 the County contracted for a total amount of \$50,000. The County did not document the reasonableness of the contracted amount in relation to the services used by TANF and non-TANF eligible clients. In addition, the contract was not being properly monitored by the County to substantiate that the agreed upon services were being fulfilled on a quarterly basis, as agreed to in the contract document.
Questioned Costs: Undeterminable
2. The County engaged in a service contract to develop and provide a Colorado Works (TANF) Case Manager and a Job Readiness Program. During 2009 the County contracted for a total amount of \$46,518. The contract was not being properly monitored by the County to verify that the agreed upon services were being satisfied on a reasonable basis.
3. Income Eligibility Verification System (IEVS) discrepancies were not reviewed and cleared in a timely manner. 4 of the 5 case files tested had uncleared IEVS discrepancies.
4. Income Eligibility Verification System (IEVS) was not utilized to verify social security numbers, earned and unearned income, resources and/or assets, etc. during 2009. None of the 5 case files tested had documentation of the use of IEVS.
5. The Individual Responsibility Contract (IRC) was not on file for 2 of the 2 initial benefit cases sampled.
6. The County could not provide the completed copy of the initial assessment for 1 of the 2 initial benefit cases sampled.
7. The Colorado Department of Human Services (CDHS) conducted a limited TANF audit for the SFY 2009. CDHS reported findings and questioned costs of \$23,201. A copy of their report can be requested from CDHS or the County.

Recommendation: The County Department of Human Services should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities to provide reasonable assurance that federal awards are expended only for allowable activities, in accordance with the specific cost principles and that only eligible individuals and organizations receive assistance under federal award programs in accordance with program requirements to prevent these problems in the future.

Grantee's Response: See corrective action plan.

ARCHULETA COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2009

FINDINGS - FINANCIAL STATEMENT AUDIT

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

Type of finding: Internal Control (significant deficiency and 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. (See Finding 09-01)

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None.



ARCHULETA COUNTY, COLORADO

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, 2009.

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, 2009

The findings from the December 31, 2009 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.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 09-01: Internal Control Over Financial Reporting

Type of finding: Internal Control (significant deficiency and material weakness) and compliance (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. The Finance software monitors line items budgets to actual. When A/P is processed a report is produced noting line items over budget. Before checks are released, departments shall provide the appropriate supplemental forms (Transfer of budgeted funds or supplemental for unanticipated revenues) with proper authorization to the Finance Director. The Finance department will adjust budgeted line items. This procedure uses the software as a monitoring tool for expenditures. Additionally, the Agenda Submission forms require the Finance Directors signature before going to the BOCC for approval. The County will enforce this authorization to ensure the item has been budgeted.*
- 2) Develop and implement written policy and procedures on cash reconciliations, Treasury Ledger to General ledger, to be performed monthly by the Finance Department. Treasury Department actions include implemented monthly cash reconciliation January 2010, implemented weekly cash reconciliation July 2010, developed and implemented warrant reconciliation on July*

Archuleta County, Colorado
Corrective Action Plan

9, 2010, combined appropriate bank accounts to improve reconciliation efficiency, develop and implement procedures to detect errors in a timely manner, provide Finance Department access to receipting software to enhance reconciliations, and work closely with Finance Department to improve reconciliations

3) Use the Finance Software's security features to segregate the Human Resource duties from the Payroll duties. All transactions are to be approved by another finance employee, other than the producer of the transaction. Approval will be documented on the transactions documentation by an initial and date of the approver.

4) Develop and implement policy and procedures for charging and collecting of fees at Solid Waste Landfill. All Landfill operators will be trained on proper fee schedule and receipt issuing. A pre-numbered receipt book will be used and all receipts will be account for by staff accountant in the Finance Department. Money's collected at the Landfill will be delivered to the SWL bookkeeper along with proper documentation of the fees collected or charged.

5) Develop written procedures updating and reconciling timely to the County Financial Management System (CFMS) on a monthly basis. The County will be reporting 100% of DHS activities starting Jan. 1, 2010.

Responsible Party: Diane K. Sorensen, Finance Director (970) 264-8556

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

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

Recommendation: The County Department of Social Services should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities to provide reasonable assurance that federal awards are expended only for allowable activities, in accordance with the specific cost principles and that only eligible individuals and organizations receive assistance under federal award programs in accordance with program requirements to prevent these problems in the future.

Action Taken:

1) June 2010, Archuleta County Department of Human Services began referring to OMB Circulars A-87 for State, Local, and Indian Tribal Governments, (includes county departments), OMB A-122 for Non-Profit Organizations and OMB A-21 for Educational Institutions; Code of Federal Regulations, Colorado Revised Statutes, Volume V – Finance and Accounting (Executive Director Rules and Agency Letters to design, document and monitor federal awarded programs.

2 June 2010 Archuleta County Department of Human Services began working closely with the Colorado Department of Human Services Audit Division to assure program design and program monitoring of federal awarded programs meet OMB Circulars, federal regulations and Volume V.

3) Beginning July 2010 contractors are required to submit monthly or quarterly reports (depending on the program) and meet with the Department of Human Services Director to assure the contractor is in compliance with the contract requirements. All meetings will be documented in writing and kept with monthly/quarterly reports.

Responsible Party: Erlinda Gonzalez, DHS Director (970) 264-2182

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

**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**

Type of finding: Internal Control (material weakness)

Recommendation: The County should research training options with the Colorado Department of Human Services to implement a system of internal control over compliance as it relates to the electronic benefits management system.

Action Taken:

- 1) August 2010, staff responsible for security profiles will:
 - a) Complete the on-line CBMS security profile training.
 - b) Review and refer to the CBMS on-line security profile manual.
 - c) Complete the on-line security profile 101, and 102 training.
- 2) The Director and staff responsible for security profiles will attend the next available security profile training provided by the Colorado Department of Human Services/Pinnacle and implement the recommended internal controls.
- 3) Beginning August 2010 staff responsible for security profiles will assess what security profiles are required by Archuleta County Department of Human Services personnel. After all assessments have been completed all security profiles will be updated and approved by the County Director.
- 4) Beginning August 2010 the Director will assure security profiles duties are segregate from other job duties to prevent unauthorized access by evaluating personnel job duties to determine reassignment of security profile duties to personnel that does not need security authorization to the electronic benefits management system.

Responsible Party: Erlinda Gonzalez, DHS Director (970) 264-2182

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

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

Recommendation: The County should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities to provide reasonable assurance that federal awards are expended only for allowable activities, in accordance with the specific cost principles and that only eligible individuals and organizations receive assistance under federal award programs in accordance with program requirements to prevent these problems in the future.

Action Taken:

- 1) Beginning June 2010, Archuleta County Department of Human Services refers to OMB Circulars A-87 for State, Local, and Indian Tribal Governments, (includes county departments), OMB A-122 for Non-Profit Organizations and OMB A-21 for Educational Institutions; Code of Federal

Archuleta County, Colorado
Corrective Action Plan

Regulations, Colorado Revised Statutes, Volume V – Finance and Accounting (Executive Director Rules and Agency Letters to design, document and monitor federal awarded programs.

2 June 2010 Archuleta County Department of Human Services began working closely with the Colorado Department of Human Services Audit Division to assure program design and program monitoring of federal awarded programs meet OMB Circulars, federal regulations and Volume V.

3) July 2010 contractors are required to submit monthly or quarterly reports (depending on the program) and meet with the Department of Human Services Director to assure the contractor is in compliance with the contract requirements. All meetings will be documented and kept with monthly/quarterly reports.

4) Beginning June 2010 monthly TANF reviews includes verifying Income Eligibility Verification (IEVS). The worker will have an option to "screen print" the IVES screen or document IEVS was reviewed and cleared in a timely manner under the "Report of Contact Sheet" in the case file.

5) Beginning July 2010 the Director will review cases monthly to assure the Individual Responsibility Contracts (IRC) are signed and in the file. The monthly case reviews are now a requirement in the 2010/2011 contract between the Archuleta County Department of Human Services and The Training Advantage.

6) Beginning July 2010 the Director will review cases monthly to assure the initial assessments are completed and in the case file. This requirement is included in the 2010/2011 contract between the Archuleta County Department of Human Services and The Training Advantage.

Responsible Party: Erlinda Gonzalez, DHS Director (970) 264-2182

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
Archuleta County, Colorado



Erlinda Gonzalez
DHS Director
Archuleta County, Colorado

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2009

This Information From The Records Of (example - City of _ or County of _)	Prepared By: Phone:
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	3,042,816
4. Miscellaneous local receipts (from page 2)	61,720
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	5,000,000
d. Total (a. + b. + c.)	5,000,000
7. Total (1 through 6)	8,104,536
B. Private Contributions	
C. Receipts from State government (from page 2)	
	2,649,647
D. Receipts from Federal Government (from page 2)	
	130,967
E. Total receipts (A.7 + B + C + D)	10,885,150

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	5,352,916
2. Maintenance:	1,692,933
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	234,156
c. Other	9,878
d. Total (a. through c.)	244,034
4. General administration & miscellaneous	512,295
5. Highway law enforcement and safety	
6. Total (1 through 5)	7,802,178
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	206,841
b. Redemption	1,365,197
c. Total (a. + b.)	1,572,038
3. Total (1.c + 2.c)	1,572,038
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	9,374,216

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
	3,137,896	10,885,150	9,374,216	5,844,825	(1,195,995)

Notes and Comments:

Reconciling items include:

- 1) Prior period adjustment in the R&B Fund in the amount of \$736,174.
- 2) The 2008 report did not include the road and bridge portion of the 1A fund. In 2008 the fund balance increase in the amount \$459,821.

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2009

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	1,430,337	a. Interest on investments	37,433
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	1,514,813	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	21,058	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	15,490	f. Charges for Services	
5. Specific Ownership &/or Other	61,118	g. Other Misc. Receipts	24,287
6. Total (1. through 5.)	1,612,479	h. Other	
c. Total (a. + b.)	3,042,816	i. Total (a. through h.)	61,720
	(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	1,309,355	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	88,367
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	55,463	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	1,284,829	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	42,600
f. Total (a. through e.)	1,340,292	g. Total (a. through f.)	130,967
4. Total (1. + 2. + 3.f)	2,649,647	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		304,891	304,891
c. Construction:			
(1). New Facilities		1,645,946	1,645,946
(2). Capacity Improvements			0
(3). System Preservation		3,402,079	3,402,079
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	5,048,025	5,048,025
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	5,352,916	5,352,916
			(Carry forward to page 1)

Notes and Comments: