



Quarterly Financial Report 2016 – Second Quarter (January to June 2016)

Executive Summary

During the first quarter of 2016, most departments spent within their 2016 expense budgets and most 2016 revenue sources were received as expected, after taking seasonal adjustments into consideration.

Some positive developments include:

- The annual PILT (Payment in Lieu of Taxes) funding has been received and came in \$415,511 over budget. Note that the Feds extended a “supplemental” increase to this funding which began with the Emergency Economic Stabilization Act. These supplemental amounts are uncertain from year to year and therefore not included in the County’s budget process.
- Sales Tax Revenue is currently exceeding the growth projected for it (by about 4%), and may exceed budget by year end by more than \$150,000.
- HUTF (Highway User Tax Fee) revenue is up and expected to finish the year about \$100,000 (6%) over budget.
- Solid Waste landfill fees are about \$57,000 (22%) higher than the seasonally adjusted year to date budget. This fund has large capital expenditures looming in future years, so an improved revenue picture is very important.
- After making adjustments for seasonal variations, there are no major sources of revenue coming in lower than budgeted amounts.

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

- Human Resources budget 54% expended: Recruitment and Advertising expenses are higher than anticipated.
- Jail Commissary is 168% expended: The budget was a guess about the level of activity that would be associated with the recently constructed holding cells. We guessed too low.
- Transportation (Mountain Express) is 57%: Due to bus repair costs.
- Pagosa Transfer Station 94% expended: Budget will need to be added to fund the cost of a second transfer station attendant. Only one attendant was budgeted, but a second attendant was added in mid-February. Significant savings in the Solid Waste Administration budget will easily cover the added costs.

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

- IT/GIS 59% expended: Due to under budgeted computer replacements and an unanticipated equipment failure, requiring outside consultants to repair quickly. The overspending here may be remedied by savings in copier charges later in the year.
- Sheriff – Investigations 54% expended: Over budget in training, supplies and overtime. The Sheriff has indicated he is watching this closely and will attempt to end the year under budget.

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

General Fund:

Revenue Detail

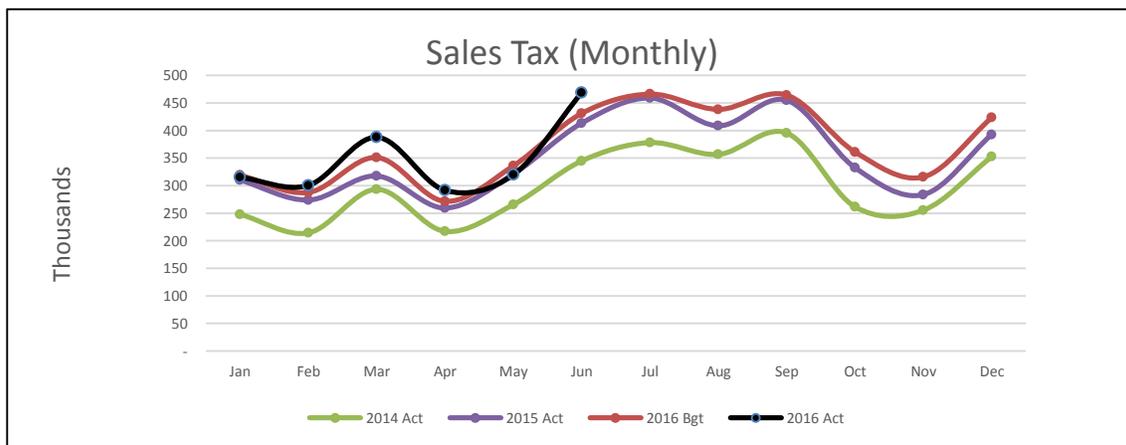
During the first half of 2016, General revenue was up \$503,609 (7.7%) over the same period in 2015. Relative to the annual budget, 69% of total budget has been received so far, while last year 71% of the 2015 budget had been received during the same period. Most of the apparent excess revenue is due to higher than expected PILT revenue. There were also significant (but seasonal) variations in the receipt of other types of revenue streams.

Revenue in Excess of Budget:

Several sources of revenue are coming in significantly over the amounts budgeted. The largest of these is PILT funding (Payments in Lieu of Taxes) which are received in two payments during the first half of the year and which came in \$415,511 (54%) over budget. The increase was due to the Feds deciding to extend “supplemental” increases in this type of funding which began with the Emergency Economic Stabilization act. These supplements have been uncertain from year to year, and the County budgets only the amounts that are certain to be received.

Other forms of revenue coming in over budget are:

- **Interest Income** is \$36,360 (110%) higher than during the same period in 2016 and stands at 107% of the 2016 total amount budgeted.
- **Building Permit Revenue** is \$33,247 (31%) higher than during the same period in 2016 and stands at 76% of the 2016 total amount budgeted.
- **Grant Revenue:** An unbudgeted \$60,000 grant was received towards the cost of Courthouse Facility Planning.
- **Sales Tax Revenue** is collected in arrears. During the first half of 2016, only five months of Sales Tax revenue were actually received (and shows on the statement). However, we have just learned the amount of the June collections, and the graph below incorporates that additional information. During the first half of 2016, Sales Tax revenue in the General Fund is \$43,454 (4.3%) over the 2016 budget, despite the fact that revenue in the month of May was relatively weak.



Seasonal Revenue:

Certain revenue streams are received during limited time frames within each year; that is, they are “seasonal” in nature. This complicates the analysis of whether they are being received in adequate amounts. The following revenues have received the majority of their annual budgeted amounts as of June 31, 2016, but are not considered to be coming in over budget.

- **Property Tax:** During the first half of 2016, about 91% of the budgeted property tax was received. During the same period in 2015, 96% of budgeted property tax was received. While property owners may pay their property

tax in a single installment (due on or before April 30), most exercise the option of paying in two installments, the first being due by Feb. 28th and the second by June 15th. Technically, if all Property Tax was paid “on-time”, 100% would already be received. As it stands, the percentage of tax “overdue” at June 31, 2016 has gone up 5%. However, we do not yet have cause to believe that Property Tax revenue will come up short by year end.

- **Treasury Fees:** During the first half of 2016, about 72% of treasury fees were collected. During the same period in 2015, 75% of the budgeted fees were collected. These fees are assessed against a wide range of revenues, including Property Tax and Sales Tax. We do not expect Treasury Fees to be under budget by year end.

Expense Detail:

During the first half of 2016, only 42% of the General Fund expense budget was utilized. The majority of individual departments (31 out of 37) were *under* budget during the first half of the year, on a year to date basis.

One department incurred a disproportionate amount of expense during the first quarter of the year, as follows:

- County Treasurer 57% expended: The Treasurer Fee expenses are disproportionately expended (as expected) during the first half of the year and this accounts for the budget being slightly overspent on a year to date basis. Many line items were under budget, except for “Misc. Expenditures”, which are well over budget, and may (or may not) be a problem later in the year.

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

- Human Resources 54% expended: Recruitment and closely related Advertising costs are higher than anticipated, by approximately \$6,000. We expect to cover the extra expense from savings in other General Fund departments.
- Jail Commissary 168% expended: The Jail Commissary was *reestablished* during the first quarter of 2016, to service inmates held in the newly constructed “holding cells”. While expenses are only about 1/3 of the prior year numbers, they still exceed the budget established for 2016. A budget adjustment will be needed to cover the excess expense before the end of the year.
- Transportation (Mountain Express) is 57% expended: Bus repair expenses during the first half of the year consumed a large part of the annual maintenance budget. Almost all other expenses in this department were at or under budget. It is likely that this budget will require an adjustment to cover excess repair costs by year end. We expect to cover this from savings in other General Fund departments.

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

- IT/GIS 59% expended: Professional Services are 86% expended, due to the need to engage consultants to assist with overcoming an equipment failure (on a crash basis) to avoid widespread downtime within the County’s IT infrastructure. While this budget category is not yet over budget, it might be by year end. Computer Equipment purchases are already over budget by \$15,632 (34%), due to a major project (upgrading server infrastructure to Vmware virtual servers and hyper clustering) going over budget by about \$7,000, and due to purchasing about 5 more replacement computers (for various departments), than was previously expected. Some savings are expected later in the year (in Copier lease expenditures, due to procurement of less expensive copier equipment), but it is not yet certain if this will be sufficient to offset these additional costs.
- Sheriff – Investigations 54% expended: Some training related costs, as well as some supply costs were over budget as of June 30, 2016. More importantly, the Overtime budget is 40% over the annual budget, in the middle of the year. The Sheriff has indicated that they are watching these costs carefully and will attempt to keep this department within the annual budget overall.

The General Fund report appears on the next page.

Governmental Fund - General

YTD Percent = 50%

as of June 30, 2016

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	6,702,327	6,702,327	4,521,569	2,180,758	✓ 67%
Licenses and Permits	440,800	440,800	221,819	218,981	✓ 50%
Intergovernmental	1,124,060	1,124,060	1,332,194	(208,134)	✓ 119%
Charges for Services	1,471,195	1,471,195	819,236	651,959	✓ 56%
Interest	115,000	115,000	69,487	45,513	✓ 60%
Misc	391,300	391,300	59,150	332,150	⚠ 15%
Total Revenues	10,244,682	10,244,682	7,023,456	3,221,226	✓ 69%
Expenditures					
Administration	1,934,479	1,934,479	978,016	956,463	✓ 51%
Attorney	155,851	155,851	58,489	97,362	✓ 38%
Building & Grounds	345,834	345,834	110,618	235,216	✓ 32%
Community Services Fund	10,000	10,000	-	10,000	✓ 0%
County Assessor	543,929	546,329	269,424	276,905	✓ 49%
County Clerk & Recorder	474,437	474,437	210,312	264,125	✓ 44%
County Clerk- Elections	103,565	103,565	31,879	71,686	✓ 31%
County Commissioners	1,188,270	1,188,270	339,605	848,665	✓ 29%
County Coroner	76,154	76,154	30,083	46,071	✓ 40%
County Fair Board	79,350	79,350	9,048	70,302	✓ 11%
County Surveyor	16,647	16,647	8,123	8,524	✓ 49%
County Treasurer	488,604	488,604	276,647	211,957	⚠ 57%
County Treasurer - Public Trustee	15,148	15,148	7,559	7,589	✓ 50%
CSU Extension	141,401	141,401	67,346	74,055	✓ 48%
CSU Extension Checking	20,000	20,000	3,165	16,835	✓ 16%
Development Services-Building	160,530	160,530	77,314	83,217	✓ 48%
Development Services-Planning	129,199	129,199	59,309	69,890	✓ 46%
District Attorney	350,986	350,986	75,031	275,955	✓ 21%
Finance	404,416	402,016	178,504	223,512	✓ 44%
Human Resources	139,864	139,864	75,050	64,814	⚠ 54%
IT/GIS	439,820	439,820	257,528	182,292	⚠ 59%
Jail Commissary	10,000	10,000	16,830	(6,830)	⚠ 168%
Livestock Auction	305,000	305,000	2,460	302,540	✓ 1%
Pass-Thru	-	-	-	-	N/A
Sheriff Administration	296,101	296,101	148,477	147,624	✓ 50%
Sheriff Animal Control	50,000	50,000	20,833	29,167	✓ 42%
Sheriff Court Security	77,496	77,496	35,517	41,979	✓ 46%
Sheriff Detention	832,176	832,176	370,511	461,665	✓ 45%
Sheriff Emergency Management	302,947	302,947	134,354	168,593	✓ 44%
Sheriff Investigations	234,855	234,855	126,720	108,135	⚠ 54%
Sheriff Patrol	799,514	799,514	391,427	408,087	✓ 49%
Tourism Fund	124,120	124,120	18,416	105,704	✓ 15%
Transportation Administration	74,692	74,692	37,686	37,006	✓ 50%
Transportation Mountain Express	96,667	96,667	55,108	41,559	⚠ 57%
Veterans Services	96,044	96,044	43,528	52,516	✓ 45%
Weed & Pest	104,044	104,044	44,809	59,235	✓ 43%
Non-Departmental	217,531	217,531	-	217,531	✓ 0%
Total Expenditures	10,839,671	10,839,671	4,569,727	6,269,944	✓ 42%
Revenue over (under) Expenditures	(594,989)	(594,989)	2,453,729		

Road & Bridge Fund:

Revenue Detail

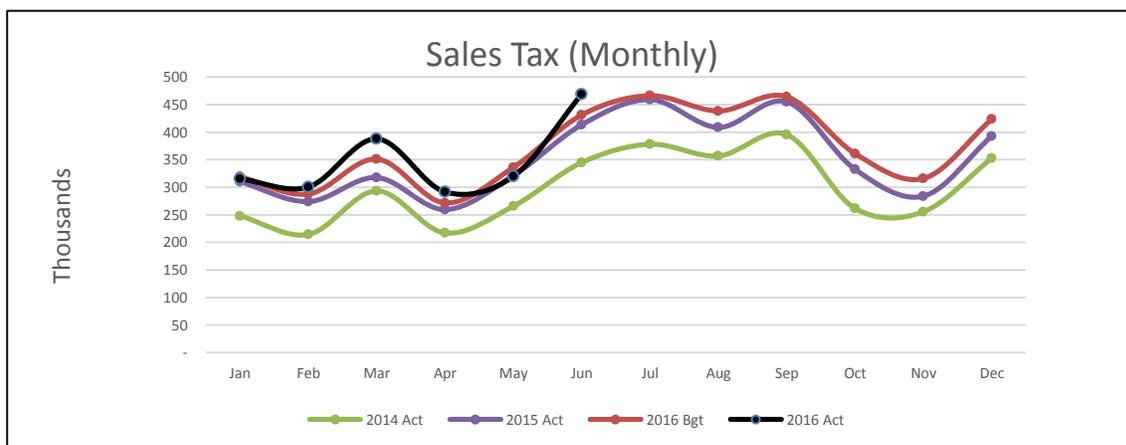
During the first half of 2016, Road & Bridge revenue was at 56% of the current year annual budget. This was \$223,248 (7.8%) higher than the first half of 2015. In the detail, individual types of R&B revenue are subject to seasonal variation, just as they are in the General fund. The most material seasonal variations include:

Property Tax:

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

Sales Tax:

Sales Tax revenue is collected in arrears, just as explained in the General Fund narrative. (It is just the Road & Bridge portion of the same tax). During the first half of 2016, only five months of Sales Tax revenue were actually received (and shows on the statement). However, we just received the June collections, and the graph below incorporates that additional information. During the first half of 2016 Sales Tax revenue in the Road & Bridge Fund was \$46,454 (4.3%) over budget, despite the fact that revenue in the month of May was relatively weak

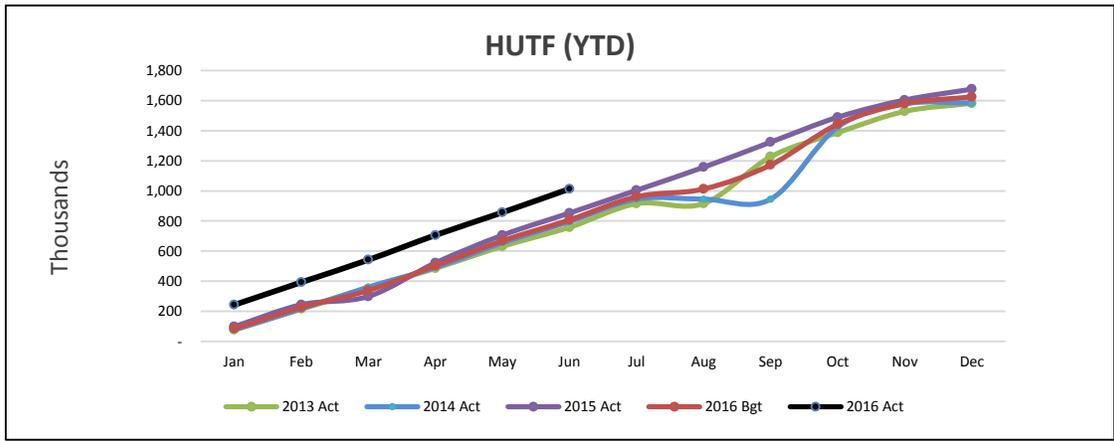


Licenses and Permits Revenue:

This refers to Road Cut & Driveway Permits. During the first half of 2016, about 68% of the annual budget was received. While it is a bit early to project, we think it likely that this source of revenue will exceed budget by at least 5% by year end.

Intergovernmental Revenue:

The largest source of Road & Bridge funds within the "Intergovernmental" category are known as HUTF (Highway Users Tax Fund) revenue. As of June 30, 2016, only the first five months of HUTF were received (being 52% of the annual budget), but we know what the June disbursement is and are reflecting it in the graph below. With June included, about 55% of the annual total budget was received. By year end, this revenue stream is expected to be approximately \$100,000 over the amount budgeted for the year. See the graph below:



All things considered, Road & Bridge Fund revenue streams are expected to come in over budget during 2016, possibly by as much as \$200,000.

Expense Detail:

During the first half of 2016, about 31% of the Road & Bridge Fund expense budget was utilized. Four out of six individual departments were *under* budget, as expected. Note that most significant road maintenance and construction occurs during the summer months, and while some major activity started during the second quarter, the invoices for much of that work had not come in by June 30th. Two Road & Bridge departments incurred a disproportionate amount of expense during the first half of the year, as follows:

Road & Bridge Administration:

This department was 56% expended during the first half of the year. Within this budget, the annual General Liability insurance premium payment was made during the first quarter. This consumed 95% of the amount budgeted. About 99% of the budgeted Treasurer Fees were charged during the first half of the year, which is normal. Almost all of the other expense categories were under budget by comfortable amounts and this department is not expected to be over budget at year end.

RCI – Five Year Plan:

This budget was 70% expended during the first half of the year. Embedded in this budget are applications of mag chloride (for dust suppression), which were at 74% of the annual budget. Most of these applications are expected to occur during the second quarter and this department is not expected to be over budget at year end.

The Road & Bridge report appears on the next page.

Governmental Fund - Road & Bridge

YTD Percent = 50%

as of June 30, 2016

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	3,765,412	3,765,412	2,010,773	1,754,639	✓ 53%
Licenses and Permits	18,000	18,000	12,160	5,840	✓ 68%
Intergovernmental	1,682,728	1,682,728	878,816	803,912	✓ 52%
Misc	23,473	23,473	155,446	(131,973)	✓ 662%
Total Revenues	5,489,613	5,489,613	3,057,195	2,432,417	✓ 56%
Expenditures					
Administration	831,909	831,909	466,189.55	365,719	⚠ 56%
Road Capital Improvement	492,747	592,747	267,251.65	325,495	✓ 45%
CR500/Cloud Cap	3,100,000	3,000,000	303,195.97	2,696,804	✓ 10%
RCI-Five Year Plan	353,000	353,000	247,230.09	105,770	⚠ 70%
Road Maintenance	2,365,897	2,365,897	942,538.00	1,423,359	✓ 40%
Unallocated	30,171	30,171	-	30,171	✓ 0%
Total Expenditures	7,173,724	7,173,724	2,247,201	4,926,523	✓ 31%
Revenue over (under) Expenditures	(1,684,111)	(1,684,111)	809,994		

Dispatch Fund:

Revenue Detail

During the first half of 2016, 41% of the annual total budgeted Dispatch revenue was received.

Intergovernmental Revenue:

Intergovernmental revenue in this fund is from the Town of Pagosa Springs Police Department, the Upper San Juan Health District and the Pagosa Fire Protection District; which all contribute funding to the Dispatch fund according to an indicator of proportionate use of the service (being the three year average proportion of "calls for service"). Amounts are received in quarterly installments. As of June 30, 2013, only 34% of the budgeted revenue had been received, because the Town of Pagosa Springs had not yet disbursed their second quarter installment.

Charges for Services:

Charges for Services in this fund are "911 Surcharges", collected from telephone service providers. As of June 30, 2016 about 37% of these charges had been collected. While 37% looks low, it is actually just about on target, since there is a normal time lag in collections.

Expense Detail

During the first half of 2016, about 46% of the annual Dispatch expense budget was utilized. While this looks like spending is comfortably under budget, there are almost always a few invoices outstanding and this fund is expected to utilize almost 100% of its budget by year end.

Governmental Fund - Archuleta County Combined Dispatch

YTD Percent =	50%
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as of June 30, 2016

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Intergovernmental	252,383	252,383	86,040	166,343	⚠️ 34%
Charges for Services	222,000	222,000	82,008	139,992	⚠️ 37%
Misc	-	-	767	(767)	N/A
Transfers In	321,214	321,214	160,607	160,607	⚠️ 50%
Total Revenues	795,597	795,597	329,422	466,175	⚠️ 41%
Expenditures					
Combined Dispatch					
Personnel Costs	593,856	593,856	276,933	316,923	✅ 47%
Materials & Services	153,792	153,792	67,099	86,693	✅ 44%
Debt Service	57,664	57,664	28,832	28,832	✅ 50%
Total Expenditures	805,312	805,312	372,864	432,448	✅ 46%
Revenue over (under) Expenditures	(9,715)	(9,715)	(43,443)		

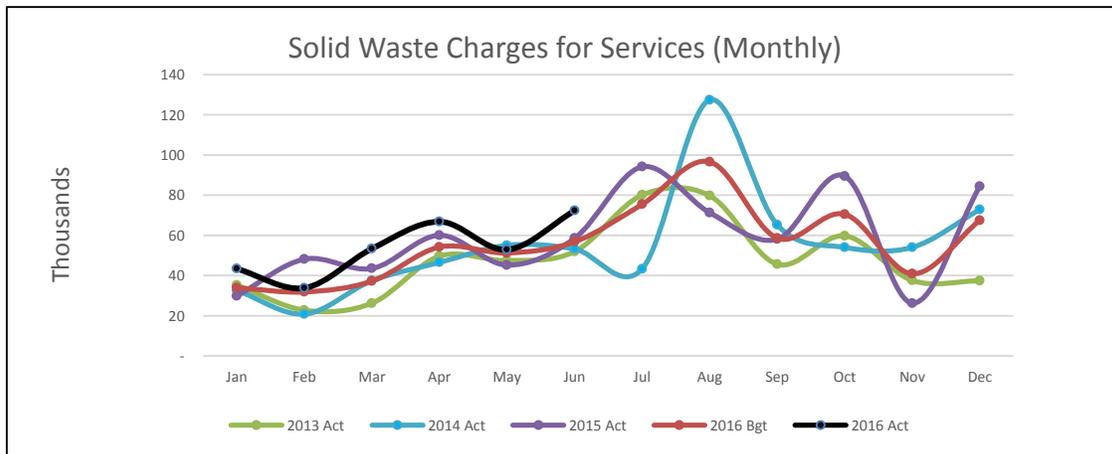
Solid Waste Fund:

Revenue Detail

During the first half of the year, 48% of the annual budgeted Solid Waste revenue was received.

Charges for Services:

Most Solid Waste fund revenue is Charges for Services, being fees collected when waste is deposited at the landfill. While the landfill receives significant amounts of material year round, the amounts being deposited do vary with the seasons and in a predictable way. The year to date amount actually received was \$57,444 (21.6%) higher than the seasonally adjusted budget for this time period. See the graph below:



Misc. Revenue:

Misc. Revenue refers to cash received by the County in exchange for recyclable materials (cardboard, plastic and metal) collected by the County at the Pagosa Transfer Station. Such material is sold only when large quantities have been accumulated. During the first half of the year, sales of recyclable material were at about 36% of budget.

Expense Detail:

During the first half of the year, 41% of the Solid Waste Fund expense budget was utilized. The majority of individual departments (5 out of 6) were *under* budget during the first quarter.

However, one department (the Pagosa Transfer Station) is 94% expended and will need a budget adjustment prior to year end. The 2016 budget provided for a single employee at the Pagosa Transfer Station. Beginning in mid-February, a second employee was hired to work at this location. At the current rate of expenditure, this departments budget will be overspent approximately \$33,000 by year end. This additional expense can easily be covered by transferring savings from the Solid Waste Administration wages budget, where savings are expected to be approximately the same amount or slightly more.

The Solid Waste Fund report appears on the next page.

Enterprise Fund - Solid Waste

YTD Percent = 50%

as of June 30, 2016

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	686,400	686,400	328,249	358,152	⚠️ 48%
Misc	10,400	10,400	3,770	6,630	⚠️ 36%
Transfers In	55,000	55,000	27,500	27,500	⚠️ 50%
Total Revenues	751,800	751,800	359,519	392,281	48%
Expenditures					
Administration	141,893	141,893	40,714	101,179	✅ 29%
Arboles Transfer Station	13,678	13,678	5,566	8,112	✅ 41%
Landfill	324,382	324,382	135,897	188,485	✅ 42%
Pagosa Transfer Station	38,083	38,083	35,880	2,203	⚠️ 94%
Recycling	47,364	47,364	16,582	30,782	✅ 35%
Non-Departmental	7,474	7,474	-	7,474	✅ 0%
Total Expenditures	572,874	572,874	234,639	338,235	41%
Revenue over (under) Expenditures	178,926	178,926	124,880		

Other Issues in Solid Waste:

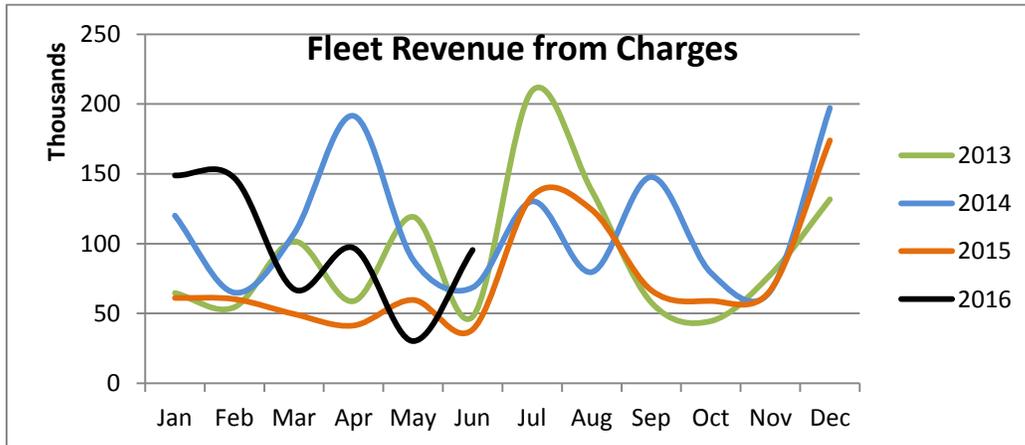
While the Solid Waste fund is in great shape relative to the 2016 revenue and expense budgets, there are issues developing that will likely affect the 2017 budget and beyond. These include:

- The Landfill Compactor needs to be replaced and will likely be much more expensive than anticipated within our multi-year fund forecast.
- The construction of Cell 4 at the current site is likely to be necessary sooner than anticipated within our multi-year fund forecast.

Fleet Fund:

Revenue Detail

Fleet revenue comes from charges to County departments for fuel and services. From month to month, they are highly variable, depending upon the need for major repairs on heavy equipment. During the last three years these charges have averaged about \$94,000/month. During the first half of 2016, these charges averaged \$97,654/month. While this is very close to the monthly average of the 2016 budget (\$95,071/month), it is still difficult to predict how the year will unfold, because these charges are so highly variable. Below is a graph which is presented in part because it demonstrates the variable nature of the funding, and in part because it has a cool, hypnotic effect if you stare at it.



Expense Detail

All the major categories of Fleet expense were under budget during the first half of 2016. The Capital Outlay category, in particular, was only 16% expended. However, capital outlays are few in number and quite irregular. At this point in time, we expect that most or the entire Capital Outlay budget will be expended by year end.

Internal Services Fund - Fleet

as of June 30, 2016

YTD Percent = 50%

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	1,176,850	1,176,850	585,926	590,924	⚠️ 50%
Misc	-	-	3,202	(3,202)	N/A
Transfers In	700,000	700,000	350,000	350,000	⚠️ 50%
Total Revenues	1,876,850	1,876,850	939,128	937,722	✅ 50%
Expenditures					
Fleet Services					
Personnel Costs	275,815	275,815	133,614	142,201	✅ 48%
Materials & Services	927,843	927,843	391,529	536,314	✅ 42%
Capital Outlay	808,500	808,500	133,256	675,244	✅ 16%
Depreciation	-	-	-	-	N/A
Total Expenditures	2,012,158	2,012,158	658,399	1,353,759	✅ 33%
Revenue over (under) Expenditures	(135,308)	(135,308)	280,729	(416,037)	

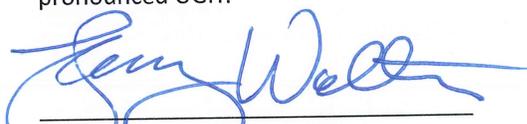
Finance Department Performance Measures

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

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

Highlights from the second quarter include:

- Accounts Payable and County Payroll were processed accurately and on time. This is a continuation of Emmy Kuhl's excellent record of timely work.
- Audit work preparation was completed on time. The auditor's site visit occurred on schedule during June. The 2015 audit was completed during July, just ahead of the State deadline and resulted in an "unmodified opinion", which is the good opinion. There were no findings in this audit. (Try not to get used to that... it's both unusual and difficult to achieve!)
- The GFOA (Government Finance Officers Association) completed their review of our 2016 budget and awarded the Finance Department the "Distinguished Budget Presentation Award" for the third year in a row. The GFOA provides us with a detail score, broken down by 30 categories and we achieved our best ever score.
- LeeAnn Martin was the major contributor to both the good 2015 audit and the 2016 Budget Award. The County continues to be blessed by her contributions.
- As mentioned last quarter, the Finance Department absorbed Solid Waste bookkeeping tasks back into the department during the first quarter. Improvements in timeliness and accuracy were almost immediate, thanks to Debbie Condrey. We continue to evaluate different processes being used and are either making (or contemplating) additional changes in procedures. We are currently working with Susan Goebel-Canning, the County's new Public Works Director overseeing Solid Waste activities and are learning many things from her that should help us move in good directions in the coming months.
- Training of our new Human Services accountant continues and is going well. We have chosen to focus her initial work on preparing State reports and assisting the DHS Director with 2017 budget preparation, while allowing normal (but very time consuming) journal process to slip behind schedule. We believe we can catch up the journal entries during the third quarter.
- Later in the year we hope to update our grant and procurement related policies and procedures, in order to align ourselves to modifications in Federal and State requirements that apply to us. In particular, OMB A-87 has been replaced by 2 CFR Part 200 (Subparts A-F); otherwise known as "Uniform Grant Guidance", which in turn is known as UGG... and appropriately pronounced UGH!



Larry Walton (Finance Director)