

# INTRODUCTORY SECTION



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### INTRODUCTORY SECTION

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##### Required Supplementary Information

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## DEPARTMENT OF FINANCE

### AND ADMINISTRATION

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P.O. BOX 758

GREELEY, COLORADO 80632

June 29, 2021

Honorable Board of Commissioners and Citizens of Weld County  
County of Weld  
1150 O Street  
Greeley, CO 80631

Dear Board Members and Citizens of Weld county:

The Comprehensive Annual Financial Report of the County of Weld, State of Colorado for the fiscal year ended December 31, 2020, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. The assurance of the accuracy in the County financial report is a result of the County's internal controls. The controls have been developed to provide accurate information on an efficient and cost-effective basis. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

With the December 31, 2020 financial statements, Weld County has elected to continue a significant change in government financial reporting. The purpose of these changes, which were developed by the Governmental Accounting Standards Board (GASB), is to provide better and more complete information to the users of governmental financial statements. In addition to changes to the basic financial statements, the statements are now accompanied by an introduction, overview, and analysis, referred to as "Management's Discussion and Analysis" (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the independent auditor's report.

The County provides the full range of county services contemplated by statute or charter. These include general government functions, public protection and safety, health, social services, human resource services, public improvements, road and bridge operations, planning and zoning, and general administrative services.

## Honorable Board of Commissioners and Citizens of Weld County

This report includes all activities for which the Board of County Commissioners is accountable to the citizens of Weld County, financially, or by State Statute or the Weld County Home Rule Charter. All applicable funds, departments, and offices are included in these financial statements as part of the “primary government” of Weld County. In addition, there are several legally separate entities that have significant operational or financial relationships with the County. These include the Weld County Housing Authority, Weld County Retirement Plan, Beebe Draw Law Enforcement Authority, Pioneer Community Law Enforcement Authority, Southwest Weld Law Enforcement authority, Weld County Finance Corporation, and E-911 Authority. These entities are also included in the County’s financial statements.

### **INDEPENDENT AUDIT**

Colorado law requires that the County’s financial statements be audited by an independent certified public accountant or firm of certified public accountants licensed to practice in the State of Colorado. The county’s financial statements have been audited by McGee, Hearne, & Paiz LLP, a Colorado licensed Certified Public Accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for issuing an unqualified opinion that the County’s financial statements for the year ended December 31, 2020, are fairly presented in conformity with GAAP. The independent auditor’s report is presented in the front of the financial section of this report.

The independent audit of the County’s financial statements was part of a broader, federally mandated “Single Audit” in accordance with provisions of the Single Audit Act of 1984, Federal Single Audit Amendment of 1996, and Subpart F of Title 2 U.S. CRF Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, and the U.S. Office of Management and Budget’s (OMB) Compliance Supplement. The “Single Audit” is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, especially as they relate to the administration of federal awards. Single audit schedules and the auditor’s reports are available in the “Single Audit” section of the document.

## Honorable Board of Commissioners and Citizens of Weld County

### PROFILE OF WELD COUNTY

***Location and demographics.*** Weld County is located along Colorado's Front Range in the northern part of the state. Weld County covers an area of 3,999 square miles in north central Colorado. It is bordered on the north by Wyoming and Nebraska and on the south by the Denver metropolitan area. The third largest county in Colorado, Weld County has an area greater than that of Rhode Island, Delaware and the District of Columbia combined.

The climate is dry and generally mild with warm summers, mild winters and a growing season of approximately 138 days. The land surface is fairly level in the east, with rolling prairies and low hills near the western border. Elevations in the county range from 4,400 to 5,000 feet.

The South Platte River and its tributaries, the Cache la Poudre, Big Thompson, Little Thompson, Boulder, St. Vrain, and other smaller streams, flow into Weld County from the south and west, leaving the county on the east.

There are 32 incorporated towns in Weld County. The county seat and principal city, Greeley, is located in the west central part of the county and contains almost half the county's population. Generally, most of the remaining population resides within a 20 to 30 mile radius of Greeley; the northeastern part of the county is sparsely populated. Southwest Weld County is one of the fastest growing areas in the state due to its proximity to the north Denver metro area. The county's population in 2020 was approximately 333,000.

### COUNTY GOVERNMENT

***County Services.*** Weld County provides the full range of services contemplated by State Statute and the Weld County Home Rule Charter. Services include:

- Judicial and public safety - - consisting of the Sheriff, District Attorney, operation and maintenance of the detention center, regional communications center, and building inspection.
- Health, employment, and social services.
- Planning and zoning.
- Construction, reconstruction and maintenance of streets, highways, and bridges.
- Parks and recreation.
- Property valuation, tax collection and distribution, and vehicle licensing.
- General administrative services.



## Honorable Board of Commissioners and Citizens of Weld County

**County Operating Structure.** Weld County became Colorado's first Home Rule County in 1976. The County is governed by a five-member Board of County Commissioners. Three Commissioners are elected by districts of relatively equal population and two Commissioners are elected at large. They serve staggered four-year terms and function as the County's policymaking body. Each Commissioner coordinates one of five functions of the County. The County is also served by four other elected officials: assessor, clerk and recorder, district attorney, and sheriff. Weld County also has a five-member, non-partisan, elected body that is charged to review all aspects of County government and to make periodic written reports to the public. The Commissioners appoint department heads to be responsible for the various day-to-day operations.

**Budgeting.** The County Commissioners annually adopt budgets by department for all governmental and proprietary funds. Budgets are controlled by the major object categories of Personnel, Operating Costs, and Capital Outlay. Control is maintained by the three categories at the division/department level in the General Fund and at the fund level in all other funds. Supplemental appropriations are approved by the Board of County Commissioners as needed during the year to provide for those items that were unknown or unforeseen at the time the budget was originally adopted.

### MAJOR INITIATIVES

**For the Year.** In 2020, the Board identified a number of significant program changes to enhance service delivery to the citizens of Weld County. The following is a summary of significant program changes and initiatives for 2020:

- The new Department of Oil and Gas Energy was staffed with 15 FTE to regulate oil and gas operations under SB 19-181 with full cost recovery through permit fees.
- The creation of two new District Court judges required increasing the staff of the District Attorney by 5 FTE, and the Sheriff by 6 FTE for a total cost of \$1,138,331.
- With the passage of HB 19-1278 there was a Presidential Primary, and new election mandates increasing the costs of elections by nearly \$1.5 million in 2020.
- Sheriff's Office transitioned the management of criminal records and evidence from the Greeley Police Department contract to bringing the two functions in-house on January 1, 2021.
- A new coroner's morgue is being constructed and staffed.
- The public safety information system (Spillman) is being updated or replaced.
- The 2020-2024 Capital Improvements Plan for facilities was funded at \$75,275,000.
- Funded the oil and gas revenue fluctuation reserve in the Contingency Fund at \$60.0 million.
- Communications phased in recovering 40% of costs through user fees versus 20%.

## Honorable Board of Commissioners and Citizens of Weld County

- Public Trustee function was move under the County Treasurer July 1, 2020, and no longer be a Governor's appointee.
- 29.00 FTE in the Sheriff's Office were added in 2020.
- Capital investment in the county's information technology infrastructure for data center storage and fiber redundancy totaled \$2,250,000.
- Opened a Southwest Weld Substation booking function to serve south county law enforcement agencies
- Completed construction of the \$45 million jail expansion.
- Funded increased salary adjustments for all sworn Sheriff officers to be competitive with other Front Range law enforcement agencies for recruitment and retention of officers.
- Continued efforts to control health care costs for county employees/dependents. No rate increase in 2020 meant premiums are 11.8% lower than they were six years ago.
- With the sale of the NCMC hospital property an endowment of \$59.4 million was created to fund Bright Future student grants from the earnings of the endowment.
- The county dealt with the impacts of the COVID-19 pandemic and the related public health response with assistance from the CARES Act.

### **FACTORS AFFECTING FINANCIAL CONDITION**

#### ***Economic Conditions and Outlook.***

As we move forward in 2021, we stand several months into a grave economic crisis caused by the impact of the coronavirus pandemic. The economic landscape continues to evolve as businesses dramatically shift workflows, households reevaluate their finances, and federal, state, and local governments seek new policies to both reopen economically while at the same time tempering the spread of COVID-19. The Colorado and U.S. economies contracted in 2020 at rates more severe than those experienced during the Great Recession. A sharp decline that began in the first quarter of 2020 deepen significantly in the second quarter, reflecting shutdown orders that spanned most states. Phased reopening has given way to a gradual rise in economic activity. Yet, the effects of the shutdown will continue to ripple through the economy well into the future. Many but not all workers furloughed or laid off during the shutdown will regain employment as some businesses will downsize or fail to reopen. Ongoing uncertainty and health-related concerns, combined with the economic blow of the shutdown, will constrain business investment, consumer activity, and the strength of the job market well into 2021.

The impacts of the COVID-19 pandemic and the related public health response of the past months have been widespread, leaving no part of the U.S. and Colorado economies untouched. Unemployment rates have been in the high teens, which have not been seen since the Great Depression. Some business closures and job losses will be permanent, leaving a lasting mark on economic activity. The global oversupply of crude oil, met with the COVID-19-related plummet in fuel demand, sent crude oil prices to unprecedented lows. As the U.S. oil and gas industry contracts, upstream and downstream industry impacts are mounting, compounding the impacts

## Honorable Board of Commissioners and Citizens of Weld County

of the COVID-induced recession. Unprecedented federal stimulus and monetary policy have helped to stabilize and soften the impact of economic contraction. Yet, the strength of the recovery remains uncertain and dependent on an effective means to isolate and contain COVID-19. Most economic forecasts assume that a vaccine will not be available to all citizens for at least a few months into 2021, necessitating ongoing social distancing restrictions.

The phased reopening will begin to show signs of an economic rebound in 2021. However, job losses, wage cuts, health concerns, and ongoing uncertainty will restrain consumer spending into 2021. Amid uncertainty and profit losses, business investment will falter. A slowing global economy and trade uncertainty had already created challenges for many U.S. businesses before the spread of COVID-19 to the U.S. The full impact of COVID-19-related closures is not yet well known as surveys struggle to keep up with rapidly changing economic circumstances. The shutdown has pushed cash flow dependent industries to the brink of collapse. Bankruptcies are likely in the retail and leisure and hospitality sectors, and many businesses will not reopen their doors. While some industries were more affected than others, none have been untouched.

A major impact to the local economy is the impact on the oil and gas industry. Energy industry activity collapsed in 2020, led by historically low crude oil prices that defied logical expectations when the price of oil fell to below zero. The crude oil industry is faced with twin supply and demand shocks resulting in an unprecedented drop in prices and storage nearing full capacity. Oil production in the U.S. declined, with natural gas production falling in tandem. With oil prices hovering around \$30-45 per barrel, intermittently plunging to near zero, and supply exceeding demand during the shutdown, recovery will depend on how quickly businesses reopen and the extent to which consumer travel activity resumes. At the beginning of March, Saudi Arabia and Russia flooded the global market with oil, causing prices to drop 24 percent overnight. As COVID-19 shutdowns went into effect across the world, demand for gasoline and jet fuel declined precipitously and has yet to recover fully. Forecasts for oil prices vary but generally peg West Texas Intermediate crude oil at around \$30-\$45 per barrel during 2020 before increasing to around \$45-60 per barrel in 2021. More efficient firms with lower per barrel breakeven prices and those with price hedges through at least 2020 stand to fare better through this crisis; however, many firms are overleveraged and may be forced into bankruptcy.

Other sectors of the economy important to Weld County have also been impacted by the coronavirus such as the slowing of housing and commercial development as demand has dropped. As economies reopen, the residential housing market is expected to improve and remain relatively stable as tight inventories and low mortgage rates are expected to support the market in spite of economic uncertainty. COVID-19 has significantly dampened the outlook for agricultural producers, who are already in the midst of a prolonged industry downturn. COVID-19-related slowdowns at meatpacking facilities across the country have created supply chain bottlenecks, compounding demand shortfalls due to the closing of schools and restaurants. Prices for most major farm commodities, including hogs, ethanol, cattle, milk, corn, soybeans, and wheat, have declined. Both demand and supply conditions in the months ahead are likely to continue to weigh on agricultural commodity prices.

## Honorable Board of Commissioners and Citizens of Weld County

The State of Colorado government's budget woes will also impact Weld County government. As the recession causes a reduction in sales tax and income tax revenues, the state struggles to balance its budget. With many county programs tied to the finances of the state, the Weld County budget is always in jeopardy when the state begins to look for places to cut its budget. This problem will persist through 2021 and perhaps longer. Even if the economy rebounds, analysts are warning that income taxes from capital gains from sale of assets may lag several years due to the dramatic drop in the prices of equities and real estate. The portion of state and federal income tax from capital gains is significant.

The current recession has posed unprecedented challenges to policymakers and corporate leaders alike. As difficulties from the coronavirus crisis persist nationally, consumer confidence, and labor market disturbances will likely persist in Colorado. A recovery of the Colorado economy will be closely correlated with improvements in the national economy, and improvement in the national economy is contingent upon a variety of volatile factors. Anticipating the effects of future monetary and fiscal policy actions is quite difficult. Additionally, the overall effect of the enacted federal stimulus acts remains unknown, as does the lag between the legislation's implementation and consequent benefits.

### **LONG-TERM FINANCIAL PLANNING**

The main purpose of county government is to be able to continue providing essential public safety, health, welfare services, and a county transportation system. The national and international economies are struggling under unprecedented uncertainties and challenges resulting from the COVID 19 pandemic. With unemployment rates we have not seen in years, volatile energy prices, and slow economic growth, many local governments are feeling financial pressures. Fortunately, Weld County is weathering this storm better than many other local governments thanks to our past prudent and conservative financial management. Over the years Weld County has taken several steps to restrict spending and safeguard taxpayer dollars. However, despite these sound fiscal practices, Weld County will not escape some of the consequences of the economic downturn and economic turmoil around it. The added factors of the dramatic drop in oil prices due to the Saudi Arabia and Russia oil price war and new oil and gas regulations resulting from SB19-181 have sent oil prices tumbling to below \$30 per barrel. At \$30 to \$45 per barrel of oil many US shale companies doing business in Weld County find it unprofitable to drill new wells.

The energy melt down threatens to cause a repeat of the last crash which bankrupted dozens of American oil and gas companies and caused hundreds of thousands of layoffs in the industry. The industry was already under stress from Wall Street, banks, and investors who want them to cut their debt. The net result is the oil price drop threatens to set off a cascade of bankruptcies and layoffs in an industry that was built on shaky financial ground marked by heavy debt. The big unknown is how long will the shrinking demand for oil from the coronavirus and the swelling supply of oil from the OPEC production limits increase last. The coronavirus could get under control sooner than the OPEC production limits are resolved. Analysts are predicting oil will remain between \$30-\$45 per barrel through 2020 and reach \$45-\$60 in 2021.

In analyzing Weld County's economic impact, the situation will most definitely result in a slowdown in drilling and production in Weld County. This will mean fewer new wells, less capital investment, drop in royalty payments, job layoffs, and economic slowdown for local businesses serving the industry and their employees. For Weld County government and other local governments benefiting from the assessed valuation from oil and gas production, we will see a significant drop

## Honorable Board of Commissioners and Citizens of Weld County

in the assessed valuation and property tax revenues for the 2022 budgets. The 2021 budgets was not impacted because the assessed valuation is based upon the 2019 oil and gas production. The 2019 assessed valuation from oil and gas in Weld County was down approximately 10% due to the price drop in 2019 from the 2018 price levels, even though production was up in 2019. Prior to the coronavirus and oil price war, it was anticipated oil and gas production could drop by 10%-20% due to SB 19-181 regulations in 2020, as evidenced by the drop in the number of active drilling rigs operating in Weld County.

With oil prices being \$30-\$45 per barrel, that is a one-third drop in the price over a year ago which will be coupled with the anticipated drop in production. The combination of the two factors will most likely result in a drop of nearly \$70 million or more than a 30% in property tax collections for Weld County government alone from 2020 to 2022. Fortunately, Weld County strategically had one-time spending for 2020 of \$80 million and \$72 million for 2021 to help absorb the shock in 2022. With some price recovery in the next two years, hopefully the lower oil production and price will stabilize.

Weld County has been building up a rainy-day fund (Contingency Fund) over the last few years that is at \$60 million currently and is planned to increase to \$100 million in 2021. This fund will allow the county to adapt to the changing reality of oil and gas revenues and provide for a soft landing in doing so by avoiding any crashing shocks to the budget and county services. Besides the rainy-day fund, the county has 7 mills of property tax that have been providing temporary tax credits to property taxpayers in Weld County. Future County Commissioners will have the option of reducing the temporary tax credits to avoid budget cuts if they so choose.

As Weld County policymakers and managers face the next three to four years, it will take extra efforts on everyone's part to deliver conservative and balanced budgets in fiscal years 2021-2024. Based upon some reasonable projections of future assessed values and demand for services, it will be essential to develop budgets that tighten county government's belt, focus on critical services, and reflect the needs of the citizens of Weld County. While weathering these economic times over the next few years, the budget must continue to deliver essential services and also make strategic investments in human capital management, as well as the county's infrastructure, so that our county is well-positioned for a strong economic rebound when the downturn becomes an upturn.

As stated earlier, the main issue facing Weld County is the impact of the volatility of the price and production of oil and gas will have on Weld County's assessed value, which generates over 60% of the property taxes to support over 40% of the county's budget. The problem will come in configuring the 2022 budget, because with the drop in oil and gas prices in 2020 the oil and gas assessed value may well drop over 20%. In doing a reasonable forecast of assessed values due to the volatility of oil and gas values, the structural and cyclical problem of the property tax revenues for the next three years must be dealt with as one budgetary issue, and not left to be dealt with in the individual years – thus creating a major problem for 2023 and 2024. Hopefully, by 2025 the assessed values will begin to stabilize with an economic recovery and stable oil and gas prices.

## Honorable Board of Commissioners and Citizens of Weld County

Another area of concern is the State of Colorado budget crisis with the drop in sales tax and income tax resulting from the economic slowdown. Many of the county's programs are dependent upon our funding partnership with the state. As the state seeks to balance its budget, the county can expect cuts to state programs impacting the county until the economy and state revenues improve.

Challenging fiscal times test the strength of an organization's backbone, but they also provide an opportunity to review and strengthen policies, enhance the analytical knowledge of the organization, and inspire fresh perspectives. It is an opportunity for departmental-level reviews and analysis. It is a time to align strategies and programs to maximize the positive impacts on services to the county's residents and find innovative ways to reduce costs and leverage resources. A major challenge or crisis can provide impetus to innovate and make changes that would nearly be impossible in better times.

Prioritizing services is essential in the dealing with the budgetary challenge. Services cannot be provided as they always have been. There may be some fat that can be trimmed from the existing service mix, but more likely Weld County will have to do more with less, do less of, or simply stop providing some services to concentrate on a more limited number of high priority programs.

### **RELEVANT FINANCIAL POLICIES**

Weld County is in excellent financial condition with no debt, no sales tax, one of the lowest mill levies among all Colorado counties, a significant cash reserve, and a fully funded pension plan. As discussed earlier the national and international economies are struggling under unprecedented uncertainties and challenges resulting from the COVID 19 pandemic. With unemployment rates we have not seen in years, volatile energy prices, and slow economic growth, many local governments are feeling financial pressures. Fortunately, Weld County is weathering this storm better than many other local governments thanks to our past prudent and conservative financial management. However, due to the anticipated drop in assessed valuation for 2022 the 2021 budget has been developed in anticipation of the revenue drop in 2022 to position the county to be able to deal with the revenue drop without adversely impacting county services in 2022.

Finally, the 2021 budget continues to emphasize long-term planning and investment consistent with the Weld County Strategic Plan and the *Strategic Investment Plan for the Future of Weld County*. The 2021 budget must address: 1) investment in the long term; 2) continue to strengthen financial management; 3) improve County operations; 4) investment in technology; and 5) focus on employee engagement and workforce development.

Honorable Board of Commissioners and Citizens of Weld County

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. This was the thirty-ninth year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Award for Distinguished Budget Presentation for its 2021 annual appropriated budget for over thirty-sixth consecutive years. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

Financial reports are valuable in that they provide a permanent historical record of a governmental agency's operation to the management and the general public. It is our belief that this is a comprehensive report of the 2020 financial transactions under our control and that the following statements present an accurate, informative record of the financial activities of the County of Weld and its financial condition at December 31, 2020. The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Accounting/Finance Department. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the members of the Board of County Commissioners for their interest and support in planning and conducting financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald D. Warden". The signature is fluid and cursive, with the first name "Donald" and last name "Warden" clearly distinguishable.

Donald D. Warden,  
Director of Finance and Administration







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**County of Weld  
Colorado**

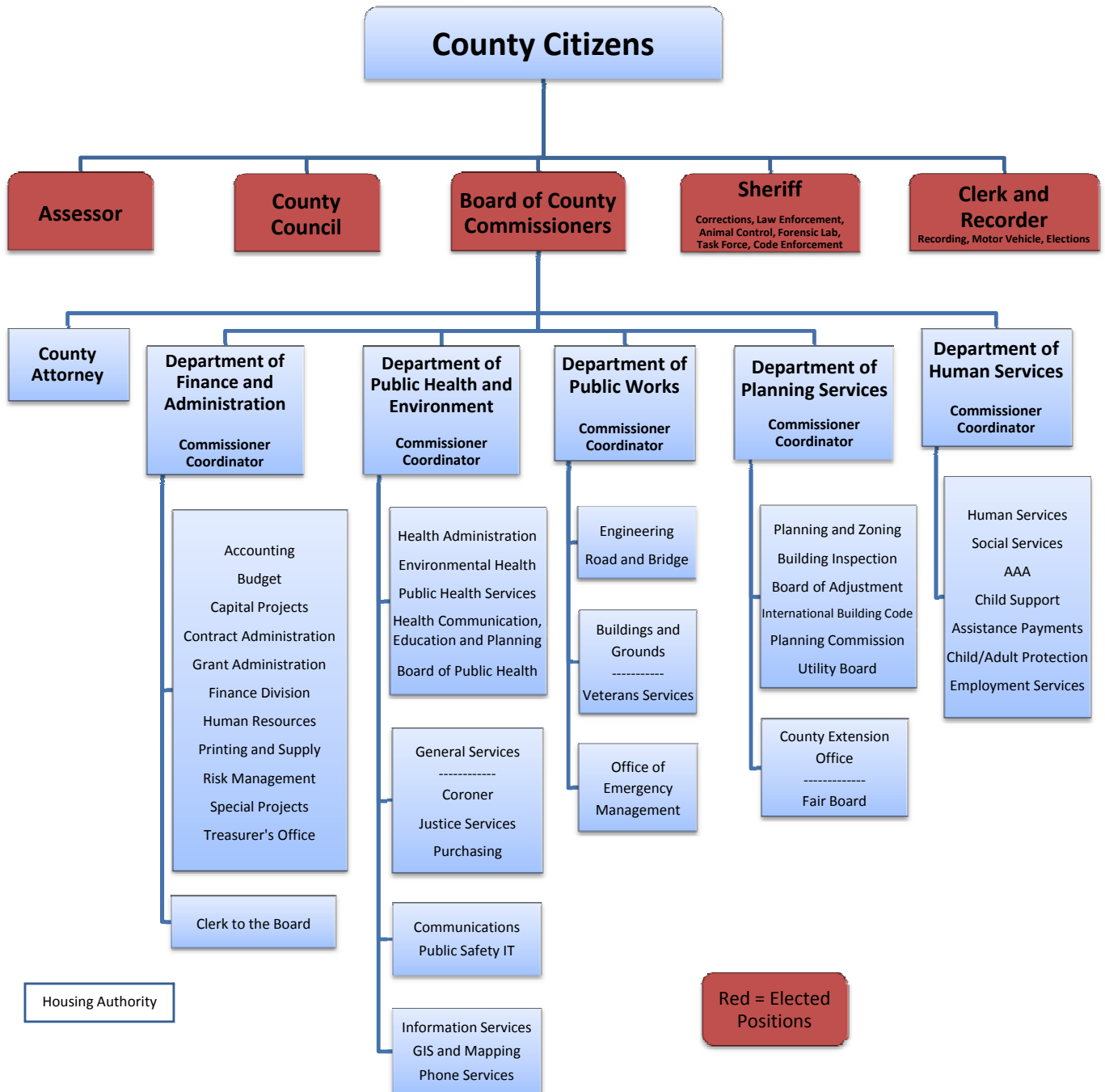
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO

# WELD COUNTY HOME RULE GOVERNMENT



COUNTY OF WELD  
STATE OF COLORADO  
PRINCIPAL COUNTY OFFICIALS

December 31, 2020

Board of County Commissioners

Mike Freeman  
Barbara Kirkmeyer  
Scott James  
Steve Moreno  
Kevin Ross

County Clerk and Recorder

Carly Koppes

County Assessor

Brenda Dones

County Sheriff

Steve Reams

Director of Finance & Administration

Don Warden

Controller

Barbara Connolly

Treasurer

John R. Lefebvre, Jr.