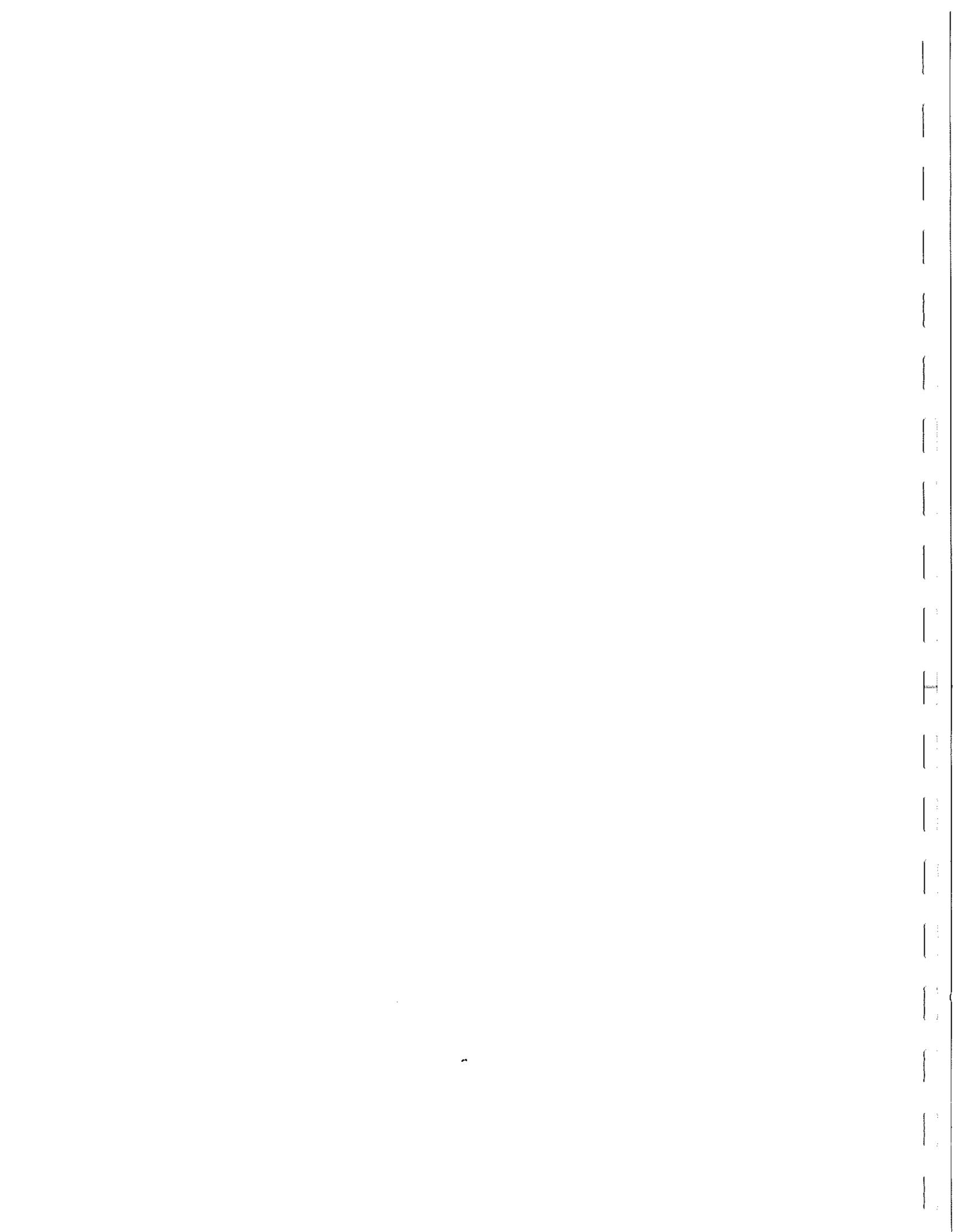


ARCHULETA COUNTY, COLORADO

FINANCIAL STATEMENTS

December 31, 2005



ARCHULETA COUNTY, COLORADO

TABLE OF CONTENTS

December 31, 2005

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statements of Revenues, Expenditures and Changes in Fund Balance--	
Budget and Actual General Fund and Special Revenue Funds:	
General Fund	11
Road and Bridge Fund	14
Human Services Fund	15
Proprietary Fund Financial Statements:	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Net Assets	17
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	19
Notes to the Basic Financial Statements	20
Supplementary Information:	
Listing of Nonmajor Governmental Funds	42
Combining Balance Sheet by Fund Type - Nonmajor Governmental Funds	43
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental	44
Combining Balance Sheet - Nonmajor Special Revenue Funds	45
Combining Balance Sheet - Local Improvement Districts	46
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Special Revenue	47
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Local Improvement	48
Combining Balance Sheet - Nonmajor Capital Projects Funds	49
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects	50
Listing of Internal Service Funds	51
Combining Schedule of Net Assets - Internal Service Funds	52
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Internal Service Funds	53
Combining Schedule of Cash Flows - Internal Service Funds	54

Other Schedules and Reports:

Schedule of Expenditures and Transfers Out - All Major Capital Funds, Nonmajor Funds, and All Proprietary Funds - Budget and Actual	55
Schedule of Expenditures of Federal Awards	56
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	57
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	59
Schedule of Findings and Questioned Costs	61
Local Highway Finance Report	64

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Archuleta County, Colorado
Pagosa Springs, CO

We were engaged to audit 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, 2005, 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. We did not audit the financial statements of Archuleta County Housing Authority, Casa De Los Arcos, a discretely presented component unit. Those financial statements were audited by other auditors whose report dated September 28, 2005 expressed an unqualified opinion on them.

The County has not maintained certain records and supporting documents which, reconcile differences in cash and investment balances since the end of 2004 between the Treasurer's Office and the accounting general ledger, reconcile capital assets, depreciation and capital outlay for governmental and business-type activities, reconcile the Human Services Fund general ledger to the Colorado Financial Management System, reconcile the Employee Benefit Fund general ledger to data provided by the third party administrator, and resolve significant deficit balances in the internal service funds, which is a departure from accounting principles generally accepted in the United States, also the County's internal controls were not adequate to provide safeguards over County assets and to assure the proper recording of transactions. Accordingly, we were unable to extend our audit procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions. Since the County does not maintain certain accounting records and supporting documents and reconciliations or have adequate internal controls and we were not able to apply other auditing procedures to satisfy ourselves as to the extent to which the financial statements are affected by these matters, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

We were engaged to audit the financial statements that collectively comprise the County's basic financial statements. 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 basic 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, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements, as listed in the table of contents, the schedule of expenditure of federal awards, and the Local Highway Finance Report have not been subjected to auditing procedures due to the reasons stated above, we are unable to, and we do not express an opinion on the basic financial statements. Similarly we are unable to, and we do not, express an opinion on the supplementary information.

Wall, Smith, Bateman and Associates, Inc.

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

February 28, 2007

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

ARCHULETA COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government		TOTAL	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,721,414	\$ 137,124	\$ 4,858,538	\$ 19,042
Restricted Cash and Investments	-	-	-	33,387
Receivables				
Property Taxes	4,271,966	-	4,271,966	-
Other	15,382	134,845	150,227	-
Accrued Interest	19,781	-	19,781	-
Inventory	102,713	-	102,713	-
Prepaid Expenses	38,349	-	38,349	1,871
Due From Other Governments	813,460	780,372	1,593,832	-
Internal Balances	58,993	(58,993)	-	-
Total Current Assets	10,042,058	993,348	11,035,406	54,300
Noncurrent Assets:				
Capital Assets:				
Land	684,496	3,558,571	4,243,067	81,999
Construction in Progress	2,158,707	13,208,317	15,367,024	-
Runway Improvements, net	-	5,952,616	5,952,616	-
Buildings, net	1,485,253	43,620	1,528,873	763,720
Machinery, net	599,534	376,561	976,095	-
Vehicles, net	708,907	41,575	750,482	-
Furnishings	-	-	-	73,349
Computer Equipment, net	166,246	314	166,560	-
Accumulated Depreciation for Component Units	-	-	-	(583,098)
Loan Costs, net	-	-	-	15,943
Total Noncurrent Assets	5,803,143	23,181,574	28,984,717	351,913
TOTAL ASSETS	15,845,201	24,174,922	40,020,123	406,213
LIABILITIES				
Current Liabilities:				
Checks in Excess of Bank Deposits	852,369	355,780	1,208,149	-
Accounts Payable	510,542	487,182	997,724	10,164
Security Deposits Payable	-	-	-	3,672
Retainage Payables	-	1,147,087	1,147,087	-
Incurred but Unreported Medical Claims	266,136	-	266,136	-
Accrued Interest	-	40,427	40,427	11,446
Accrued Payroll and Liabilities	95,218	6,003	101,221	-
Accrued Vacation and Sick Leave	436,361	25,114	461,475	-
Inmate Deposits	11,466	-	11,466	-
Deferred Revenue	4,301,172	-	4,301,172	-
Notes Payable, Portion Due or Payable Within One Year	97,773	216,556	314,329	2,744
Total Current Liabilities:	6,571,037	2,278,149	8,849,186	28,026
Noncurrent Liabilities:				
Closure and Post Closure Costs	-	291,669	291,669	-
Notes Payable, Portion Due or Payable After One Year	426,530	2,075,217	2,501,747	811,157
Total Noncurrent Liabilities	426,530	2,366,886	2,793,416	811,157
TOTAL LIABILITIES	6,997,567	4,645,035	11,642,602	839,183

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Primary Government</u>		<u>TOTAL</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,278,840	20,598,132	25,876,972	(477,931)
Restricted for:				
Emergencies	550,882	-	550,882	-
Unrestricted	3,017,912	(1,068,245)	1,949,667	44,961
TOTAL NET ASSETS	<u>\$ 8,847,634</u>	<u>\$ 19,529,887</u>	<u>\$ 28,377,521</u>	<u>\$ (432,970)</u>

**ARCHULETA COUNTY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005**

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Charges for Services	Operating Grants & Contributions		Governmental Activities	Business-Type Activities	TOTAL	
		Expenses	Capital Grants & Contributions				
Governmental Activities:							
General government	\$ 4,592,604	\$ 154,034	\$ -	\$ (3,277,657)	\$ -	\$ (3,277,657)	
Public safety	3,184,500	80,837	-	(3,002,348)	-	(3,002,348)	
Health and Welfare	1,545,182	740,367	-	(338,185)	-	(338,185)	
Highways and Streets	3,652,211	1,251,004	-	(2,326,689)	-	(2,326,689)	
Economic Development	190,834	188,129	-	(2,705)	-	(2,705)	
Recreation	91,070	86,609	-	37,329	-	37,329	
Bad Debt Expense	16,195	-	-	(16,195)	-	(16,195)	
Capital Outlay Not Capitalized	344,764	-	-	(344,764)	-	(344,764)	
Total Governmental Activities	13,617,360	2,500,980	-	(9,271,214)	-	(9,271,214)	
Business-Type Activities:							
Airport	744,116	-	4,126,014	-	3,418,333	3,418,333	
Solid Waste	615,083	-	-	-	110,448	110,448	
Total Business-Type Activities	1,359,199	-	4,126,014	-	3,528,781	3,528,781	
Total Primary Government	\$ 14,976,559	\$ 2,500,980	\$ 4,126,014	(9,271,214)	3,528,781	(5,742,433)	
Component Units:							
Archuleta County Housing	\$ 156,800	\$ 80,874	-	-	-	-	\$ (37,138)
Total Component Units							
General Revenues:							
Taxes:							
Property Taxes				3,938,292	-	3,938,292	
Sales and Use Taxes				3,178,473	-	3,178,473	
Other Taxes and Shared Revenues				541,187	-	541,187	
Payments in Lieu of Taxes				532,544	-	532,544	
Unlocated Cash				112,426	-	112,426	
Interest Income				177,643	-	177,643	301
Miscellaneous				315,039	69,132	384,171	-
Transfers in (out)				(250,000)	250,000	-	-
Total General Revenues and Transfers				8,545,604	319,132	8,864,736	301
Change in Net Assets				(725,610)	3,847,913	3,122,303	(36,837)
Net Assets - Beginning				10,120,496	15,681,974	25,802,470	(396,133)
Prior Period Adjustment				(547,252)	-	(547,252)	-
Net Assets - Beginning, restated				9,573,244	15,681,974	25,255,218	(396,133)
Net Assets - Ending				\$ 8,847,634	\$ 19,529,887	\$ 28,377,521	\$ (432,970)

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>	<u>HUMAN SERVICES FUND</u>	<u>ROAD CAPITAL IMPROVEMENT FUND</u>
ASSETS				
Cash and Cash Equivalents	\$ 730,651	\$ 1,442,518	\$ 143,249	\$ 1,083,232
Receivables				
Property Taxes	3,372,493	795,444	104,029	-
Accrued Interest	11,139	6,984	626	-
Other	-	-	-	-
Inventories, at Cost	-	-	-	-
Prepaid Expenses	-	-	38,349	-
Due From Other Governments	290,087	187,512	(60,691)	279,465
Due From Other Funds	240,214	26,377	-	117,150
TOTAL ASSETS	<u>\$ 4,644,584</u>	<u>\$ 2,458,835</u>	<u>\$ 225,562</u>	<u>\$ 1,479,847</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Checks in Excess of Bank Deposits	\$ -	\$ -	\$ -	\$ -
Accounts Payable	271,784	25,172	30,695	32,889
Accrued Payroll and Liabilities	64,412	18,288	-	-
Due to Other Funds	813,261	99,304	126,875	-
Inmate Deposits	-	-	-	-
Deferred Revenue	3,372,493	795,444	133,235	-
TOTAL LIABILITIES	<u>4,521,950</u>	<u>938,208</u>	<u>290,805</u>	<u>32,889</u>
FUND BALANCE				
Fund Balance				
Reserved for Emergencies	-	-	-	-
Unreserved Fund Balance				
Designated for Future Capital Projects	-	-	-	1,446,958
Undesignated	122,634	1,520,627	(65,243)	-
TOTAL FUND BALANCE	<u>122,634</u>	<u>1,520,627</u>	<u>(65,243)</u>	<u>1,446,958</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,644,584</u>	<u>\$ 2,458,835</u>	<u>\$ 225,562</u>	<u>\$ 1,479,847</u>

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,321,764	\$ 4,721,414
-	4,271,966
643	19,392
15,515	15,515
-	-
-	38,349
117,087	813,460
757,111	1,140,852
<u>\$ 2,212,120</u>	<u>\$ 11,020,948</u>
\$ -	\$ -
48,256	408,796
6,220	88,920
41,281	1,080,721
11,466	11,466
-	4,301,172
<u>107,223</u>	<u>5,891,075</u>
550,882	550,882
1,180,899	2,627,857
373,116	1,951,134
<u>2,104,897</u>	<u>5,129,873</u>
<u>\$ 2,212,120</u>	<u>\$ 11,020,948</u>

This page left blank intentionally.

ARCHULETA COUNTY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2005

Total governmental fund balances	\$	5,129,873
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,799,925
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes Payable	(524,303)	
Compensated Absences	(436,361)	
Internal Service Funds compensated absences included in net assets below	40,590	(920,074)
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.		(1,162,090)
Net assets of governmental activities	\$	8,847,634

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>	<u>HUMAN SERVICES FUND</u>	<u>ROAD CAPITAL IMPROVEMENT FUND</u>
REVENUES				
Property Taxes	\$ 3,546,048	\$ 824,980	\$ 108,451	\$ -
Sales and Use Tax	1,467,928	-	-	1,472,970
Licenses and Permits	4,543	-	-	-
Intergovernmental	655,581	1,405,123	687,980	-
Charges for Services	1,503,052	68,733	986	-
Program Income	-	-	-	-
Interest Earnings	115,220	32,520	9,198	4,761
Other	105,995	80,214	95,624	-
Unlocated Cash	112,426	-	-	-
TOTAL REVENUE	<u>7,510,793</u>	<u>2,411,570</u>	<u>902,239</u>	<u>1,477,731</u>
EXPENDITURES				
General Government	3,914,774	-	-	-
Public Safety	3,114,847	-	-	-
Health and Welfare	356,043	-	1,156,125	-
Highways and Streets	-	2,291,559	-	907,066
Economic Development	-	-	-	-
Culture and Recreation	-	-	-	-
Bad Debt Expense	-	-	-	-
Capital Outlay	-	45,217	-	833,914
TOTAL EXPENDITURES	<u>7,385,664</u>	<u>2,336,776</u>	<u>1,156,125</u>	<u>1,740,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>125,129</u>	<u>74,794</u>	<u>(253,886)</u>	<u>(263,249)</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	-	524,303
Operating Transfers In (Out)	(546,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(546,000)</u>	<u>-</u>	<u>-</u>	<u>524,303</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>(420,871)</u>	<u>74,794</u>	<u>(253,886)</u>	<u>261,054</u>
Fund Balance at Beginning of Year	1,192,428	1,445,833	188,643	1,185,904
Prior Period Adjustment	(648,923)	-	-	-
Fund Balance at Beginning of Year , Restated	<u>543,505</u>	<u>1,445,833</u>	<u>188,643</u>	<u>1,185,904</u>
Fund Balance at End of Year	<u>\$ 122,634</u>	<u>\$ 1,520,627</u>	<u>\$ (65,243)</u>	<u>\$ 1,446,958</u>

See Notes to the Basic Financial Statements

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 4,479,479
237,575	3,178,473
-	4,543
297,457	3,046,141
163,486	1,736,257
91,749	91,749
15,944	177,643
33,206	315,039
-	112,426
<u>839,417</u>	<u>13,141,750</u>
637,023	4,551,797
4,664	3,119,511
-	1,512,168
-	3,198,625
189,857	189,857
90,164	90,164
16,195	16,195
299,547	1,178,678
<u>1,237,450</u>	<u>13,856,995</u>
<u>(398,033)</u>	<u>(715,245)</u>
-	524,303
134,000	(412,000)
<u>134,000</u>	<u>112,303</u>
<u>(264,033)</u>	<u>(602,942)</u>
2,368,930	6,381,738
-	(648,923)
<u>2,368,930</u>	<u>5,732,815</u>
<u>\$ 2,104,897</u>	<u>\$ 5,129,873</u>

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, 2005

Net change in fund balances - total governmental funds \$ (602,942)

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlays in the current period.

Fixed asset purchases	1,242,692	
Fixed assets deleted net of accumulated depreciation	(11,591)	
Depreciation expense	<u>(675,038)</u>	
		556,063

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:

Capital lease proceeds	<u>(524,303)</u>	
Total		(524,303)

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	131,161	
Internal Service Funds compensated absences included below	<u>1,417</u>	
		132,578

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.

(287,006)

Change in net assets of governmental funds

\$ (725,610)

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property Taxes				
General Property Taxes	\$ 3,114,261	\$ 3,114,261	\$ 3,113,910	\$ (351)
Specific Ownership Tax	360,000	360,000	380,245	20,245
Penalty and Interest on Tax	12,900	12,900	51,893	38,993
Sales and Use Tax	<u>1,386,600</u>	<u>1,386,600</u>	<u>1,467,928</u>	<u>81,328</u>
Total Taxes	<u>4,873,761</u>	<u>4,873,761</u>	<u>5,013,976</u>	<u>140,215</u>
Licenses and Permits	<u>3,000</u>	<u>3,000</u>	<u>4,543</u>	<u>1,543</u>
Intergovernmental Revenue				
Federal Sources	568,000	568,000	500,099	(67,901)
State Sources	<u>334,770</u>	<u>334,770</u>	<u>155,482</u>	<u>(179,288)</u>
Total Intergovernmental Revenue	<u>902,770</u>	<u>902,770</u>	<u>655,581</u>	<u>(247,189)</u>
Charges for Services				
Treasurer's Fees	260,000	260,000	240,260	(19,740)
Clerk's Fees	401,800	401,800	446,107	44,307
Building Department Fees	390,200	390,200	466,630	76,430
Assessor's Fees	13,500	13,500	32,315	18,815
Planning and Zoning Fees	195,000	195,000	33,238	(161,762)
Sheriff and Jail Fees	14,900	14,900	46,701	31,801
Other Fees	<u>90,250</u>	<u>90,250</u>	<u>237,801</u>	<u>147,551</u>
Total Charges for Services	<u>1,365,650</u>	<u>1,365,650</u>	<u>1,503,052</u>	<u>137,402</u>
Interest and Miscellaneous				
Interest Earnings	20,000	20,000	115,220	95,220
Miscellaneous	<u>59,000</u>	<u>59,000</u>	<u>105,995</u>	<u>46,995</u>
Total Interest and Miscellaneous	<u>79,000</u>	<u>79,000</u>	<u>221,215</u>	<u>142,215</u>
Unlocated Cash	<u>-</u>	<u>-</u>	<u>112,426</u>	<u>112,426</u>
TOTAL REVENUES	<u>7,224,181</u>	<u>7,224,181</u>	<u>7,510,793</u>	<u>286,612</u>

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2005

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Current				
General Government - General				
Board of County Commissioners	218,499	179,652	184,903	(5,251)
Administration	1,292,038	1,292,038	1,212,560	79,478
Human Resources	-	-	28,156	(28,156)
Global Information Systems	168,260	168,260	153,233	15,027
Finance Office	192,122	192,122	167,456	24,666
Grant Expenditures	-	-	8,047	(8,047)
Public Trustee	15,014	15,014	14,213	801
Planning	397,875	397,875	370,911	26,964
County Clerk and Recorder	387,569	391,201	361,399	29,802
County Clerk - Elections	120,802	120,802	84,028	36,774
County Treasurer	281,941	281,941	263,553	18,388
County Assessor	618,813	685,813	626,491	59,322
Buildings and Maintenance	334,252	334,252	251,884	82,368
Total General Government - General	4,027,185	4,058,970	3,726,834	332,136
General Government - Judicial				
County Attorney	95,050	95,050	95,050	-
General Government - Auxiliary				
Veterans' Office	45,700	45,700	44,773	927
Extension Services	120,667	120,667	48,117	72,550
Total General Government - Auxiliary	166,367	166,367	92,890	73,477
Total General Government	4,288,602	4,320,387	3,914,774	405,613
Public Safety				
County Sheriff	1,082,192	1,080,392	1,201,470	(121,078)
County Jail	1,112,258	1,111,258	1,114,562	(3,304)
Dispatch	379,945	377,445	371,439	6,006
Animal Control	105,515	164,515	158,982	5,533
County Coroner	46,802	46,802	46,441	361
Search and Rescue	71,676	48,376	44,997	3,379
Fire Control	-	181,803	176,956	4,847
Total Public Safety	2,798,388	3,010,591	3,114,847	(104,256)
Health and Welfare				
Emergency Management	37,130	37,130	32,843	4,287
Building Inspections	288,174	288,174	210,352	77,822
Safety Officer	19,862	19,862	14,198	5,664
Weed and Pest Control	121,851	121,851	89,667	32,184
Flood Control	-	-	8,983	(8,983)
Total Health and Welfare	467,017	467,017	356,043	110,974

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
TOTAL EXPENDITURES	7,554,007	7,797,995	7,385,664	412,331
Excess (Deficiency) of Revenues Over Expenditures	(329,826)	(573,814)	125,129	698,943
OTHER SOURCES (USES) OF FUNDS				
Operating Transfers In	250,000	250,000	-	(250,000)
Operating Transfers Out	(246,000)	(246,000)	(546,000)	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	4,000	4,000	(546,000)	(550,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(325,826)	(569,814)	(420,871)	148,943
Fund Balance at Beginning of Year	1,417,305	1,417,305	1,192,428	(224,877)
Prior Period Adjustment	-	-	(648,923)	(648,923)
Fund Balance at Beginning of Year, Restated	1,417,305	1,417,305	543,505	(873,800)
Fund Balance at End of Year	<u>\$ 1,091,479</u>	<u>\$ 847,491</u>	<u>\$ 122,634</u>	<u>\$ (724,857)</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, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
REVENUES				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Property Taxes				
General Property Taxes	\$ 736,445	\$ 736,445	\$ 731,739	\$ (4,706)
Specific Ownership Tax	80,000	80,000	89,217	9,217
Penalty and Interest Tax	2,750	2,750	4,024	1,274
Total Property Taxes	<u>819,195</u>	<u>819,195</u>	<u>824,980</u>	<u>5,785</u>
Intergovernmental - Federal				
Forest Reserve and PILT	85,000	85,000	209,505	124,505
Intergovernmental - State and Local				
Highway Users	1,346,000	1,346,000	1,140,392	(205,608)
Automobile Registration	53,500	53,500	55,226	1,726
Total Intergovernmental - State and Local	<u>1,399,500</u>	<u>1,399,500</u>	<u>1,195,618</u>	<u>(203,882)</u>
Charges for Services	14,500	14,500	68,733	54,233
Other				
Interest	3,400	3,400	32,520	29,120
Refunds and Reimbursements	1,000	1,000	80,214	79,214
Total Other	<u>4,400</u>	<u>4,400</u>	<u>112,734</u>	<u>108,334</u>
TOTAL REVENUES	<u>2,322,595</u>	<u>2,322,595</u>	<u>2,411,570</u>	<u>88,975</u>
EXPENDITURES				
Current				
Administration	260,540	260,540	255,228	(5,312)
Engineering	180,844	180,844	136,372	(44,472)
Maintenance of Condition	1,855,727	1,855,727	1,924,782	69,055
Flood	-	-	3,442	3,442
Capital Outlay	17,220	17,220	16,952	(268)
TOTAL EXPENDITURES	<u>2,314,331</u>	<u>2,314,331</u>	<u>2,336,776</u>	<u>(22,445)</u>
Excess (Deficiency) of Revenues Over Expenditures	8,264	8,264	74,794	66,530
Fund Balance at Beginning of Year	<u>1,132,653</u>	<u>1,132,653</u>	<u>1,445,833</u>	<u>313,180</u>
Fund Balance at End of Year	<u>\$ 1,140,917</u>	<u>\$ 1,140,917</u>	<u>\$ 1,520,627</u>	<u>\$ 379,710</u>

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HUMAN SERVICES FUND
For the Year Ended December 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes				
General Property Tax	\$ 96,853	\$ 96,853	\$ 96,748	\$ (105)
Specific Ownership	10,870	10,870	11,703	833
Total Taxes	<u>107,723</u>	<u>107,723</u>	<u>108,451</u>	<u>728</u>
Intergovernmental				
State Programs	1,057,896	1,057,896	687,980	(369,916)
Charges for Services	-	-	986	986
Interest	1,000	1,000	9,198	8,198
Miscellaneous Revenues	142,500	142,500	95,624	(46,876)
Total Revenues	<u>1,309,119</u>	<u>1,309,119</u>	<u>902,239</u>	<u>(406,880)</u>
EXPENDITURES				
Current				
Social Services	1,304,359	1,304,359	1,156,125	148,234
Total Expenditures	<u>1,304,359</u>	<u>1,304,359</u>	<u>1,156,125</u>	<u>148,234</u>
Excess (deficit) of Revenues Over Expenditures	4,760	4,760	(253,886)	(258,646)
Fund Balance at Beginning of Year	<u>144,791</u>	<u>144,791</u>	<u>188,643</u>	<u>43,852</u>
Fund Balance at End of Year	<u>\$ 149,551</u>	<u>\$ 149,551</u>	<u>\$ (65,243)</u>	<u>\$ (214,794)</u>

ARCHULETA COUNTY, COLORADO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental -</u>
	<u>AIRPORT</u>	<u>SOLID WASTE</u>	<u>TOTAL</u>	<u>INTERNAL</u>
	<u>FUND</u>	<u>FUND</u>		<u>SERVICE</u>
				<u>FUNDS</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 200	\$ 136,924	\$ 137,124	\$ -
Accounts Receivable	-	134,845	134,845	(133)
Accrued Interest Receivable	-	-	-	389
Inventory	-	-	-	102,713
Due from Other Funds	28,479	-	28,479	141,889
Due from Other Governments	779,713	659	780,372	-
Total Current Assets	<u>808,392</u>	<u>272,428</u>	<u>1,080,820</u>	<u>244,858</u>
Noncurrent Assets				
Land	3,246,761	311,810	3,558,571	-
Construction in Progress	13,208,317	-	13,208,317	-
Runway Improvements, net	5,952,616	-	5,952,616	-
Buildings, net	43,620	-	43,620	-
Machinery and Equipment, net	167,129	209,432	376,561	-
Vehicles, net	44,202	(2,627)	41,575	3,218
Computer Equipment, net	314	-	314	-
Total Noncurrent Assets	<u>22,662,959</u>	<u>518,615</u>	<u>23,181,574</u>	<u>3,218</u>
TOTAL ASSETS	<u>23,471,351</u>	<u>791,043</u>	<u>24,262,394</u>	<u>248,076</u>
LIABILITIES				
Current Liabilities				
Checks in Excess of Bank Deposits	355,780	-	355,780	852,369
Accounts Payable	483,525	3,657	487,182	101,746
Retainage Payable	1,147,087	-	1,147,087	-
Incurred but Unreported Medical Claims	-	-	-	266,136
Due to Other Funds	16,768	28,546	45,314	185,185
Accrued Interest Payable	40,427	-	40,427	-
Accrued Payroll and Liabilities	1,409	4,594	6,003	6,298
Accrued Vacation and Sick Leave	4,737	20,377	25,114	40,590
Notes Payable	216,556	-	216,556	-
Total Current Liabilities	<u>2,266,289</u>	<u>57,174</u>	<u>2,323,463</u>	<u>1,452,324</u>
Noncurrent Liabilities				
Notes Payable	2,075,217	-	2,075,217	-
Closure and Post-Closure Costs	-	291,669	291,669	-
Total Current Liabilities	<u>2,075,217</u>	<u>291,669</u>	<u>2,366,886</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,341,506</u>	<u>348,843</u>	<u>4,690,349</u>	<u>1,452,324</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	20,371,186	226,946	20,598,132	3,218
Unrestricted	(1,241,341)	215,254	(1,026,087)	(1,207,466)
TOTAL NET ASSETS	<u>\$ 19,129,845</u>	<u>\$ 442,200</u>	<u>\$ 19,572,045</u>	<u>\$ (1,204,248)</u>
Adjustments:				
Reflect the Consolidation of Internal Service				
Fund Activities Related to Enterprise Funds			(42,158)	
Net Assets of Business-Type Activities			<u>\$ 19,529,887</u>	

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental - Activities</u>
	<u>AIRPORT FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
OPERATING REVENUES				
Charges for Services	\$ 36,435	\$ 725,531	\$ 761,966	\$ 2,155,328
Stop Loss Income	-	-	-	188,058
Other	66,509	2,623	69,132	7,408
Total Operating Revenues	<u>102,944</u>	<u>728,154</u>	<u>831,098</u>	<u>2,350,794</u>
OPERATING EXPENSES				
Current				
Salaries and Benefits	127,700	338,408	466,108	542,165
Materials and Supplies	52,647	86,429	139,076	693,348
Purchased Services	75,171	108,533	183,704	1,604,691
Other Operating Expenses	-	-	-	1,754
Depreciation	385,332	50,260	435,592	-
Total Operating Expenses	<u>640,850</u>	<u>583,630</u>	<u>1,224,480</u>	<u>2,841,958</u>
Operating Income (Loss)	<u>(537,906)</u>	<u>144,524</u>	<u>(393,382)</u>	<u>(491,164)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Revenues	-	-	-	-
Interest Expense	(96,317)	-	(96,317)	-
Total Nonoperating Revenues (Expenses)	<u>(96,317)</u>	<u>-</u>	<u>(96,317)</u>	<u>-</u>
Income (Loss) Before Transfers and Capital Grants	(634,223)	144,524	(489,699)	(491,164)
Capital Grants	4,126,014	-	4,126,014	-
Transfers In	250,000	-	250,000	162,000
Transfers Out	-	-	-	-
Changes in Net Assets	3,741,791	144,524	3,886,315	(329,164)
Net Assets at beginning of year	<u>15,388,054</u>	<u>297,676</u>	<u>15,685,730</u>	<u>(875,084)</u>
Net Assets at end of year	<u>\$ 19,129,845</u>	<u>\$ 442,200</u>	<u>\$ 19,572,045</u>	<u>\$ (1,204,248)</u>
Adjustments:				
Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(42,158)	
Change in Net Assets of Business-Type Activities			<u>\$ 19,529,887</u>	

ARCHULETA COUNTY, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental - Activities</u>
	<u>AIRPORT FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
Cash flows from operating activities:				
Cash received from customers	\$ 109,686	\$ 662,353	\$ 772,039	\$ 2,351,368
Cash paid to employees	(127,698)	(338,408)	(466,106)	(540,704)
Cash paid to suppliers	682,911	(120,093)	562,818	(2,155,629)
Net cash provided (used) by operating activities	664,899	203,852	868,751	(344,965)
Cash flows from noncapital financing activities:				
Bank Overdrafts	355,780	-	355,780	(82,839)
Operating transfers	250,000	-	250,000	162,000
Change in interfund balances	1,358	(27,397)	(26,039)	265,804
Net cash provided (used) by noncapital financing activities	607,138	(27,397)	579,741	344,965
Cash flows from capital and related financing activities:				
Capital grants	3,456,329	-	3,456,329	-
Capital acquisitions	(5,656,497)	(58,615)	(5,715,112)	-
Payments of interest	(100,000)	-	(100,000)	-
Proceeds from note payable	-	-	-	-
Payment of note principal	(208,227)	-	(208,227)	-
Net cash provided (used) by capital and related financing activities	(2,508,395)	(58,615)	(2,567,010)	-
Cash flows from investing activities				
Interest Received	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Increase (Decrease) in Cash and Investments	(1,236,358)	117,840	(1,118,518)	-
Cash and cash equivalents, Beginning of the Year	1,236,558	19,084	1,255,642	-
Cash and cash equivalents, End of the Year	<u>\$ 200</u>	<u>\$ 136,924</u>	<u>\$ 137,124</u>	<u>\$ -</u>
Operating income (loss)	\$ (537,906)	\$ 144,524	\$ (393,382)	\$ (491,164)
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	385,332	50,260	435,592	-
(Increase) decrease in accounts receivable	6,742	(65,801)	(59,059)	574
(Increase) decrease in inventory	-	-	-	(7,147)
Increase (decrease) in accounts payable	810,729	687	811,416	56,888
Increase (decrease) in accrued employee expenses	2	-	2	1,461
Increase (decrease) in accrued post closure liability	-	74,182	74,182	94,423
Total adjustments	<u>1,202,805</u>	<u>59,328</u>	<u>1,262,133</u>	<u>146,199</u>
Net cash provided (used) by operating activities	<u>\$ 664,899</u>	<u>\$ 203,852</u>	<u>\$ 868,751</u>	<u>\$ (344,965)</u>

See Notes to the Basic Financial Statements

ARCHULETA COUNTY, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
For the Year Ended December 31, 2005

	<u>TREASURER'S AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 457,082
TOTAL ASSETS	<u>\$ 457,082</u>
LIABILITIES	
Funds Held For Others	\$ 457,082
TOTAL LIABILITIES	<u>457,082</u>

This page left blank intentionally.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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.

Blended Component Units

The accounts of the Luxury Place and Hackamore Place Local Improvement Districts are blended in the County's financial statements. The Local Improvement Districts are not a legally separate entities and the County holds the corporate powers. The activities of the Local Improvement Districts are reported in the County's financial report as the special revenue fund "Local Improvement Districts".

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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 July 31st and may be obtained by contacting the Housing Authority. NOTE 14 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.

The accounting policies of Archuleta County, Colorado conform to the generally accepted accounting principles. The following is a summary of Archuleta County Colorado's significant accounting policies that are in conformity with generally accepted principles.

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 and
- 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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.

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 **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.

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 enterprise funds:

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

The County reports the following fund types:

- **Internal Service Funds.** These funds account for maintenance on County equipment, self-insured health insurance plan and food and commodities costs for the jail and community based programs.
- **Agency Funds.** These funds account for monies held on behalf of other governments or agencies that use the County as a depository or for property taxes collected on behalf of other governments or agencies.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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

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

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 except, 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.

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. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General fund and interfund payables of the deficit fund.

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.

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 2005 property tax levy due January 1, 2006 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."

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Inventories and Prepaid Items

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

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

Capital Assets

Capital Assets, which include land, buildings and improvements, equipment, 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 with a 6% salvage value over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Land Improvements	15
Machinery	7
Vehicles	5
Computer Equipment	5

GASB No. 34 requires the County to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County.

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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Compensated Absences

A maximum of 80 to 160 hours of vacation time, per year, may be accumulated by each employee. 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.

After five years of continuous service, upon voluntary retirement or resignation in good standing, an employee will be paid for accumulated sick leave at the rate of 50%, for all unused sick leave, up to the maximum of 480 hours. After the maximum 480 hours is reached, the employee is eligible to be paid for 50% of any unused sick leave on December 31, of each year, at the hourly rate which the employee is receiving as of December 31. The employee will be paid prior to January 31 of the following year.

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, 2005

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 Commissioners reserve the authority to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any funds are approved the by Commissioners by resolution.
9. The Board of County Commissioners may authorize supplemental appropriations during the year. For 2005 the Board of County Commissioners adopted supplemental appropriations throughout the year.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Supplemental appropriations during 2005 resulted in the budget amendments as follows:

Fund	Original Amount	Amended Amount
Primary Government:		
Governmental Activities		
General Fund	\$ 7,554,007	\$ 7,797,995
Special Revenue Funds:		
Tourism Fund	164,600	187,600
Capital Projects Funds:		
Road Capital Improvement Fund	1,299,138	1,369,083
Capital Improvement Fund	190,000	222,852
Business-Type Activities		
Enterprise Funds:		
Airport Fund	6,523,967	6,545,967
Internal Service Funds:		
Nutrition	313,995	315,962

Stewardship

The following funds had a deficit fund balance or net assets balance as of December 31, 2005. This is a violation of Colorado State Statutes.

	Deficit
Human Services Fund	\$ 65,243
Senior Fund	61,362
Transportation Fund	42,248
Pagosa Lakes Trail Fund	23
Fleet Fund	695,631
Nutrition Fund	42,903
Self Insurance Fund	465,714

Expenditures in the following funds exceeded appropriations during 2005. This is a violation of Colorado State Statutes.

	Excess
Tourism Fund	\$ 2,257
Transportation Fund	143
Local Improvement Districts	2,604
Sidewalk Escrow Fund	6,543
Self Insurance Fund	659,998
Road Capital Improvement	371,897
Fair Board	1,864
Conservation Trust	50,000

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

At December 31, 2005 the financial statements reflected cash and cash equivalents as follows:

Governmental Type Activities :	
Cash and cash equivalents	\$ 4,721,414
Checks in excess of bank deposits	(852,369)
Business Type Activities:	
Cash and cash equivalents	137,124
Checks in excess of bank deposits	(355,780)
Fiduciary Fund	
Cash and cash equivalents	457,082
	<u>\$ 4,107,471</u>

The carrying amounts of deposits and investments are as follows:

Cash on hand	\$ 5,698
Cash deposits	795,851
Certificates of Deposit	2,010,500
Investments held in COLOTRUST	1,295,422
	<u>\$ 4,107,471</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, 2005, \$2,754,956 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 adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* during the year ended December 31, 2005. The County's investments are subject to interest rate, credit risk, and concentration of credit risk.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

Credit Risk

The County does not have a formal investment policy. The County has investments in local government investment pools. As of December 31, 2005, 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2005, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 3,372,493
Road and Bridge Fund	795,444
Human Services Fund	104,029
	<u>\$ 4,271,966</u>

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2005 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund	\$ 23,445
	Nonmajor Governmental Funds	13,363
	Solid Waste Fund	18,221
	Internal Service Funds	185,185
	General Fund	23,133
Road & Bridge Fund	Solid Waste Fund	3,244
	General Fund	102,150
Road Capital Improvement Fund	Airport Fund	15,000
	General Fund	756,923
Nonmajor Governmental Funds	Other Nonmajor Funds	188
	General Fund	11,765
Airport Fund	Nonmajor Governmental Funds	16,714
	General Fund	21,440
Internal Service Funds	Road & Bridge Fund	99,304
	Human Services Fund	1,280
	Nonmajor Governmental Funds	11,016
	Solid Waste Fund	7,081
	Airport Fund	1,768
Total		<u>\$ 1,311,220</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Interfund transfers during the year ended December 31, 2005 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 134,000
	Employee Benefit Fund	20,000
		<u>154,000</u>
Airport Fund	General Fund	250,000
Fleet Services Internal Service Fund	General Fund	112,000
Employee Insurance Internal Service	General Fund	50,000
	TOTALS	<u><u>\$ 566,000</u></u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 684,496	\$ -	\$ -	\$ 684,496
Construction in Progress	1,780,278	276,758	-	2,057,036
Prior Year CIP not Capitalized	-	101,671	-	101,671
Total capital assets not being depreciated	<u>2,464,774</u>	<u>378,429</u>	<u>-</u>	<u>2,843,203</u>
Capital assets being depreciated				
Buildings and Improvements	2,220,756	6,500	-	2,227,256
Machinery and Equipment	3,028,263	799,422	193,176	3,634,509
Vehicles	2,008,196	80,191	-	2,088,387
Computer Equipment	142,444	83,039	-	225,483
Total capital assets being depreciated	<u>7,399,659</u>	<u>969,152</u>	<u>193,176</u>	<u>8,175,635</u>
Less accumulated depreciation for:				
Buildings and Improvements	690,506	51,497	-	742,003
Machinery and Equipment	2,966,235	247,107	181,585	3,031,757
Vehicles	1,048,067	334,631	-	1,382,698
Computer Equipment	17,434	41,803	-	59,237
	<u>4,722,242</u>	<u>675,038</u>	<u>181,585</u>	<u>5,215,695</u>
Total capital assets being depreciated, net	<u>2,677,417</u>	<u>294,114</u>	<u>11,591</u>	<u>2,959,940</u>
Governmental activities capital assets, net	<u><u>\$ 5,142,191</u></u>	<u><u>\$ 672,543</u></u>	<u><u>\$ 11,591</u></u>	<u><u>\$ 5,803,143</u></u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,669,813	\$ 888,758	\$ -	\$ 3,558,571
Construction in Progress	11,284,475	5,475,134	3,551,292	13,208,317
Total capital assets not being depreciated	13,954,288	6,363,892	3,551,292	16,766,888
Capital assets being depreciated				
Runway	5,621,440	2,662,534	-	8,283,974
Buildings and Improvements	261,475	-	-	261,475
Machinery and Equipment	385,981	194,545	-	580,526
Vehicles	139,256	44,000	-	183,256
Computer Equipment	1,260	1,433	-	2,693
Total capital assets being depreciated	6,409,412	2,902,512	-	9,311,924
Less accumulated depreciation for:				
Runway	1,993,598	337,760	-	2,331,358
Buildings and Improvements	195,321	22,534	-	217,855
Machinery and Equipment	155,936	48,029	-	203,965
Vehicles	115,607	26,074	-	141,681
Computer Equipment	1,184	1,195	-	2,379
	2,461,646	435,592	-	2,897,238
Total capital assets being depreciated, net	3,947,766	2,466,920	-	6,414,686
Business-Type activities capital assets, net	\$ 17,902,054	\$ 8,830,812	\$ 3,551,292	\$ 23,181,574

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

Governmental activities	
General Government	\$ 131,079
Public safety	93,783
Highways and Streets	447,235
Public Welfare	2,028
Culture and Recreation	913
	\$ 675,038
Total depreciation expense--governmental activities	\$ 675,038
Business-type activities	
Airport	\$ 385,332
Solid waste	50,260
	\$ 435,592
Total depreciation expense--business-type activities	\$ 435,592

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Ending Balance 12/31/2004	Additions	Deletions	Ending Balance 12/31/2005	Due Within One Year
Governmental activities:					
Capital Leases Payable	\$ -	\$ 524,303	\$ -	\$ 524,303	\$ 97,773
Compensated Absences	567,522	-	131,161	436,361	436,361
Governmental activities long-term liabilities	<u>\$ 567,522</u>	<u>\$ 524,303</u>	<u>\$ 131,161</u>	<u>\$ 960,664</u>	<u>\$ 534,134</u>
Business-type activities:					
Note Payable	\$ 2,500,000	\$ -	\$ 208,227	\$ 2,291,773	\$ 216,556
Compensated Absences	25,112	2	-	25,114	25,114
Business-type activities long-term liabilities	<u>\$ 2,525,112</u>	<u>\$ 2</u>	<u>\$ 208,227</u>	<u>\$ 2,316,887</u>	<u>\$ 241,670</u>

GOVERNMENTAL ACTIVITIES:

Capital Lease 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, 2006, at 3.50% interest, for the purchase of road and bridge equipment. Payments will be made from the Road Capital Improvement Fund. Final payment is due in 2010. These assets are recorded in the fixed assets of the government-wide financial statements at \$504,539, less accumulated depreciation of \$49,116, at December 31, 2006.

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

YEAR	PRINCIPAL	INTEREST	TOTALS
2006	97,773	18,350	116,123
2007	101,195	14,928	116,123
2008	104,737	11,386	116,123
2009	108,402	7,721	116,123
2010	112,196	3,927	116,123
	<u>\$ 524,303</u>	<u>\$ 56,312</u>	<u>\$ 580,615</u>

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

BUSINESS-TYPE ACTIVITIES:

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 recorded in the Airport Fund and the balance at December 31, 2005 was \$2,291,773.

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

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2006	216,556	91,671	308,227
2007	225,219	83,008	308,227
2008	234,227	74,000	308,227
2009	243,597	64,630	308,227
2010	253,340	54,887	308,227
2011-2014	1,118,834	114,078	1,232,912
	<u>\$ 2,291,773</u>	<u>\$ 482,274</u>	<u>\$ 2,774,047</u>

NOTE 8 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 2005 was \$5,887,059. The County's contributions were calculated using the base salary amount of \$5,732,767. Both the County and the covered employees made the required contributions, amounting to \$219,896 from the County and \$219,838 from employees. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. That report may be obtained by writing to Colorado County Officials and Employee Retirement Association, 4949 South Syracuse, Suite 400, Denver, CO 80237 or by calling 1-800-352-0313.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Deferred Compensation Plan

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

The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. The County has no other liability other than to make the required monthly contribution.

NOTE 9 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.

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 10 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 \$35,000 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 \$266,136 reported in the Self Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claim liability amount in fiscal year 2005 are as follows:

	2005
Laibility at January 1	\$ 171,713
Current year claims and changes in estimates	1,542,366
Cliam payments	(1,447,943)
Balance at December 31	\$ 266,136

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

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, 2005, CAPP had assets of \$25,454,880, liabilities of \$7,758,021 (including \$4,957,104 reserved for losses and claims), and members' equity of \$17,696,859. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2005 amounted to \$5,981,002 and total expenses were \$5,939,346, resulting in an excess of revenues over expenditures of \$41,656.

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, 2005, CWCP had assets of \$17,649,090, liabilities of \$11,427,867 (including \$10,925,218 reserved for losses and claims) and members' equity of \$6,221,223. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2005 amounted to \$8,984,625, total expenses were \$5,940,126, resulting in an excess of revenues over expenses (net gain) of \$3,044,499.

NOTE 11 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 2004 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, 2005 the landfill is estimated to be 31 percent filled and the remaining estimated life of the

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

landfill site is until 2026. The estimated liability for landfill closure and post closure recognized is \$291,668 as of December 31, 2005. The county will recognize the remaining estimated cost of closure and post closure of \$268,300 and \$677,295, respectively, as the remaining capacity is filled.

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, 2005. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, results of soil samples, test wells or changes in landfill laws and regulations.

Any future inflation costs and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers or both. The closure and post closure costs are being funded on a pay as you go basis. Closure and post closure financial assurance requirements are being met by meeting the requirements of the Local Government Financial Test under CRS-30-20-104.5 and Section 1.8 of the Solid Waste Regulations.

NOTE 12 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.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Operating Leases – The County is committed under various leases for facilities and equipment. These leases are considered for accounting purposes as operating leases that expire over periods of up to five years. Lease expenses for the year totaled \$188,043. Future minimum lease payments for these leases are as follows:

2006	\$ 61,767
2007	58,535
2008	55,531
2009	7,506
2010	<u>4,704</u>
Total future minimum lease payments	<u>\$ 188,043</u>

At year-end, the County was engaged with two contractors for work being performed at the County Airport under Airport Improvement Project #15. 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 2007.

NOTE 13 PRIOR PERIOD ADJUSTMENTS

Ending cash recorded in the general fund as of December 31, 2004 was overstated by \$648,923. A prior period adjustment has been recorded to restate the beginning net assets and the general fund, fund balance in the amount of \$648,923. Construction in progress as of December 31, 2004 was understated by \$101,671. A prior period adjustment has been recorded in the statement of activities to restate the beginning net assets.

NOTE 14 ARCHULETA COUNTY HOUSING AUTHORITY COMPONENT UNIT NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Archuleta County Housing Authority was created to provide housing assistance to low income elderly individuals. The Archuleta County Housing Authority was formed by Archuleta County, Colorado, solely to provide management for projects of this type. As of the report date, this 16-unit project is the only housing project of Archuleta County Housing Authority. It is governed by a five-member board, one member of which is an Archuleta County Commissioner. Replacements are selected by the Archuleta County Board of County Commissioners. No fees are paid to the board. The apartments known as Casa Del Los Arcos represents the only assets, revenues and expenditures of Archuleta County Housing Authority.

Basis of Presentation

The financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. department of Housing and Urban Development (HUD) in the *Financial Operations and Accounting Procedures for Insured Multifamily Projects*. These standards can differ in some respects from generally accepted accounting principles, but in this project they do not.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Basis of Accounting

The accrual basis of accounting is used in this financial report. The Authority is considered an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that costs (expenses, including depreciation) of providing goods and services are to be financed or recovered primarily through user charges.

Accounting Cycle

The Authority is engaged solely in rental of apartments and, therefore, does not have an operating cycle in which goods are acquired and sold. Classification of assets and liabilities under “current” and “non-current” captions is based on reporting formats prescribed by the Department of Housing and Urban Development.

Budgets and Budgetary Accounting

In compliance with laws of the State of Colorado, the enterprise fund of the Authority is budgeted and money appropriated to allow for expenditures. The budget is prepared on a GAAP basis. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to July 31, the management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted through passage by the Board.

Encumbrance accounting systems record outstanding obligations of the Authority for budgetary purposes. Since all encumbrances lapse at the end of the accounting year and are re-encumbered in the following, no reservation is necessary for outstanding encumbrances at year-end.

The Authority overspent their 2005 budget, which might be a violation of state budget law.

Cash and Cash Investments

For purpose of the statement of cash flows, the Authority considers all highly liquid debt instruments with maturity of three months or less to be cash equivalents.

At July 31, 2005, the Authority’s cash deposits had bank balances of \$51,332 and a corresponding carrying balance as follows:

	<u>July 31, 2005</u>
Insured deposits:	
Unrestricted	\$ 17,945
Restricted	<u>33,387</u>
Total	<u>\$ 51,332</u>

All deposits are protected by FDIC.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by State regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is 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 equal to 102% of the uninsured deposits.

Property and Equipment

Major classes of fixed assets are as follows:

	July 31, 2005
Land	\$ 42,250
Land Improvements	39,749
Building and Improvements	763,720
Furniture and Fixtures	73,349
Total Fixed Assets	919,068
Less Accumulated Depreciation	(583,098)
Net	\$ 335,970

Depreciation is computed using the straight-line method based on estimated useful lives of ten to thirty years.

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 \$ 137,297

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

Total 804,631

On August 21, 2002, the Authority executed a promissary note to Southwest Community Resources payable \$114 for 120 months including interest at 2%. 9,270

Total Mortgage Payable \$ 813,901

Compensation of Officers

There has been no compensation of officers or directors.

Related Party Transactions

There were no related party transactions.

ARCHULETA COUNTY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Deficit Fund Balance

Archuleta County Housing Authority has a deficit fund balance as a result of depreciation of their fixed assets. This will change in future years as a larger percentage of the mortgage payment is applied to principal and less is charged as the expense of interest.

Pass Through Funds

Archuleta County Housing Authority passed through to Southwest Community Resources, Inc. \$429,106 in Section 8 Housing Certificates and Vouchers. These funds were included in the audited financial statements of Southwest Community Resources, Inc.

Risk Management

The Authority is exposed to various risks of loss related to property and casualty losses. The Authority has purchased insurance through commercial companies for protection from said risks.

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

ARCHULETA COUNTY, COLORADO

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

**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).

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.

Emergency 911 Fund – This fund is used to account for the activity of providing emergency telephone services to the County's residents.

Senior Fund – This fund is used to account for the activity of providing meals to the County's elderly and needy residents.

Transportation Fund – This fund is used to account for transportation provided to local citizens.

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

Pagosa Lake Trails Fund – This fund is used to account for resources collected to build trails at Pagosa Lakes.

Piedra Road Fund – This fund is used to account for funds received and expended on the Piedra Road project.

Local Improvement Districts – These funds were formed to account for certain subdivisions that have taxpayers paying assessments to fund certain road maintenance and improvements.

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 Projects 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, 2005

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 844,348	\$ 477,416	\$ 1,321,764
Due From Other Governments	117,087	-	117,087
Due From Other Funds	7,111	750,000	757,111
Accrued Interest	545	98	643
Other Receivables	15,515	-	15,515
TOTAL ASSETS	\$ 984,606	\$ 1,227,514	\$ 2,212,120
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 18,355	\$ 29,901	\$ 48,256
Accrued Payroll and Liabilities	6,220	-	6,220
Due to Other Funds	24,567	16,714	41,281
Inmate Deposits	11,466	-	11,466
TOTAL LIABILITIES	60,608	46,615	107,223
FUND BALANCE			
Fund Balance			
Reserved for Emergencies	550,882	-	550,882
Unreserved Fund Balance			
Designated for Future Capital Projects	-	1,180,899	1,180,899
Undesignated	373,116	-	373,116
TOTAL FUND BALANCE	923,998	1,180,899	2,104,897
TOTAL LIABILITIES AND FUND BALANCE	\$ 984,606	\$ 1,227,514	\$ 2,212,120

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, 2005

	NONMAJOR SPECIAL REVENUE FUND	NONMAJOR CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Sales and Use Tax	\$ 237,575	\$ -	\$ 237,575
Intergovernmental	297,457	-	297,457
Charges for Services	163,486	-	163,486
Program Income	91,749	-	91,749
Interest	2,816	13,128	15,944
Other	33,206	-	33,206
TOTAL REVENUE	<u>826,289</u>	<u>13,128</u>	<u>839,417</u>
EXPENDITURES			
Current			
General Government	637,023	-	637,023
Public Safety	4,664	-	4,664
Recreation	90,164	-	90,164
Economic Development	189,857	-	189,857
Bad Debt Expense	-	16,195	16,195
Capital Outlay	152,633	146,914	299,547
TOTAL EXPENDITURES	<u>1,074,341</u>	<u>163,109</u>	<u>1,237,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(248,052)</u>	<u>(149,981)</u>	<u>(398,033)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	154,000	-	154,000
Transfers Out	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>134,000</u>	<u>-</u>	<u>134,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>(114,052)</u>	<u>(149,981)</u>	<u>(264,033)</u>
Fund Balance at Beginning of Year	<u>1,038,050</u>	<u>1,330,880</u>	<u>2,368,930</u>
Fund Balance at End of Year	<u>\$ 923,998</u>	<u>\$ 1,180,899</u>	<u>\$ 2,104,897</u>

ARCHULETA COUNTY, COLORADO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2005

ASSETS	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Emergency 911 Fund	Senior Fund	Transportation Fund	Sidewalk Escrow Fund	Pagosa Lakes Trail Fund	Piedra Road Fund	Local Improvement Districts	TOTALS
Cash on Hand	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 650
Cash and Investments	551,111	112,453	13,276	133,187	2,461	22,343	146,746	(47,598)	(102,106)	6,716	37	1,247	3,825	843,698
Due from Other Governments	-	46,584	-	-	-	-	-	-	70,503	-	-	-	-	117,087
Due from Other Funds	-	-	-	-	-	-	-	-	188	6,923	-	-	-	7,111
Accrued Interest	105	-	52	-	-	-	-	388	-	-	-	-	-	545
Other Receivables	-	-	-	-	-	-	15,515	-	-	-	-	-	-	15,515
TOTAL ASSETS	\$551,216	\$159,037	\$13,828	\$133,187	\$2,461	\$22,343	\$162,261	\$(47,110)	\$(31,365)	\$13,639	\$37	\$1,247	\$3,825	\$984,606
LIABILITIES AND FUND BALANCE														
LIABILITIES														
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,144	\$ 6,512	\$ 378	\$ -	\$ 60	\$ -	\$ 261	\$ 18,355
Accrued Payroll and Liabilities	-	-	1,225	-	-	-	-	1,291	3,704	-	-	-	-	6,220
Due to Other Funds	-	-	-	-	-	-	11,317	6,449	6,801	-	-	-	-	24,567
Inmate Deposits	-	-	-	-	-	11,466	-	-	-	-	-	-	-	11,466
TOTAL LIABILITIES	-	-	1,225	-	-	11,466	22,461	14,252	10,883	-	60	-	261	60,608
FUND BALANCE														
Reserved for TABOR	551,216	-	-	-	-	-	-	-	-	-	-	1,213	-	550,882
Unreserved, Undesignated	-	159,037	12,603	133,187	2,461	10,877	139,800	(61,362)	(42,248)	13,639	(23)	34	3,564	373,116
TOTAL FUND BALANCE	551,216	159,037	12,603	133,187	2,461	10,877	139,800	(61,362)	(42,248)	13,639	(23)	1,247	3,564	923,998
TOTAL LIABILITIES AND FUND BALANCE	\$551,216	\$159,037	\$13,828	\$133,187	\$2,461	\$22,343	\$162,261	\$(47,110)	\$(31,365)	\$13,639	\$37	\$1,247	\$3,825	\$984,606

ARCHULETA COUNTY, COLORADO
COMBINING BALANCE SHEET
LOCAL IMPROVEMENT DISTRICTS
December 31, 2005

	<u>LUXURY PLACE DISTRICT</u>	<u>HACKAMORE PLACE DISTRICT</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 261	\$ 3,564	\$ 3,825
TOTAL ASSETS	<u>\$ 261</u>	<u>\$ 3,564</u>	<u>\$ 3,825</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 261	\$ -	\$ 261
TOTAL LIABILITIES	<u>261</u>	<u>-</u>	<u>261</u>
FUND BALANCE			
Fund Balance			
Unreserved, Undesignated	-	3,564	3,564
TOTAL FUND BALANCE	<u>-</u>	<u>3,564</u>	<u>3,564</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 261</u>	<u>\$ 3,564</u>	<u>\$ 3,825</u>

ARCHULETA COUNTY, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Emergency 911 Fund	Senior Fund	Trans- portation Fund	Sidewalk Escrow Fund	Pagosa Lakes Trail Fund	Piedra Road Fund	Local Improvement Districts	TOTALS
REVENUES														
Sales and Use Tax	\$ -	\$ 237,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,575
Intergovernmental	-	-	-	86,609	-	-	-	22,719	188,129	-	-	-	-	297,457
Charges for Services	-	-	41,790	-	-	-	121,696	-	-	-	-	-	-	163,486
Program Income	-	-	-	-	-	-	-	76,832	14,917	-	-	-	-	91,749
Interest	1,547	318	417	-	-	248	-	-	-	286	-	-	-	2,816
Other	-	-	-	-	11,430	15,981	-	5,795	-	-	-	-	-	33,206
TOTAL REVENUE	1,547	237,893	42,207	86,609	11,430	16,229	121,696	105,346	203,046	286	-	-	-	826,289
EXPENDITURES														
Current														
General Government	-	-	-	-	12,485	-	71,653	254,445	277,897	20,543	-	-	-	637,023
Public Safety	-	-	-	-	-	4,664	-	-	-	-	-	-	-	4,664
Recreation	-	-	70,164	20,000	-	-	-	-	-	-	-	-	-	90,164
Economic Development	-	189,857	-	-	-	-	-	-	-	-	-	-	-	189,857
Capital Outlay	-	-	-	110,000	-	-	7,345	-	-	-	-	-	35,288	152,633
TOTAL EXPENDITURES	-	189,857	70,164	130,000	12,485	4,664	78,998	254,445	277,897	20,543	-	-	35,288	1,074,341
Excess (Deficiency) of Revenues Over Expenditures	1,547	48,036	(27,957)	(43,391)	(1,055)	11,565	42,698	(149,099)	(74,851)	(20,257)	-	-	(35,288)	(248,052)
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	20,000	-	-	-	-	95,000	39,000	-	-	-	-	154,000
Transfers Out	-	-	-	(20,000)	-	-	-	-	-	-	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	20,000	(20,000)	-	-	-	95,000	39,000	-	-	-	-	134,000
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	1,547	48,036	(7,957)	(63,391)	(1,055)	11,565	42,698	(54,099)	(35,851)	(20,257)	-	-	(35,288)	(114,052)
Fund Balance at Beginning of Year	549,669	111,001	20,560	196,578	3,516	(688)	97,102	(7,263)	(6,397)	33,896	(23)	1,247	38,852	1,038,050
Fund Balance at End of Year	\$551,216	\$159,037	\$ 12,603	\$ 133,187	\$ 2,461	\$ 10,877	\$139,800	\$ (61,362)	\$ (42,248)	\$ 13,639	\$ (23)	\$ 1,247	\$ 3,564	\$ 923,998

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
LOCAL IMPROVEMENT DISTRICTS
For the Year Ended December 31, 2005

	LUXURY PLACE DISTRICT	HACKAMORE PLACE DISTRICT	TOTAL
REVENUES			
Assessments	\$ -	\$ -	\$ -
TOTAL REVENUE	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital Outlay	-	35,288	35,288
TOTAL EXPENDITURES	<u>-</u>	<u>35,288</u>	<u>35,288</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(35,288)	(35,288)
Fund Balance at Beginning of Year	-	38,852	38,852
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 3,564</u>	<u>\$ 3,564</u>

ARCHULETA COUNTY, COLORADO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2005

	CAPITAL IMPROVEMENT FUND	FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 7,561	\$ 469,855	\$ 477,416
Interest Receivables	98	-	98
Due From Other Funds	750,000	-	750,000
TOTAL ASSETS	\$ 757,659	\$ 469,855	\$ 1,227,514
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 29,901	\$ -	\$ 29,901
Due to Other Funds	16,714	-	16,714
TOTAL LIABILITIES	46,615	-	46,615
FUND BALANCE			
Fund Balance			
Unreserved, Designated for Future Capital Projects	711,044	469,855	1,180,899
TOTAL FUND BALANCE	711,044	469,855	1,180,899
TOTAL LIABILITIES AND FUND BALANCE	\$ 757,659	\$ 469,855	\$ 1,227,514

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended December 31, 2005

	CAPITAL IMPROVEMENT FUND	FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND	TOTAL
REVENUES			
Interest	\$ 4,228	\$ 8,900	\$ 13,128
TOTAL REVENUE	<u>4,228</u>	<u>8,900</u>	<u>13,128</u>
EXPENDITURES			
Capital Outlay	146,914	-	146,914
Bad Debt Expense	-	16,195	16,195
TOTAL EXPENDITURES	<u>146,914</u>	<u>16,195</u>	<u>163,109</u>
Excess (Deficiency) of Revenues Over Expenditures	(142,686)	(7,295)	(149,981)
Fund Balance at Beginning of Year	<u>853,730</u>	<u>477,150</u>	<u>1,330,880</u>
Fund Balance at End of Year	<u>\$ 711,044</u>	<u>\$ 469,855</u>	<u>\$ 1,180,899</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.

Fleet Maintenance Fund – This fund is used to account for the maintenance and supplies for County vehicles and machinery.

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.

Nutrition Fund – This fund is used to account for the activity of providing food for the jail and community groups.

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2005

	<u>FLEET FUND</u>	<u>NUTRITION FUND</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
ASSETS				
Current Assets				
Accounts Receivable	(133)	-	-	(133)
Accrued Interest Receivable	-	389	-	389
Inventory	97,045	5,668	-	102,713
Due from Other Funds	114,383	27,506	-	141,889
Total Current Assets	<u>211,295</u>	<u>33,563</u>	<u>-</u>	<u>244,858</u>
Noncurrent Assets				
Vehicles, net	3,218	-	-	3,218
TOTAL ASSETS	<u>214,513</u>	<u>33,563</u>	<u>-</u>	<u>248,076</u>
LIABILITIES				
Checks in Excess of Deposits	756,487	46,304	49,578	852,369
Accounts Payable	94,469	7,277	-	101,746
Incurred but Unreported Medical Claims	-	-	266,136	266,136
Due to Other Funds	35,185	-	150,000	185,185
Accrued Payroll and Liabilities	4,344	1,954	-	6,298
Accrued Vacation and Sick Leave	19,659	20,931	-	40,590
TOTAL LIABILITIES	<u>910,144</u>	<u>76,466</u>	<u>465,714</u>	<u>1,452,324</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,218	-	-	3,218
Unrestricted	(698,849)	(42,903)	(465,714)	(1,207,466)
TOTAL NET ASSETS	<u>\$ (695,631)</u>	<u>\$ (42,903)</u>	<u>\$ (465,714)</u>	<u>\$ (1,204,248)</u>

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	<u>FLEET FUND</u>	<u>NUTRITION FUND</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES				
Charges for Services	\$ 753,698	\$ 304,089	\$ 1,097,541	\$ 2,155,328
Stop Loss Income	-	-	188,058	188,058
Other	7,408	-	-	7,408
Total Operating Revenues	<u>761,106</u>	<u>304,089</u>	<u>1,285,599</u>	<u>2,350,794</u>
OPERATING EXPENSES				
Current				
Salaries and Benefits	355,183	186,982	-	542,165
Materials and Supplies	585,908	107,440	-	693,348
Purchased Services	5,324	7,369	1,591,998	1,604,691
Other Operating Expenses	-	1,754	-	1,754
Total Operating Expenses	<u>946,415</u>	<u>303,545</u>	<u>1,591,998</u>	<u>2,841,958</u>
Income (Loss) Before Operating Transfers	(185,309)	544	(306,399)	(491,164)
Transfers From (To) Other Funds				
Transfers In (Out)	112,000	-	50,000	162,000
Changes in Net Assets	(73,309)	544	(256,399)	(329,164)
Net Assets at beginning of year	<u>(622,322)</u>	<u>(43,447)</u>	<u>(209,315)</u>	<u>(875,084)</u>
Net Assets at end of year	<u>\$ (695,631)</u>	<u>\$ (42,903)</u>	<u>\$ (465,714)</u>	<u>\$ (1,204,248)</u>

ARCHULETA COUNTY, COLORADO
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	FLEET FUND	NUTRITION FUND	SELF INSURANCE FUND	TOTAL
Cash flows from operating activities:				
Cash received from customers	\$ 761,239	\$ 304,530	\$ 1,285,599	\$ 2,351,368
Cash paid to employees	(353,721)	(186,983)	-	(540,704)
Cash paid to suppliers	(545,264)	(110,259)	(1,500,106)	(2,155,629)
Net cash provided (used) by operating activities	(137,746)	7,288	(214,507)	(344,965)
Cash flows from noncapital financing activities:				
Bank Overdrafts	(92,807)	(3,740)	13,708	(82,839)
Operating transfers	112,000	-	50,000	162,000
Change in interfund balances	118,553	(3,548)	150,799	265,804
Net cash provided (used) by noncapital financing activities	137,746	(7,288)	214,507	344,965
Cash flows from investing activities				
Interest Received	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Increase (Decrease) in Cash and Investments	-	-	-	-
Cash and cash equivalents, Beginning of the Year	-	-	-	-
Cash and cash equivalents, End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating income (loss)	\$ (185,309)	\$ 544	\$ (306,399)	\$ (491,164)
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in accounts receivable	133	441	-	574
(Increase) decrease in inventory	(7,147)	-	-	(7,147)
Increase (decrease) in accounts payable	53,115	6,304	(2,531)	56,888
Increase (decrease) in accrued employee expenses	1,462	(1)	-	1,461
Increase (decrease) in incurred but not reported claims	-	-	94,423	94,423
Total adjustments	47,563	6,744	91,892	146,199
Net cash provided (used) by operating activities	<u>\$ (137,746)</u>	<u>\$ 7,288</u>	<u>\$ (214,507)</u>	<u>\$ (344,965)</u>

This page left blank intentionally.

ARCHULETA COUNTY, COLORADO
OTHER SCHEDULES AND REPORTS

This page left blank intentionally.

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, 2005

	BUDGETED AMOUNTS		EXPENDITURES REPORTED ON THE GAAP BASIS		EXPENDITURES ON THE BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	THE GAAP BASIS	TO BUDGETARY BASIS	BUDGETARY BASIS	
Governmental Funds						
Major Capital Projects Funds						
Road Capital Improvement Fund	\$ 1,299,138	\$ 1,369,083	\$ 1,740,980	\$ -	\$ -	\$ (371,897)
Total Major Capital Projects Funds	\$ 1,299,138	\$ 1,369,083	\$ 1,740,980	\$ -	\$ -	\$ (371,897)
Non-major Governmental Funds						
Special Revenue Funds						
Emergency Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism Fund	164,600	187,600	189,857	-	-	(2,257)
Fair Board Fund	68,300	68,300	70,164	-	-	(1,864)
Conservation Trust Fund	80,000	80,000	130,000	-	-	(50,000)
Community Service Fund	13,200	13,200	12,485	-	-	715
Jail Commissary Fund	7,500	7,500	4,664	-	-	2,836
Emergency 911 Fund	105,244	105,244	78,998	-	-	26,246
Senior Fund	269,838	269,838	254,445	-	-	15,393
Transportation Fund	277,754	277,754	277,897	-	-	(143)
Sidewalk Escrow Fund	14,000	14,000	20,543	-	-	(6,543)
Pagosa Lakes Trail Fund	-	-	-	-	-	-
Piedra Road Fund	-	-	-	-	-	-
Local Improvement Districts	32,684	32,684	35,288	-	-	(2,604)
Capital Projects Funds						
Capital Improvements	190,000	222,852	146,914	-	-	75,938
Fairfield Settlement	460,500	460,500	16,195	-	-	444,305
Total Non-major Governmental Funds	\$ 1,683,620	\$ 1,739,472	\$ 1,237,450	\$ -	\$ -	\$ 502,022
Proprietary Funds						
Enterprise Funds						
Airport Fund	\$ 6,523,967	\$ 6,545,967	\$ 737,167	\$ 5,211,265	\$ 5,948,432	\$ 597,535
Solid Waste Fund	650,179	650,179	583,630	8,355	591,985	58,194
Total Enterprise Funds	7,174,146	7,196,146	1,320,797	5,219,620	6,540,417	655,729
Internal Service Funds						
Nutrition Fund	313,995	315,962	303,545	-	-	12,417
Fleet Service Fund	1,017,057	1,017,057	946,415	-	-	70,642
Self Insurance Fund	932,000	932,000	1,591,998	-	-	(659,998)
Total Enterprise Funds	2,263,052	2,265,019	2,841,958			(576,939)
Total Proprietary Funds	\$ 9,437,198	\$ 9,461,165	\$ 4,162,755	\$ 5,219,620	\$ 6,540,417	\$ 78,790

ARCHULETA COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2005

	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
FEDERAL GRANTOR AWARDS		
U.S. DEPARTMENT OF AGRICULTURE		
Colorado Department of Human Services		
Food Stamps	10.551	\$ 608,563
State Administrative Matching Grants for Food Stamp Program	10.561	46,839
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Colorado Department of Human Services		
Temporary Assistance to Needy Families	93.558	251,534
Child Support Enforcement	93.563	104,646
Low-Income Energy Assistance	93.568	146,326
Child Care and Development Block Grant	93.575	13,347
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	66,589
Child Welfare Services State Grants	93.645	3,585
Foster Care Title IV-E	93.658	83,986
Adoption Assistance	93.659	8,408
Social Services Block Grant	93.667	42,178
Medical Assistance Program	93.778	83,460
U.S. DEPARTMENT OF TRANSPORTATION		
Airport Improvement Program No.3-08-0066-13	20.106	31,679
Airport Improvement Program No.3-08-0066-15	20.106	3,517,699
Federal Transit		
Formula Grants for Other Than Urbanized Areas	20.509	31,000
Job Access Reverse Commute	20.516	70,503
		<u>\$ 5,110,342</u>

NOTE 1: 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*.

NOTE 2: SUBRECIPIENTS

Archuleta County had no subrecipients as of December 31, 2005.

**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
Pagosa Springs, Colorado

We were engaged to audit the financial statements of Archuleta County, Colorado (the County), as of and for the year ended December 31, 2005. In our report, we did not express an opinion because of inadequate records and internal controls. Except as discussed in the preceding sentence, 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Archuleta County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 05-01 to 05-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted four matters (05-01 to 05-04) involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of County Commissioners
Archuleta County
Pg 2

This report is intended solely for the information and use of the audit committee, management, 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

February 28, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Archuleta County
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, 2005. 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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, 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, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted two matters involving the internal control over compliance and its operation that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items 05-03 and 05-04.

This report is intended solely for the information and use of the audit committee, management, 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

February 28, 2007

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report does not express an opinion on the financial statements of Archuleta County, Colorado.
2. Four reportable conditions relating to the audit of the financial statements are reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Archuleta County, Colorado were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for Archuleta County, Colorado expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Archuleta County, Colorado are reported in Part C of this schedule.
7. The programs tested as major programs included: Food Stamp Cluster (CFDA No. 10.551, CFDA No. 10.561), Airport Improvement Program No. 3-08-0066-13 and 3-08-0066-15 (CFDA No. 20.106).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Archuleta County, Colorado was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS/MATERIAL WEAKNESSES

FINDING 05-01: ACCOUNT RECONCILIATIONS

Condition: The County is not reconciling amounts reported in the general ledger for cash, accounts receivable, due to/from accounts, inventory, fixed assets, accounts payable, accrued expenses and fund transfers to Treasurer and bank records, subsidiary ledgers and other supporting data on a timely basis.

Criteria: The County should have procedures and controls in place to insure that all accounts are properly reconciled in a timely manner.

Effect: The general ledger balances are incorrect and management did not identify or prepare all of the adjustments necessary to facilitate the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Reports utilized by the County during the year for Budgetary controls and other purposes contained material errors.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2005

Recommendation: The County should implement monthly balance sheet account reconciliation procedures to ensure that the accuracy and integrity of accounting data is maintained.

Grantee Response: Due to lack of qualified staff, the County has been unable to consistently reconcile monthly balance sheet accounts along with reconciling activity between the Finance and Treasurer's Office. Finance was allowed to hire on an additional degreed accountant in March 2007. Since that time, progress has been made in accomplishing these tasks and the goal is to be completely caught up on reconciliations in all aspects by September, 2007.

FINDING 05-02: SUPPORTING DOCUMENTATION

Condition: During the course of the audit we requested various reports, invoices, and other supporting documents that the County was unable to provide us.

Criteria: The County should have procedures and controls in place to insure that documentation is on file to support all transactions that occur.

Effect: The County does not have adequate documentation in place to support various transactions.

Recommendation: We recommend the County implement procedures to maintain support for all account transactions.

Grantee Response: The only information that I was aware that we were not able to find were a couple of copier lease documents for those leases that were in effect during the audit period. We checked with "source" offices to attempt to locate, but they were unable to do so and no copies or originals could be located within the Administration offices. Since 2005, Administration has been keeping a central file location for all executed documents (IGA's, grants, copier leases, etc.). Although, we may still not have all of the small equipment lease documents, we have attempted to obtain copies from those departments/offices that have separately negotiated and executed such leases. Concerning the Treasurer's Office, they will make sure to keep the Treasurer's fee distribution reports through completion of future audit periods prior to shredding. They will also keep for a minimum of 3 years a summary of such activity. Care will be exercised in retaining cancelled checks/warrants and to ensure that they are kept in place after monthly reconciliation procedures are performed. Paid, and properly cancelled invoices, will be appropriately filed in the file cabinet in their respective vendor folder in a timely manner in order to assure retention of such records.

FINDING 05-03: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: We noted that the County's internal control is not adequate to identify federal grants or to insure that all expenditures of federal awards are correctly reported.

Criteria: Federal regulations require the recipients of federal funds to have accounting systems that identify federal revenues and expenditures.

Effect: The County is not in compliance with federal regulations.

Recommendation: We recommend that the County review their accounting system for grant accounting and implement controls to insure that federal revenues and expenditures are properly identified and recorded in the County's fund general ledgers.

ARCHULETA COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2005

Grantee Response: Accounting system has been reviewed and adjustments made in order to identify and record grant transactions accordingly. The system being utilized is similar to a job cost system whereby specific grant funding is assigned a department (job, grant) number xxx.xx and all revenues/expenditures associated with that particular grant can be tracked. This process was implemented during 2006 and adjustments will be required on our part for 2006. The system is fully in place for fiscal year 2007. The exclusion to this is Human Services – Human Services currently records transactions according to programs. Certain grants that are not associated specifically to a federal or state grant are included in the associated department and identified as other grants or DOLA grants.

FINDING 05-04: COMPONENT UNIT'S LACK OF COMPLIANCE WITH SINGLE AUDIT REQUIREMENTS

Condition: We noted that Archuleta County Housing Authority (the Authority), the component unit of the County, expended \$501,931 of federal funds per the Schedule of Federal Financial Assistance, yet there is no record that the Authority had a single audit performed.

Criteria: The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* require a single audit if total federal expenditures are equal to or greater than \$500,000.

Effect: The County is not in compliance with federal regulations.

Recommendation: We recommend that the County who is financially accountable for the Authority aid in helping the Authority to comply with the federal requirements.

Grantee Response: County Administration will be notified of the situation and dialogue will ensue to solve this issue.

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

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Material Weakness

FINANCIAL STATEMENT FINDING

FINDING 2004-1: Account Reconciliations

Condition: The County is not reconciling amounts reported in the general ledger for cash, accounts receivable, fixed assets, accounts payable and accrued expenses to Treasurer and bank records, subsidiary ledgers, and other supporting data on a timely basis.

Status: Recommendation was not implemented.

LOCAL HIGHWAY FINANCE REPORT

City or County:

ARCHULETA

YEAR ENDING :

December 2005

This Information From The Records Of:
ARCHULETA COUNTY

Prepared By:

Robert D. Burchett

Phone:

970-264-8556

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,258,588
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,848,683
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	91,468
3. Other local imposts (from page 2)	2,322,400	c. Other	
4. Miscellaneous local receipts (from page 2)	140,845	d. Total (a. through c.)	91,468
5. Transfers from toll facilities		4. General administration & miscellaneous	281,206
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	3,479,945
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,463,245	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,195,617	2. Notes:	
D. Receipts from Federal Government (from page 2)	98,893	a. Interest	
E. Total receipts (A.7 + B + C + D)	3,757,755	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,479,945

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
	2,794,501	3,757,755	3,479,945	3,072,311	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2005

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	731,739	a. Interest on investments	36,544
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	1,482,152	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses / Permits	19,292	f. Charges for Services	49,441
5. Specific Ownership &/or Other	89,217	g. Other Misc. Receipts	54,860
6. Total (1. through 5.)	1,590,661	h. Other	
c. Total (a. + b.)	2,322,400	i. Total (a. through h.)	140,845
	(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	1,140,391	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	55,226	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal: Dept of Interior-PILT	98,893
f. Total (a. through e.)	55,226	g. Total (a. through f.)	98,893
4. Total (1. + 2. + 3.f)	1,195,617	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		135,660	135,660
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		1,122,928	1,122,928
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,122,928	1,122,928
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,258,588	1,258,588
			(Carry forward to page 1)

Notes and Comments:

