



Quarterly Financial Report 2018 – First Quarter (January to March 2018) Preliminary and Unaudited

Executive Summary

During the first quarter of 2018, most revenue sources were received as expected, after taking seasonal adjustments into consideration. While the majority of expense categories were within budget, there was an uptick in number of departments expected to end the year over budget. At the end of the first quarter last year, only two departments appeared to be in trouble, and then by modest amounts. This year, nine departments already appear to be headed toward significant cost overruns. If expenditures in most of those departments continue to occur at the current rate, the County may overspend the General fund budget, in violation of CRS § 29-1-110.

Seven of the nine troubled departments are on the **Watch List**, as they are projected to over spend their budgets by year end, and there is little (or no) “unanticipated” revenue known to exist, which might cover the overspending. These are:

- Three Sheriff’s Office Departments (Investigations, Patrol and Detention) are currently over budget and **at the current rates of spending**, the following categories will be over budget by the following amounts by year end:
 - \$120,000 Overtime
 - \$10,000 On-Call Pay
 - \$6,000 Travel (and Training)
 - \$200,000 Inmate Housing (this is a low estimate... could easily be \$250,000)
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 - \$336,000 Total in Investigations, Patrol and Detention
- Four other Departments are on the Watch List, and will incur the following cost overruns, if spending continues at the current rate:
 - County Coroner: \$5,000 to \$10,000 over for Medical Services (autopsy costs). These are not discretionary in nature.
 - Human Resources: \$13,000 over for advertising expense.
 - Building & Grounds: \$30,000 for air quality testing at the Courthouse.
 - Court Security: \$???? We don’t have enough information to estimate overspending for this department at this time.

There were some positive developments, including:

- Sales Tax revenue is 5.3% over budget. It’s too early to project how the year will end, but the early data is unexpectedly good.
- PILT funding was budgeted low, in case the 2018 Federal Appropriations did not include “full funding” for PILT. (This has been far from certain in recent years). However, we have heard that “full funding” for PILT has been approved for 2018. While we don’t know what dollar amount we will actually receive, it could possibly be three to four hundred thousand dollars more than anticipated in our 2018 budget. Stay tuned.

The following funds will be reported in detail during the first quarter of 2018: General, Road & Bridge, Combined Dispatch, Solid Waste and Fleet.

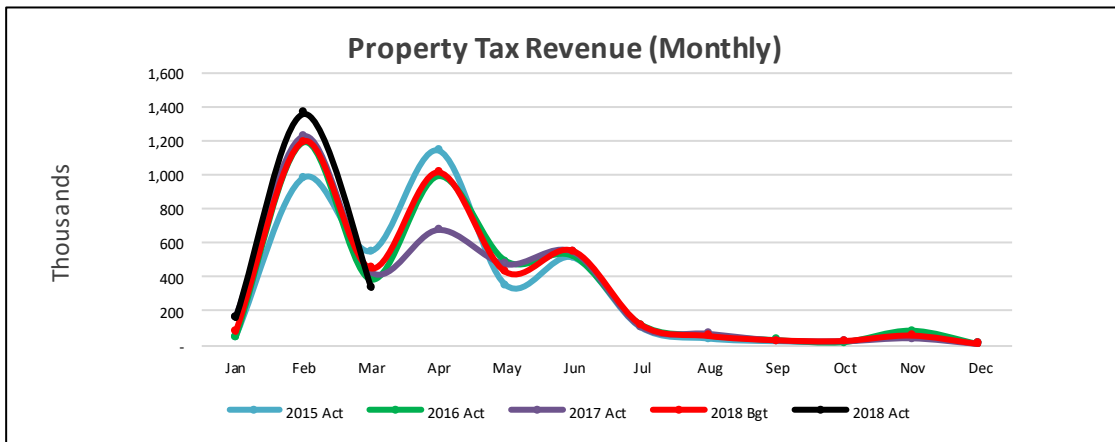
General Fund:

Revenue Detail

During the first quarter of the year, 25% of the budgeted General revenue was received. In the detail, individual types of revenue are subject to very considerable seasonal variations. However, they virtually washed out during the first quarter. The most material variations are:

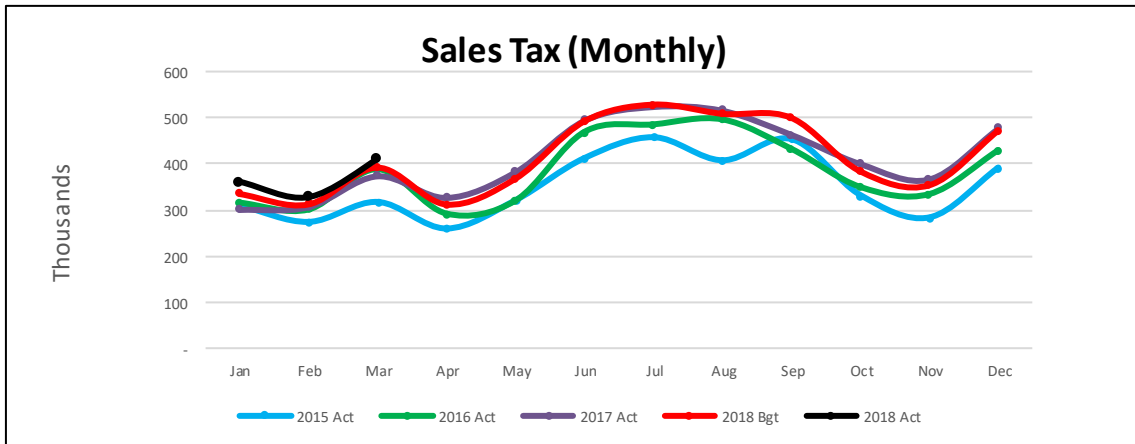
Property Tax:

During the first quarter, about 47% of the budgeted property tax was actually 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. As a result, receiving such a large amount of property tax in the first quarter is quite normal.



Sales Tax:

Sales Tax revenue is collected in arrears. The first quarter General Fund report only includes the January revenue, though we now also know the February and March amounts. When we include the Feb. and March amounts, the Sales Tax receipts were about 5.3% higher than the seasonally adjusted budget. However, if we have significant wildfires in the area during the summer months, this revenue could be seriously depressed and end the year below budget. It is just too early to project. Note that the County budget assumes that 2018 Sales Tax revenue will about 7% higher than the 2017 budget, but only 2% higher than 2017 actual amounts received.



Licenses and Permits Revenue:

Like Sales Tax, the larger Licenses and Permits revenues are processed in arrears. The first quarter report mostly shows January revenue, though we also know some of the February amounts. At this point in time there is not enough data to reveal trend information.

Intergovernmental Revenue:

The largest components of Intergovernmental revenue are PILT funding (Payment in Lieu of Taxes from the Federal government), and various “cost reimbursement” grants.

The PILT funding is mostly received in a single installment, generally around mid-year. While we do not yet know the amount we will receive, we do know that the Consolidated Appropriations Act for 2018 was signed on March 23, 2018 and it was said to provide “full funding” for PILT for 2018.

Cost Reimbursement grant revenue is collected in arrears, being generally received about two months after the reimbursable expenses are incurred. There is insufficient information at this point to detect any trends.

Miscellaneous Revenue:

The largest components of Miscellaneous revenue are annual proceeds from the Livestock Auction which occur during the County Fair in August of each year.

Taking seasonal variations into account, and as far as we can determine at this time, General Fund revenue streams are being received at approximately the amounts budgeted for 2018.

Expense Detail:

During the first quarter only 22% of the General Fund expense budget was utilized. The majority of individual departments (27 out of 35 active) were *under* budget during the first quarter.

Three departments incurred a disproportionate amount of expense during the first quarter of the year, but their expenses are expected to be within the annual budget at year end, as follows:

- **Administration 31% expended:** Within the Administration budget is a large, single annual payment for general liability insurance. This payment was made during the first quarter and is about 10% higher than what was budgeted. However, due to savings in other areas (so far) it is very likely that this department will end the year under budget.
- **County Assessor 27% expended:** Within the Assessors budget, the annual amount for software maintenance was expended in a single installment in the first quarter. Also, Other Rents/Leases look high, because the annual lease of the postage machine fell into the first quarter. However, the Assessors budget is expected to end the year at or under budget.
- **County Clerk - Elections 26% expended:** The annual amount for State required software was expended in a single installment during the first quarter. After factoring that annual payment out of the analysis, the Clerk’s Election expenses will likely be within budget at year end.

Two departments are expected to over spend their budgets by year end, but that overspending is expected to be covered by unanticipated revenue, as follows:

- **County Treasurer 25% expended:** Current projections show that the Treasurer will end the year over budget, perhaps by as much as \$25,000. The overspending will likely be in “Bank Fees”. However, Interest Earned on

Investments are expected to be as much as \$100,000 over the amounts budgeted and that “unanticipated” revenue will be more than sufficient to cover the excess bank fees.

- **Jail Bonds/Commissary 30% expended:** Bonds are irregular and unpredictable in amount. The revenue generally washes with the expense for no or little effect on the bottom line.

Seven departments are on the County’s “**watch list**”, as they are **projected** to over spend their budgets by year end, and little (or no) “unanticipated” revenue has been identified to cover that over spending:

- **Sheriff – Investigations 29% expended:** About 58% of the travel related budgets were expended during the first quarter, along with about 85% of the annual overtime budget. At the current rate of expenditure, these two categories will be over budget by more than \$6,000 (travel) and \$14,000 (overtime) at year end.
- **Sheriff – Patrol 26% expended:** About 85% of the annual overtime budget was expended during the first quarter. At the current rate of expenditure, this category will over budget by more than \$36,000 by year end.
- **Sheriff – Detention 25% expended:** Overtime expense during the first quarter exceeded the annual budget significantly, being \$20,671 for the period (versus \$13,000 budget for the entire year). On-Call expense during the first quarter was at 41%. At the current rate of expenditure, these two categories will be over budget by about \$70,000 (overtime) and \$10,000 (on-call) at year end.
- **Sheriff – Detention (continued):** Inmate Housing (in LaPlata County) expense is not treated as a cost within the direct control of the Sheriff’s office (unlike overtime and on-call pay). The amount shown during the first quarter is for only a single month, since invoicing by LaPlata County is relatively slow. That said, the most recent trends in this category indicate that 2018 expenses could end up being close to \$400,000... meaning the current budget is low by over \$200,000.
- **Sheriff – Court Security 27% expended:** This department is slightly over in wages/benefits expense, and also has some unbudgeted Misc. Expense. We don’t have enough information to project year end at this point in time.

The **projected** cost overruns (above) within the Sheriff’s Offices can be summarized as:

○ \$120,000	Overtime
○ \$10,000	On-Call
○ \$6,000	Travel
○ <u>\$200,000</u>	<u>Inmate Housing</u>
\$336,000	Total

Other departments on the “watch list” include:

- **Human Resources 27% expended:** The majority of the advertising expense budget of \$5,000 was expended by the end of the first quarter. If advertising continues at the current rate, it will be over \$13,000 over budget by year end.
- **County Coroner 24% expended:** The Medical Services budget of the Coroner was 38% expended as of the first quarter and is likely to be between \$5,000 to \$10,000 over budget by year end. This expense is not discretionary.
- **Building & Grounds 28% expended:** Over \$7,000 was spent during the first quarter in testing the air quality of the Courthouse. This expense was not budgeted, and is projected to be about \$30,000 (if testing continues for the entire year).

The General Fund statement appears on the next page.

Governmental Fund - General

YTD Percent = 25%

as of March 31, 2018

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	7,102,957	7,102,957	2,107,877	4,995,080	30%
Licenses and Permits	596,955	596,955	64,252	532,703	11%
Intergovernmental	1,183,235	1,183,235	100,689	1,082,546	9%
Charges for Services	1,759,054	1,759,054	410,688	1,348,366	23%
Interest	100,068	100,068	72,191	27,877	72%
Misc	397,950	397,950	5,880	392,070	1%
Total Revenues	11,140,219	11,140,219	2,761,577	8,378,642	25%
Expenditures					
Administration	386,605	386,605	120,574	266,031	31%
Attorney	212,092	212,092	42,125	169,967	20%
Building & Grounds	272,792	272,792	68,581	204,211	25%
County Assessor	645,799	645,799	171,658	474,141	27%
County Clerk & Recorder	509,784	509,784	111,274	398,510	22%
County Clerk- Elections	178,772	178,772	45,724	133,048	26%
County Commissioners	886,195	886,195	197,077	689,118	22%
County Coroner	80,620	80,620	19,439	61,181	24%
County Fair Board	83,040	83,040	280	82,760	0%
County Surveyor	17,899	17,899	937	16,962	5%
County Treasurer	543,205	543,205	136,517	406,689	25%
County Treasurer - Public Trustee	15,176	15,176	3,812	11,364	25%
CSU Extension	170,909	170,909	36,360	134,549	21%
CSU Extension Checking	20,000	20,000	1,410	18,590	7%
Development Services-Building	191,817	191,817	35,937	155,880	19%
Development Services-Planning	137,172	137,172	30,577	106,595	22%
District Attorney	414,616	414,616	3	414,613	0%
Finance	394,371	394,371	71,091	323,280	18%
Human Resources	139,682	139,682	37,966	101,716	27%
IT/GIS	468,866	468,866	99,787	369,079	21%
Jail Bonding/Commissary	35,000	35,000	10,670	24,330	30%
Livestock Auction	305,000	305,000	115	304,885	0%
Sheriff Administration	366,011	366,011	83,309	282,702	23%
Sheriff Animal Control	111,165	111,165	12,500	98,665	11%
Sheriff Court Security	79,905	79,905	21,434	58,471	27%
Sheriff Detention	1,078,494	1,078,494	263,089	815,405	24%
Sheriff Emergency Management	359,013	359,013	82,701	276,312	23%
Sheriff Investigations	259,837	259,837	75,721	184,116	29%
Sheriff Patrol	852,685	852,685	219,160	633,525	26%
Tourism Fund	170,000	170,000	-	170,000	0%
Transportation Administration	79,209	79,209	18,579	60,630	23%
Transportation Mountain Express	129,360	129,360	24,439	104,921	19%
Veterans Services	105,959	105,959	18,386	87,573	17%
Weed & Pest	181,817	181,817	20,848	160,969	11%
Non-Departmental	3,713,338	3,713,338	879,459	2,833,879	24%
Total Expenditures	13,638,205	13,638,205	2,961,540	10,676,665	22%
Revenue over (under) Expenditures	(2,497,986)	(2,497,986)	(199,964)		

Road & Bridge Fund:

Revenue Detail

During the first quarter of the year, 22% of the annual budgeted Road & Bridge revenue was received. 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 quarter, about 47% was actually received.

Sales Tax:

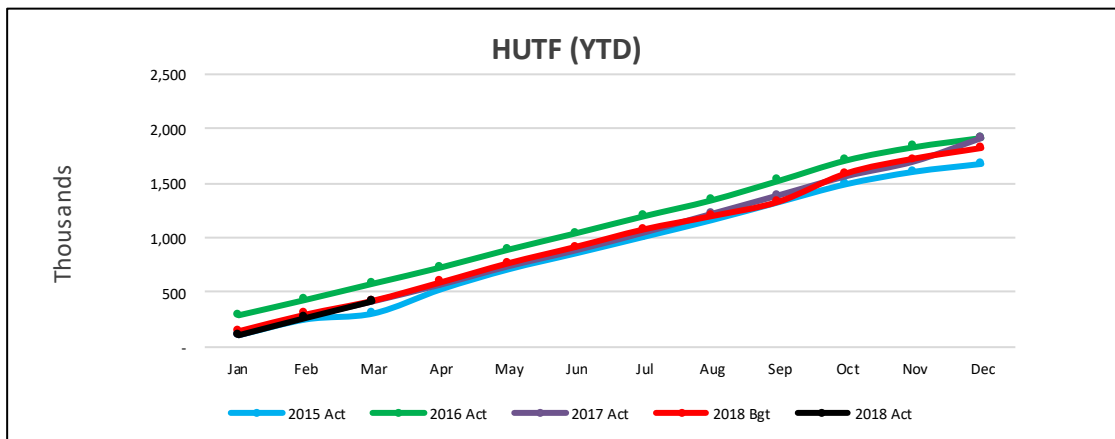
Sales Tax revenue is collected in arrears, just as explained in the General Fund narrative. It is just the Road & Bridge portion of the same tax. Only the January portion appears in this report. However, we also know the February and March amounts. Taken together, the first quarter Sales Tax receipts are 5.3% higher than the seasonally adjusted budget. It is too early to tell if this trend will continue.

Licenses and Permits Revenue:

This refers to Road Cut & Driveway Permits. About 30% of the annual budget was received during the first quarter. This is more than normal, but we are not sure if this reflects early work (because of the mild winter weather) or is reflective of an overall increase in activity.

Intergovernmental Revenue:

Some sources of revenue are usually received evenly throughout the year. The largest of these is within the category Intergovernmental Revenue and is known as HUTF (Highway Users Tax Fund) revenue. During the first quarter, 23% (almost exactly the seasonally adjusted budget amount) was received. See the graph below:



After taking seasonal variations into account, total Road & Bridge Fund revenue streams are being received at approximately the amounts budgeted for 2018.

Expense Detail:

During the first quarter only 11% of the Road & Bridge Fund expense budget was utilized (which is the same percent of budget as the first quarter of 2017). The majority of individual departments (6 out of 7) were *under* budget, as expected. Note that most significant road maintenance and construction occurs during the “construction” season, being late spring thru early fall.

One department did incur a disproportionate amount of expense during the first quarter of the year, being R&B Administration, which was 39% expended. Within this budget, the annual General Liability insurance premium is paid in full during the first quarter. This consumed 122% of the annual amount budgeted, and it will be almost \$33,000 over budget when the year ends.

About 46% of the budgeted Treasurer Fees were charged during the first quarter, which is normal. Most of that line item will have been charged by mid-year.

Most of the remaining expense categories were at or under budget and there is currently no reason to predict that anything other than the General Liability insurance line item will be over budget at year end. That said, there does not seem to room in the department budget for savings that would offset the higher than expected insurance cost, and some utilization of the Contingency budget may be required later in the year.

Governmental Fund - Road & Bridge

as of March 31, 2018

YTD Percent =	25%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	4,057,832	4,057,832	867,028	3,190,805	⬇️ 21%
Licenses and Permits	25,000	25,000	7,385	17,615	⬆️ 30%
Intergovernmental	1,884,398	1,884,398	434,577	1,449,821	⬇️ 23%
Misc	24,000	24,000	9,565	14,435	⬆️ 40%
Total Revenues	5,991,230	5,991,230	1,318,554	4,672,676	⬇️ 22%
Expenditures					
Administration	860,412	860,412	336,004	524,408	⬇️ 39%
Road Maintenance	2,992,118	2,992,118	388,126	2,603,992	⬆️ 13%
RCI (General)	501,091	501,091	112,305	388,786	⬆️ 22%
RCI (Paving)	3,351,659	3,351,659	28,564	3,323,095	⬆️ 1%
RCI (Pavement Maintenance)	299,500	299,500	0	299,500	⬆️ 0%
RCI (Bridges)	85,000	85,000	0	85,000	⬆️ 0%
Unallocated	100,000	100,000	0	100,000	⬆️ 0%
Total Expenditures	8,189,780	8,189,780	864,999	7,324,781	⬆️ 11%
Revenue over (under) Expenditures	(2,198,550)	(2,198,550)	453,555		

Combined Dispatch Fund:

Revenue Detail

During the first quarter of the year, 24% of the annual budgeted Dispatch revenue was received.

Intergovernmental:

This category is the support received from various jurisdictions who participate in 911 Dispatch functions, that is, entities that make or received Dispatch calls for service. As of the end of the first quarter, these contributions were being received a bit ahead of schedule.

Charges for Services:

911 Fees are received from various communication service providers. These continue to be received in arrears and therefore appear quite low (9% received as of the end of the first quarter). It is not yet clear if these will be received as budgeted, later in the year.

Expense Detail

Capital Outlay costs are not evenly spread throughout the year and most of this budget was expended during the first quarter. That said, there do not appear to be any spending issues at this time and expenditures are expected to be within budget at year end.

Governmental Fund - Archuleta County Combined Dispatch as of March 31, 2018

YTD Percent =	25%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Intergovernmental	323,177	323,177	109,409	213,768	✓ 34%
Charges for Services	230,058	230,058	20,945	209,113	⚠ 9%
Misc	-	-	1,868	(1,868)	N/A
Transfers In	350,110	350,110	87,527	262,583	⚠ 25%
Total Revenues	903,345	903,345	219,749	683,596	⚠ 24%
Expenditures					
Combined Dispatch					
Personnel Costs	619,051	619,051	147,184	471,867	✓ 24%
Materials & Services	172,386	172,386	31,629	140,757	✓ 18%
Capital Outlay	25,300	25,300	19,518	5,782	⚠ 77%
Debt Service	57,665	57,665	14,416	43,249	✓ 25%
Total Expenditures	874,402	874,402	212,748	661,654	✓ 24%
Revenue over (under) Expenditures	28,943	28,943	7,002		

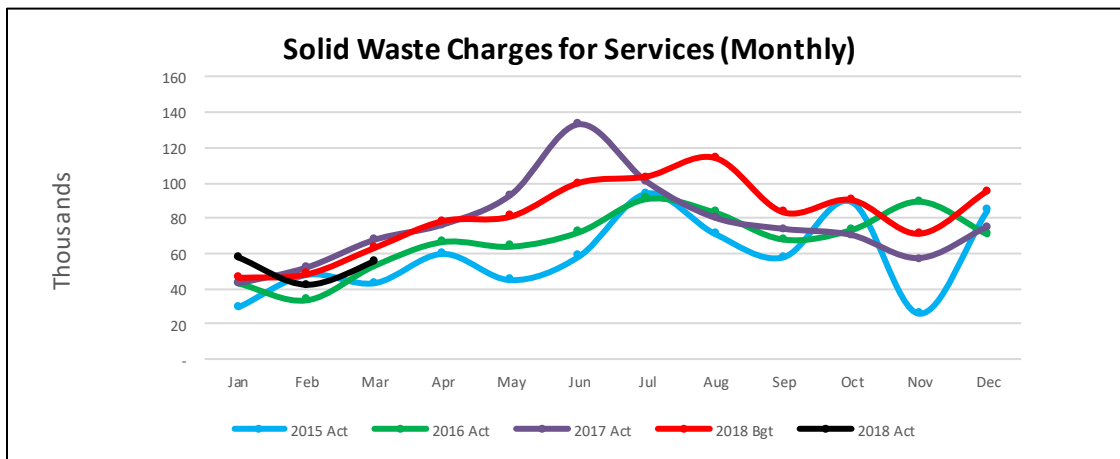
Solid Waste Fund:

Revenue Detail

During the first quarter of the year, 18% 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. Typically, the amounts received in the first quarter are proportionately low. So, while only 15% of the annual budget was received during the first quarter, that was actually 99% of the seasonally adjusted revenue expected for that time period. Thus, we believe revenue will come in close to the amounts budget for 2018 overall).



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. About 21% of the annual amount was received during the first quarter.

Overall, revenue is currently projected to come in close to the amounts budgeted for 2018.

Expense Detail:

During the first quarter only 7% of the Solid Waste Fund expense budget was utilized. Three out of five departments were *under* budget during the first quarter. The other two were over budget, but by trivial amounts, as follows:

- Administration is 26% expended: Workman's Compensation insurance costs were budgeted lower than they should have, and as a result, they are expected to over budget by \$2,700 by year end.
- Recycling is 35% expended: Some benefit costs were incorrectly coded to this cost center during the first quarter. When this is corrected, the Recycling budget will be under budget.

The Landfill budget is only 4% expended during the first quarter, and will be very low during the second quarter as well. Most of this budget is for the construction of a new cell at the landfill and most of the billing for that project is expected to occur during the third and fourth quarters.

The Solid Waste Fund report appears on the next page.

Enterprise Fund - Solid Waste

YTD Percent = 25%

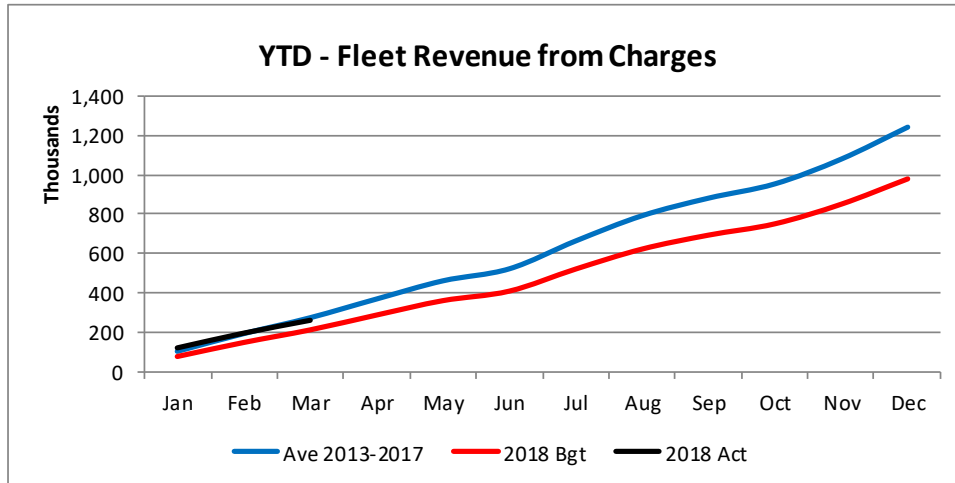
as of March 31, 2018

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	988,770	988,770	147,971	840,799	⚠ 15%
Misc	11,000	11,000	2,300	8,700	⚠ 21%
Transfers In	500,000	500,000	125,000	375,000	✅ 25%
Total Revenues	1,499,770	1,499,770	275,271	1,224,499	18%
Expenditures					
Administration	72,262	72,262	18,933	53,329	⚠ 26%
Arboles Transfer Station	16,360	16,360	2,723	13,637	✅ 17%
Landfill	1,796,014	1,796,014	77,486	1,718,528	✅ 4%
Pagosa Transfer Station	149,659	149,659	32,974	116,685	✅ 22%
Recycling	1,581	1,581	553	1,028	⚠ 35%
Total Expenditures	2,035,876	2,035,876	132,669	1,903,207	7%
Revenue over (under) Expenditures	(536,106)	(536,106)	142,602		

Fleet Fund:

Revenue Detail

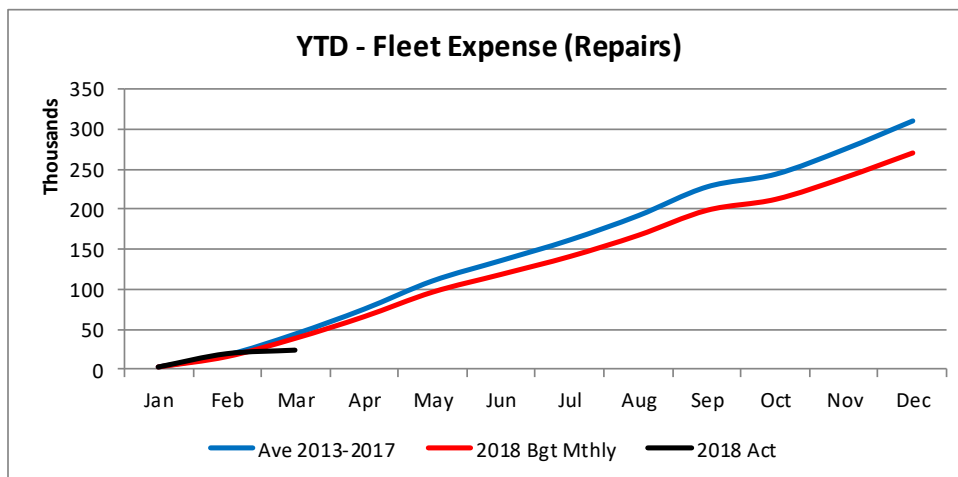
Fleet revenue comes from charges to County departments for fuel and services. From month to month, they are highly variable, depending upon the need for major repairs on heavy equipment. That said, during the first quarter of 2018, Fleet revenue was about 20% of the annual budget; about 95% of the average of year to date revenue during the last five years; but about 22% higher than the seasonally adjusted year to date budget. See the graph below:



Expense Detail

All the major categories of Fleet expense were under budget during the first quarter. The Capital Outlay category, in particular, showed no expense, although 51% of the Capital Outlay budget was encumbered for the purchase of new equipment.

One expense account in the Fleet Fund is used as a proxy for overall fleet repair costs. Over time, improvements in the preventative maintenance of the fleet, as well as replacements of old and unreliable equipment, should be bringing down the cost of this line item. Therefore, it has been budgeted (in 2018) at 87% of the average of the last five years. As of the end of the first quarter, actual expenses in this account are about 64% of the year to date seasonally adjusted budget. See the graph below:



Internal Services Fund - Fleet
as of March 31, 2018

YTD Percent =	25%
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	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	1,273,858	1,273,858	258,525	1,015,333	⚠️ 20%
Misc	-	-	1,758	(1,758)	N/A
Transfers In	300,000	300,000	75,000	225,000	✅ 25%
Total Revenues	1,573,858	1,573,858	335,283	1,238,575	⚠️ 21%
Expenditures					
Fleet Services					
Personnel Costs	307,608	307,608	70,308	237,300	✅ 23%
Materials & Services	890,448	890,448	150,704	739,744	✅ 17%
Capital Outlay	625,000	625,000	-	625,000	✅ 0%
Total Expenditures	1,823,056	1,823,056	221,012	1,602,044	✅ 12%
Revenue over (under) Expenditures	(249,198)	(249,198)	114,271	(363,469)	

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	_____	_____	_____
Budget (GFOA Award)	N/A	_____	_____	_____
Expenditures/Fund (Within Budget)	100%	_____	_____	_____
<i>Core Processes on Schedule:</i>				
Audit Prep	70%	_____	_____	_____
Accounts Payable	100%	_____	_____	_____
Budget	N/A	N/A	_____	_____
Human Services Accounting	100%	_____	_____	_____
Payroll	100%	_____	_____	_____
Quarterly Reporting	100%	_____	_____	_____
Year End Close Process	70%	_____	_____	_____

Highlights from the first quarter include:

- Accounts Payable, Purchase Cards and County Payroll were processed accurately and on time.
- Audit work preparation deadlines do not fall neatly into fiscal quarters. However, we estimate that audit preparation work is approximately 70% complete as of the end of the first quarter and should be completed during the second quarter, in time for the site visit by our auditors, scheduled for the last week of May and the first week of June.
- Phase 3 of the Compensation Adjustment engineered in 2016 was implemented early in the quarter. All County employees are now paid at least to the 50% percentile of the defined market for their position, as determined by our compensation consultants.
- We have decided to abandon our planned consolidation of the DHS and (separate) County bi-weekly payroll processes. While merging them into one bi-weekly process was expected to save time (and simplify scheduling activities), the State DHS office mandated (with little warning) some changes in payroll reporting methods, and that required some re-engineering of our own DHS payroll process. (Thanks to Cheryl Wilmer and LeeAnn for working out the details in record time). The re-engineered process that meets the State standards would be much more difficult to consolidate with the County payroll process and therefore, no efficiencies would be generated by doing so.
- We have added a new 2018 Goal, being to do some in-depth analysis of Capital Assets within the County. We have begun by cleaning up various asset records in our books, by doing such things as updating “location” codes (to correspond to current asset locations), eliminating assets that are both fully depreciated and previously disposed, etc... Once the books are cleaned up, a comprehensive count/reconciliation is planned. This is quite a difficult project to execute, as many of the County’s assets are vehicles and equipment that are almost constantly in motion across the County. The count portion of this project is expected to occur in the fourth quarter, after road construction activity starts to slow down, but before snow removal activity begins.

Larry Walton, Finance Director