



BASIC FINANCIAL STATEMENTS

Garfield County, Colorado
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 120,162,623	\$ 4,746,041	\$ 124,908,664
Due from other governments	54,394,310	-	54,394,310
Accounts, taxes, and other receivables	1,858,640	114,567	1,973,207
Prepaid expenses	29,960	-	29,960
Inventory	91,652	-	91,652
Internal balances	(38,748)	38,748	-
Capital Assets			
Capital assets not being depreciated	17,011,886	341,325	17,353,211
Capital assets - depreciable, cost	410,669,809	4,675,560	415,345,369
Accumulated depreciation	(135,489,496)	(2,626,826)	(138,116,322)
Total Assets	468,690,636	7,289,415	475,980,051
Liabilities			
Accounts payable	3,601,937	106,628	3,708,565
Accrued expenses	1,877,262	62,263	1,939,525
Non-current Liabilities			
Due within one year			
Accrued compensated absences	460,735	7,878	468,613
Due longer than one year			
Accrued compensated absences	1,382,205	23,635	1,405,840
Landfill closure and postclosure obligations	-	703,547	703,547
Total Liabilities	7,322,139	903,951	8,226,090
Deferred Inflow of Resources			
Unavailable property tax revenue	53,966,761	-	53,966,761
Total Deferred Inflow of Resources	53,966,761	-	53,966,761
Net Position			
Net investment in capital assets	292,192,199	2,390,059	294,582,258
Restricted for:			
Public Health	1,514,597	-	1,514,597
Road and Bridge	23,319,842	-	23,319,842
Human Services	9,007,835	-	9,007,835
Conservation Trust	16,256	-	16,256
Emergency Reserve	3,368,434	-	3,368,434
Grants	99,925	-	99,925
Capital Projects	13,170,017	-	13,170,017
Unrestricted	64,712,631	3,995,405	68,708,036
Total Net Position	\$ 407,401,736	\$ 6,385,464	\$ 413,787,200

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Activities
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 26,171,545	\$ 4,366,878	\$ 2,344,964	\$ 680,705	\$ (18,778,998)	\$ -	\$ (18,778,998)
Public safety	22,492,864	541,817	933,485	140,297	(20,877,265)	-	(20,877,265)
Public works	25,950,121	534,365	9,384,186	1,556,251	(14,475,319)	-	(14,475,319)
Health and welfare	21,440,584	144,546	17,682,300	-	(3,613,738)	-	(3,613,738)
Culture and recreation	1,536,630	490,960	178,631	-	(867,039)	-	(867,039)
Interest	696,848	-	-	-	(696,848)	-	(696,848)
Total Governmental Activities	98,288,592	6,078,566	30,523,566	2,377,253	(59,309,207)	-	(59,309,207)
Business-type Activities:							
Solid waste	1,245,451	1,101,790	3,340	-	-	(140,321)	(140,321)
Total	\$ 99,534,043	\$ 7,180,356	\$ 30,526,906	\$ 2,377,253	(59,309,207)	(140,321)	(59,449,528)
General Revenues:							
Property taxes levied for general government purposes					49,890,045	-	49,890,045
Property taxes levied for capital expenditures					2,497,810	-	2,497,810
Sales taxes					9,085,232	-	9,085,232
Specific ownership taxes					2,488,204	-	2,488,204
Severance taxes					2,145,161	-	2,145,161
Other Taxes					142,973	-	142,973
Investment earnings					610,429	-	610,429
Loss on disposal of capital assets					(832,114)	-	(832,114)
Grants and contributions not restricted to specific programs					8,794	-	8,794
Transfers					(68,374)	68,374	-
Total General Revenues and Transfers					65,968,160	68,374	66,036,534
Change in Net Position					6,658,953	(71,947)	6,587,006
Net Position Beginning of Year					400,742,783	6,457,411	407,200,194
Net Position End of Year					\$ 407,401,736	\$ 6,385,464	\$ 413,787,200

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Balance Sheet
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Capital Expenditures</u>	<u>Oil and Gas Mitigation</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and investments, unrestricted	\$ 46,097,194	\$ 23,698,208	\$ 9,527,629	\$ 12,762,988	\$ 18,215,051	\$ 6,464,683	\$ 116,765,753
Accounts receivable	39,490,000	10,497,427	3,414,333	577,512	-	2,132,380	56,111,652
Prepays	29,960	-	-	-	-	-	29,960
Due from other funds	237,317	69,557	-	220,956	-	15,247	543,077
Inventory	-	91,652	-	-	-	-	91,652
Total Assets	<u>\$ 85,854,471</u>	<u>\$ 34,356,844</u>	<u>\$ 12,941,962</u>	<u>\$ 13,561,456</u>	<u>\$ 18,215,051</u>	<u>\$ 8,612,310</u>	<u>\$ 173,542,094</u>
Liabilities							
Accounts payable	\$ 1,721,264	\$ 618,551	\$ 306,205	\$ 264,799	\$ 256,426	\$ 383,810	\$ 3,551,055
Accrued expenditures	1,290,308	193,622	305,238	-	-	64,898	1,854,066
Due to other governments	-	-	8,324	-	-	-	8,324
Due to other funds	378,478	108,893	44,532	-	25,000	18,268	575,171
Total Liabilities	<u>3,390,050</u>	<u>921,066</u>	<u>664,299</u>	<u>264,799</u>	<u>281,426</u>	<u>466,976</u>	<u>5,988,616</u>
Deferred Inflow of Resources							
Unavailable property tax revenue	38,898,148	10,024,284	3,003,354	126,640	-	1,914,335	53,966,761
Total Deferred Inflow of Resources	<u>38,898,148</u>	<u>10,024,284</u>	<u>3,003,354</u>	<u>126,640</u>	<u>-</u>	<u>1,914,335</u>	<u>53,966,761</u>
Fund Balances							
Non-spendable	29,960	91,652	-	-	-	-	121,612
Spendable:							
Restricted	3,368,434	23,319,842	9,007,835	13,170,017	-	1,630,778	50,496,906
Committed	211,574	-	-	-	17,933,625	4,600,221	22,745,420
Assigned	-	-	266,474	-	-	-	266,474
Unassigned	39,956,305	-	-	-	-	-	39,956,305
Total Fund Balances	<u>43,566,273</u>	<u>23,411,494</u>	<u>9,274,309</u>	<u>13,170,017</u>	<u>17,933,625</u>	<u>6,230,999</u>	<u>113,586,717</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 85,854,471</u>	<u>\$ 34,356,844</u>	<u>\$ 12,941,962</u>	<u>\$ 13,561,456</u>	<u>\$ 18,215,051</u>	<u>\$ 8,612,310</u>	<u>\$ 173,542,094</u>

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Total Governmental Fund Balances	\$	113,586,717
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities (excluding the Motor Pool Fund) are not financial resources and therefore not reported in the funds. However, in the Statement of Net Position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense:		
Cost of capital assets	421,717,217	
Less accumulated depreciation	(131,246,011)	290,471,206
 Interfund receivables and payables between governmental funds are reported on the fund Balance Sheet but eliminated on the government-wide Statement of Net Position:		
Interfund receivables	575,171	
Interfund payables	(575,171)	-
 An internal service fund is used by management to charge the costs of the motor pool to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		
		5,157,741
 Liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds but are reported in the government-wide Statement of Net Position:		
Compensated absences	(1,813,928)	(1,813,928)
 Net Position of Governmental Activities	 \$	 <u><u>407,401,736</u></u>

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Capital Expenditures</u>	<u>Oil and Gas Mitigation</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 45,299,058	\$ 12,847,114	\$ 2,116,725	\$ 2,876,754	\$ -	\$ 964,613	\$ 64,104,264
Licenses and permits	5,010	250,446	-	-	-	-	255,456
Intergovernmental	1,451,997	3,238,895	16,695,964	8,198,511	-	2,591,702	32,177,069
Charges for services	5,997,821	-	108	-	-	463,936	6,461,865
Fines and forfeitures	126,912	-	-	-	-	-	126,912
Investment income	540,451	-	18,050	49,775	-	2,122	610,398
Contributions	710,866	121,327	-	300,000	-	86,949	1,219,142
Miscellaneous	515,805	130,963	79,363	16,674	-	141,308	884,113
Total Revenues	<u>54,647,920</u>	<u>16,588,745</u>	<u>18,910,210</u>	<u>11,441,714</u>	<u>-</u>	<u>4,250,630</u>	<u>105,839,219</u>
Expenditures							
Current							
General government	21,284,450	-	-	3,522,865	281,426	1,190,714	26,279,455
Public safety	21,001,135	-	-	169,770	-	418,272	21,589,177
Public works	123,680	14,120,166	-	7,357,462	-	1,308,779	22,910,087
Health and welfare	557,420	-	18,335,407	-	-	2,687,941	21,580,768
Culture and recreation	1,263,511	-	-	238,733	-	190,000	1,692,244
Debt Service							
Principal retirement	-	-	-	15,560,000	-	-	15,560,000
Interest	-	-	-	417,666	-	-	417,666
Other charges	-	-	-	4,200	-	-	4,200
Total Expenditures	<u>44,230,196</u>	<u>14,120,166</u>	<u>18,335,407</u>	<u>27,270,696</u>	<u>281,426</u>	<u>5,795,706</u>	<u>110,033,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,417,724</u>	<u>2,468,579</u>	<u>574,803</u>	<u>(15,828,982)</u>	<u>(281,426)</u>	<u>(1,545,076)</u>	<u>(4,194,378)</u>
Other Financing Sources (Uses)							
Sale of capital assets	-	-	-	8,794	-	-	8,794
Transfers in	1,210,000	-	-	8,932,872	-	1,624,000	11,766,872
Transfers out	(4,868,810)	-	-	-	(4,466,436)	(2,500,000)	(11,835,246)
Total Other Financing Sources (Uses)	<u>(3,658,810)</u>	<u>-</u>	<u>-</u>	<u>8,941,666</u>	<u>(4,466,436)</u>	<u>(876,000)</u>	<u>(59,580)</u>
Net Change in Fund Balances	6,758,914	2,468,579	574,803	(6,887,316)	(4,747,862)	(2,421,076)	(4,253,958)
Fund Balances Beginning of Year	<u>36,807,359</u>	<u>20,942,915</u>	<u>8,699,506</u>	<u>20,057,333</u>	<u>22,681,487</u>	<u>8,652,075</u>	<u>117,840,675</u>
Fund Balances End of Year	<u>\$ 43,566,273</u>	<u>\$ 23,411,494</u>	<u>\$ 9,274,309</u>	<u>\$ 13,170,017</u>	<u>\$ 17,933,625</u>	<u>\$ 6,230,999</u>	<u>\$ 113,586,717</u>

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2012

Net Changes In Fund Balances - Total Governmental Funds \$ (4,253,958)

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (9,601,685)	
Capital outlay	<u>6,069,022</u>	(3,532,663)

The County has sold assets which are shown at their sales price on governmental funds but are shown as a gain or loss on the sale of assets based upon sale price less the asset's book value. (832,114)

Elimination of transfers between governmental funds:

Transfers in	\$ 11,766,872	
Transfers out	<u>(11,766,872)</u>	-

The internal service fund, used by management to charge the costs of the motor pool to individual funds, is not reported in the government-wide Statement of Activities. Governmental fund expenditures are reduced and the related internal service fund profit is eliminated. 149,175

Interest expense reported in the Statement of Activities does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds. This represents the change in accrued interest during the year netted with amortization of bond premiums and refunding losses. (279,182)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments on debt		15,560,000
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Capitalization and amortization of bond issuance costs is charged over time in the Statement of Net Position. (145,574)

Compensated absences 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. This represents the change in compensated absences during the year. (6,731)

Change In Net Position of Governmental Activities \$ 6,658,953

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,746,041	\$ 3,396,871
Accounts receivables	114,567	141,298
Due from other funds	69,264	912
Total Current Assets	4,929,872	3,539,081
Non-current Assets		
Capital Assets:		
Construction in progress	41,325	-
Land	300,000	-
Land improvements	1,912,817	-
Buildings	768,258	-
Improvements	20,388	-
Machinery and equipment	1,974,097	5,964,478
Accumulated depreciation	(2,626,826)	(4,243,487)
Total Non-current Assets	2,390,059	1,720,991
Total Assets	7,319,931	5,260,072
Liabilities		
Current Liabilities		
Accounts payable	106,628	50,881
Accrued expenses	62,263	14,872
Accrued compensated absences	7,878	8,704
Due to other funds	30,516	7,566
Total Current Liabilities	207,285	82,023
Non-current Liabilities		
Accrued compensated absences	23,635	20,308
Closure and postclosure obligations	703,547	-
Total Non-current Liabilities	727,182	20,308
Total Liabilities	934,467	102,331
Net Position		
Net investment in capital assets	2,390,059	1,720,991
Unrestricted	3,995,405	3,436,750
Total Net Position	\$ 6,385,464	\$ 5,157,741

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 1,101,790	\$ 1,819,636
Miscellaneous	3,340	-
Total Operating Revenues	<u>1,105,130</u>	<u>1,819,636</u>
Operating Expenses		
Personnel	497,409	283,732
Purchased services	236,021	186,104
Materials and supplies	70,392	580,568
Depreciation	404,183	597,252
Other	37,446	27,519
Total Operating Expenses	<u>1,245,451</u>	<u>1,675,175</u>
Operating Income (Loss)	(140,321)	144,461
Non-operating Revenues		
Sale of capital assets	-	4,714
Income Before Transfers In	(140,321)	149,175
Transfers in	<u>68,374</u>	<u>-</u>
Change in Net Position	(71,947)	149,175
Net Position Beginning of Year	<u>6,457,411</u>	<u>5,008,566</u>
Net Position End of Year	<u><u>\$ 6,385,464</u></u>	<u><u>\$ 5,157,741</u></u>

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,182,550	\$ 1,830,907
Cash received from other sources	3,340	-
Cash payments for personal services	(497,475)	(284,053)
Cash payments for goods and services	(260,475)	(805,517)
Net Cash Provided by Operating Activities	<u>427,940</u>	<u>741,337</u>
Cash Flows from Noncapital Financing Activities		
Transfers in (out)	11,426	(2,052)
Net Cash (Used in) Noncapital Financing Activities	<u>11,426</u>	<u>(2,052)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from the sale of capital assets	-	4,714
Payments for capital acquisitions	(646,388)	(755,767)
Net Cash (Used in) Capital and Related Financing Activities	<u>(646,388)</u>	<u>(751,053)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(207,022)	(11,768)
Cash and Cash Equivalents Beginning of Year	<u>4,953,063</u>	<u>3,408,639</u>
Cash and Cash Equivalents End of Year	<u>\$ 4,746,041</u>	<u>\$ 3,396,871</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (140,321)	\$ 144,461
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation	404,183	597,252
(Increase) decrease in accounts receivable	80,760	11,271
Increase (decrease) in accounts payable	15,392	(11,986)
Accrued expenses	30,545	660
Compensated absences payable	(66)	(321)
Landfill closure and postclosure care	37,447	-
Net Cash Provided by Operating Activities	<u>\$ 427,940</u>	<u>\$ 741,337</u>

The accompanying notes are an integral part of these financial statements.

Garfield County, Colorado
Statement of Assets and Liabilities
Agency Funds
December 31, 2012

	<u>2012</u>
Assets	
Cash and investments	\$ 4,800,300
Total Assets	<u>\$ 4,800,300</u>
Liabilities	
Due to others	\$ 338,852
Due to other governments	4,461,448
Total Liabilities	<u>\$ 4,800,300</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies

1A. Reporting Entity

Garfield County ("County") was formed in 1883. The governing body of the County is a three member Board of County Commissioners. The County provides the following services directly: general administration, sheriff, jail, roads and bridges, solid waste disposal, public health, airport and human services.

The accounting policies of the County conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

As required by GAAP, these financial statements present Garfield County, Colorado (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Brief descriptions of the blended component units follow:

Garfield County Building Corporation – The Garfield County Building Corporation (the "Corporation") was incorporated in September 1999 and formed for the purpose of facilitating County financings, including the acquisition of real estate, property and improvements for lease to the County. The Corporation issued Certificates of Participation in October 1999 for the construction of a Jail Facility. The Corporation later issued Certificates of Participation in 2006. The financial data of the Corporation is reported as part of the primary government because it is fiscally dependent upon the County and provides financing solely to the County. Although the Corporation is a separate legal entity, for financial reporting purposes, it is part of the County and is included in the Capital Expenditures Fund. During 2012, the County early redeemed the 2006 Certificates of Participation and dissolved the Corporation.

Garfield County Finance Authority – The Garfield County Finance Authority (the "Authority") was incorporated in October, 2001 and formed for the purpose of facilitating County financings, including the acquisition of real estate, property and improvements for lease to the County. The Authority issued certificates of participation in October 2001 for the construction of an administration building and a maintenance facility. The financial data of the Authority is reported as part of the primary government because it is fiscally dependent upon the County and provides financing solely to the County. Although the Authority is a separate legal entity, for financial reporting purposes, it is part of the County and is included in the Capital Expenditures Fund.

Travelers Highland Public Improvement District – The Travelers Highland Public Improvement District (the "PID") was established in December 2009 for the purpose of infrastructure improvements located at County Road 300 and State Highway 6&24. The boundaries of the PID are within the County but costs relating to infrastructure within the PID are borne by the PID's citizens through a separate mill levy. The County's Board sits as *ex officio* as the PID Board. Although the PID is a separate legal entity, for financial reporting purposes, it is part of the County and is included in the Travelers Highlands PID Fund.

1B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities, which display information about the primary government (the County) and its component units. These statements present summaries of Governmental and Business-type Activities for the County accompanied by a total column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

1B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees, fines, and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) 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 among program revenues are reported instead as general revenues.

The government-wide financial statements are presented with an economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements. The County's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected 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 generally are 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 primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. All other revenue items are considered to be measurable and available only when cash is received by the County.

The following are the County's major governmental funds, proprietary funds, and fiduciary funds:

The General Fund – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Colorado.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The County reports the following major special revenue funds:

Road and Bridge Fund – State law empowers the County to levy property taxes for the purposes of construction and maintenance of County roads and bridges. This fund accounts for those taxes and all State and Federal monies received to maintain County roads and bridges.

Human Services Fund – This fund accounts for Federal and State welfare grant revenue. In addition, the County is required by Colorado Revised Statutes to levy a property tax to defray a portion of the cost of administering the grants.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

1B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Oil and Gas Mitigation Fund – This fund accounts for resources accumulated to offset the effects of oil and gas exploration and production within the County.

Capital Projects Funds

Capital Projects Funds account for financial resources collected and used for the acquisition or construction of major capital facilities. The County reports one capital projects fund.

Capital Expenditures Fund – This fund accounts for resources assessed to be used to acquire capital assets and for the construction of major capital projects, excluding capital assets acquired by proprietary funds.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The two proprietary funds are classified as an enterprise fund and as an internal service fund.

Solid Waste Fund (Enterprise Fund) – The Solid Waste Fund accounts for the County's landfill operations which are primarily funded by site collections.

Motor Pool Fund (Internal Service Fund) - The Motor Pool Fund accounts for transportation services provided by the Motor Pool Department to all other departments or agencies of the County on a cost reimbursement basis.

Fiduciary Funds - These funds include agency funds which account for monies held on behalf of other governments and agencies that use the County as a depository or for property taxes collected on behalf of the other governments or agencies. Agency funds are excluded from reporting in the government-wide financial statements. No budgets are adopted for the County's agency funds.

Certain eliminations have been made in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Reconciliation of the Fund financial statements to the government-wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

1C. Cash, Cash Equivalents, and Investments

Except for cash held for third parties (i.e., the Clerk and Recorder and Sheriff's Drug Seizure Funds) and cash held by separate legal entities which are included in the County reporting entity, all cash is deposited with the County Treasurer. The Treasurer invests this cash to achieve the best possible return on the investments. Investments in short-term certificates of deposit or cash equivalents are accounted for as cash in all funds. Interest revenue is allocated to funds as designated by the Board of County Commissioners.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the County.

Investments are stated at fair value based on quoted market prices.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

Colorado law authorizes the County to invest in the following type of obligations:

- Obligations of the United States and certain U.S. government agencies securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

1D. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

1E. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1F. Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e. the consumption method).

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed.

1G. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as non-spendable as this amount is not available for general appropriation.

1H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the County fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

1H. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land improvements	10 - 50 Years	3 - 50 Years
Buildings	50 Years	10 - 20 Years
Building improvements	5 - 20 Years	5 - 20 Years
Machinery and equipment	3 - 20 Years	3 - 20 Years
Infrastructure and roads	20 - 50 Years	---
Intangibles	3 - 10 Years	---

1I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

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."

1J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Certificates of participation are recognized as liabilities in the governmental fund financial statements "when due."

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

1K. Fund Balance and Net Position

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note 3I.

Net Position - Net position represents the difference between assets, liabilities, and deferred inflow (outflow) of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for solid waste and the use of vehicles in the motor pool. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

1M. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

1N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e. they are netted).

Transfers between governmental and business-type activities on the government-wide Statement of Activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

10. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1P. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The County doesn't have any items that qualify for reporting in this category at December 31, 2012.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item that qualifies for reporting in this category. Accordingly, the item, unearned revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

Note 2 – Stewardship, Compliance and Accountability

2A. Budgetary Information – The County adopts an annual operating budget for all governmental and proprietary funds. Budgets for the governmental fund types are adopted on a basis consistent with GAAP. The proprietary fund types adopt budgets using a non-GAAP budgetary basis.

The County's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the Board's platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to the Board via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after Board approval, must be presented via a public process and again approval by the Board.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the individual fund level. Any change in total to a fund requires approval of the Board of County Commissioners. The County approved monthly changes to budgeted appropriations for the year ended December 31, 2012.

All unexpended annual appropriations lapse at year-end.

Note 3 – Detailed Notes in All Funds

3A. Deposits and Investments

The County's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the County's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the County's demand deposits was \$26,583,044 at year end.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

The County had the following investments and maturities:

	Standard & Poors Rating	Carrying Amounts	Less than one year	Less than five years
<i>Deposits:</i>				
Cash on Hand	<i>Not Rated</i>	\$ 4,450	\$ 4,450	-
Checking and Savings	<i>Not Rated</i>	26,578,594	26,578,594	-
<i>Investments:</i>				
Pools	AAA-	27,094,998	27,094,998	-
Bonds	AA+	7,492,580	7,492,580	-
Money Market Mutual Fund	AAA-	20,844,941	20,844,941	-
Agencies	AAA	45,655,741	2,009,722	43,646,019
Treasuries	AAA	<u>2,037,660</u>	-	2,037,660
Total		<u>\$ 129,708,964</u>		

The Investment Pool represents investments in COLOTRUST and CSAFE which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The County has no regulatory oversight for the pool.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the County diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The County coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the County has limited its interest rate risk.

Credit Risk. State law and County policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The County's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The County diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured or issued by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding County funds must provide the County a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

3B. Receivables

Receivables at December 31, 2012, consisted of taxes, interest, accounts, and intergovernmental receivables arising from grants. Receivables are net of an allowance for uncollectibles. There was no allowance for uncollectibles at December 31, 2012.

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

The County had the following receivables at year end:

	Governmental Funds			
	General Fund	Road and Bridge	Human Services	Capital Expenditures
Accounts	\$ 368,767	\$ 69,062	\$ 410,979	\$ 577,512
Taxes	39,117,564	10,428,365	3,003,354	-
Other	3,669	-	-	-
Total	\$ 39,490,000	\$ 10,497,427	\$ 3,414,333	\$ 577,512

	Proprietary Funds		
	Other Governmental Funds	Solid Waste Disposal	Motor Pool
Accounts	\$ 287,353	\$ 114,567	\$ 141,298
Taxes	1,845,027	-	-
Total	\$ 2,132,380	\$ 114,567	\$ 141,298

3C. Property Taxes

Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County bills and collects its own property taxes and the taxes for various other entities. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and deferred inflow of resources.

3D. Capital Assets

Governmental Activities capital asset activity for the year ended December 31, 2012 follows:

	Balance 1/1/12	Additions	Deductions	Balance 12/31/12
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 4,623,897	\$ 1,333,607	\$ (2,852,781)	\$ 3,104,723
Land	11,382,190	2,524,973	-	13,907,163
Total assets not being depreciated	<u>16,006,087</u>	<u>3,858,580</u>	<u>(2,852,781)</u>	<u>17,011,886</u>
Depreciable capital assets:				
Land improvements	51,578,062	483,140	-	52,061,202
Buildings	52,888,476	210,000	-	53,098,476
Building improvements	3,657,099	1,550,051	-	5,207,150
Machinery and equipment	22,621,828	2,096,902	(894,487)	23,824,243
Infrastructure	275,724,561	754,177	-	276,478,738
Total depreciable capital assets	<u>406,470,026</u>	<u>5,094,270</u>	<u>(894,487)</u>	<u>410,669,809</u>
Total capital assets	<u>422,476,113</u>	<u>8,952,850</u>	<u>(3,747,268)</u>	<u>427,681,695</u>
Accumulated depreciation:				
Land improvements	(3,264,117)	(1,492,149)	-	(4,756,266)
Buildings	(13,787,794)	(918,625)	-	(14,706,419)
Building improvements	(1,058,645)	(315,696)	-	(1,374,341)
Machinery and equipment	(13,155,816)	(2,268,471)	787,094	(14,637,193)
Infrastructure	(94,811,282)	(5,203,995)	-	(100,015,277)
Total accumulated depreciation	<u>(126,077,654)</u>	<u>(10,198,936)</u>	<u>787,094</u>	<u>(135,489,496)</u>
Governmental activities capital assets, net	<u>\$ 296,398,459</u>	<u>\$ (1,246,086)</u>	<u>\$ (2,960,174)</u>	<u>\$ 292,192,199</u>

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

Governmental Activities depreciation expense classified by function follows:

General government	\$ 851,460
Public safety	1,225,906
Public works	7,809,310
Culture and recreation	93,509
Health and welfare	<u>218,751</u>
 Total governmental activities depreciation expense	 <u><u>\$ 10,198,936</u></u>

Business-type Activities capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/12</u>
Business-type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 41,325	\$ -	\$ 41,325
Land	300,000	-	-	300,000
Total assets not being depreciated	<u>300,000</u>	<u>41,325</u>	<u>-</u>	<u>341,325</u>
Depreciable capital assets:				
Land improvements	1,307,754	605,063	-	1,912,817
Buildings	768,258	-	-	768,258
Buildings improvements	20,388	-	-	20,388
Machinery and equipment	1,974,097	-	-	1,974,097
Total depreciable capital assets	<u>4,070,497</u>	<u>605,063</u>	<u>-</u>	<u>4,675,560</u>
Total capital assets	<u>4,370,497</u>	<u>646,388</u>	<u>-</u>	<u>5,016,885</u>
Accumulated depreciation:				
Land improvements	(1,036,430)	(158,151)	-	(1,194,581)
Buildings	(168,705)	(38,415)	-	(207,120)
Buildings improvements	(16,446)	(394)	-	(16,840)
Machinery and equipment	(1,001,062)	(207,223)	-	(1,208,285)
Total accumulated depreciation	<u>(2,222,643)</u>	<u>(404,183)</u>	<u>-</u>	<u>(2,626,826)</u>
Business-type activities capital assets, net	<u>\$ 2,147,854</u>	<u>\$ 242,205</u>	<u>\$ -</u>	<u>\$ 2,390,059</u>

At December 31, 2012, the County had \$15,122,557 of fully depreciated capital assets.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

3E. Interfund Balances and Transfers

Interfund balances at December 31, 2012, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The County expects to repay all interfund balances within one year.

	Due From	Due To
General Fund	\$ 237,317	\$ 378,478
Road and Bridge Fund	69,557	108,893
Human Services Fund	-	44,532
Capital Expenditures Fund	220,956	-
Oil and Gas Mitigation	-	25,000
Nonmajor governmental funds	15,247	18,268
Solid Waste Fund	69,264	30,516
Motor Pool Fund	912	7,566
	\$ 613,253	\$ 613,253
Total		

Interfund transfers for the year ended December 31, 2012, consisted of the following:

	Transfer In	Transfer (Out)
General Fund	\$ 1,210,000	\$ (4,868,810)
Capital Expenditures Fund	8,932,872	-
Oil and Gas Mitigation	-	(4,466,436)
Airport Fund	-	(2,500,000)
Nonmajor governmental funds	1,624,000	-
Solid Waste Fund	68,374	-
	\$ 11,835,246	\$ (11,835,246)
Total		

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) segregate money for anticipated capital projects, (4) provide additional resources for current operations or debt service, (5) return money to the fund from which it was originally provided once a project is completed, and (6) retire certificates of participation.

All County transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

3F. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the County to place 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. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each Balance Sheet date. Total closure and postclosure care costs are currently estimated to be \$2,205,478, with closure costs estimated to be \$1,405,277 and postclosure care cost estimated to be \$800,201. The \$703,547 reported as landfill closure and postclosure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 31.9% of the capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,501,931 as the remaining estimated capacity is filled. These amounts are based on estimates of what it would cost to perform all closure and postclosure care in 2012. The County expects to close the landfill in the year 2074. Actual cost may be higher due to inflation, changes in technology, or changes in applicable laws or regulations.

The County is required by State and Federal laws and regulations to provide assurance that the County has the ability to meet its financial obligations relating to closure and postclosure monitoring of the landfill. The County is in compliance with these requirements. However, if the County's financial position significantly changes in the future and resources are not available, or costs significantly change (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

3G. Long-term Debt

2001 Certificates of Participation – On October 15, 2001 the County, through the Garfield County Finance Authority, issued \$9,460,000 in Certificates of Participation with interest ranging from 3% to 5.25%. The net proceeds of \$9,197,501 (after payment of \$357,191 in underwriting fees and other issuance costs, and a premium of \$94,692) were used to purchase U.S. Government Securities. The securities were deposited with a bond agent to provide for construction of an administration building and a maintenance facility. The Certificates of Participation were paid through a lease purchase agreement with the County. The lease was subject to annual appropriation. This issue required semi-annual payments on June 1st and December 1st from \$17,000 to \$697,000 until December 1, 2024. On April 16, 2012 the County early redeemed the Certificates of Participation in full.

2006 Certificates of Participation – On January 19, 2006 the County, through the Garfield County Building Corporation, issued \$9,685,000 in Certificates of Participation with interest ranging from 3.70% to 4.10%. The net proceeds \$9,479,737 (after payment of \$222,869 in underwriting fees and other issuance costs) were used to provide an escrow for the advance refunding of \$8,810,000 of the 1999 Certificates of Participation. The securities were deposited with a trustee to provide for payment of the refunded 1999 certificates until they were retired. The Certificates of Participation were paid through a lease purchase agreement with the County. The lease was subject to annual appropriation. This issue required semi-annual payments on June 1st and December 1st from \$7,995 to \$951,495 until December 1, 2023. On September 7, 2012 the County early redeemed the Certificates of Participation in full.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

As of December 31, 2012, there were no further annual lease requirements to amortize certificates of participations.

Changes in Long-term Obligations - Changes in the County's long-term obligations consisted of the following for the year ended December 31, 2012:

	<u>Outstanding 1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/12</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
Certificates of participation	\$ 15,560,000	\$ -	\$ (15,560,000)	\$ -	\$ -
Compensated absences	<u>1,836,530</u>	<u>557,369</u>	<u>(550,959)</u>	<u>1,842,940</u>	<u>460,735</u>
Total Governmental Activities	<u>\$ 17,396,530</u>	<u>\$ 557,369</u>	<u>\$ (16,110,959)</u>	<u>\$ 1,842,940</u>	<u>\$ 460,735</u>
Business-type Activities:					
Landfill closure & postclosure	666,100	\$ 37,447	\$ -	\$ 703,547	\$ -
Compensated absences	<u>31,579</u>	<u>9,408</u>	<u>(9,474)</u>	<u>31,513</u>	<u>7,878</u>
Total Business-type Activities	<u>\$ 697,679</u>	<u>\$ 46,855</u>	<u>\$ (9,474)</u>	<u>\$ 735,060</u>	<u>\$ 7,878</u>

The Capital Expenditures Fund was retiring the certificates of participation which was completed in 2012. The landfill closure and postclosure care liability is being retired by the Solid Waste Fund. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

Conduit Debt Obligations - From time to time, the County has issued Private Activity Bonds to provide financial assistance to private sector entities for the acquisition and construction of housing and commercial facilities deemed to be in the public interest.

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

3H. Retirement Plans

Defined Contribution Plan 401(a): The County participates in the Colorado County Officials and Employees Retirement Association (“CCOERA”), a multiple-employer public employee retirement system which is a qualified plan as defined by IRS Code Section 401(a) and Colorado Revised Statutes (CRS) 24.54. The plan provides retirement benefits through a defined contribution plan to participating Colorado counties, municipalities and special districts. Plan investment purchases are determined by the plan participant and therefore, the plan’s investment concentration varies between participants.

State statute assigns the authority to establish and amend the benefit provisions and contribution requirements of the plans that participate in CCOERA to the respective employer governments.

There are no unfunded past service liabilities. All full-time or part-time employees (working at least 30 hours per week and more than six months in any calendar year) are required to participate in the 401(a) retirement plan. The County and the employee are required to contribute 5.0% of employee compensation, excluding items defined in the CCOERA Plan Document (such as overtime) until the employee’s tenth anniversary of employment with the County, after which the contribution from each increases to 6%. The County’s contribution for each employee, including earnings thereon allocated to the employee’s account, vest at the rate of 20% for each year of participation in the plan. County contributions and earnings forfeited by employees who leave employment before fully vesting are returned to the County. The 401(a) retirement plan is not available to employees until termination, retirement, or death.

During 2012, the County and employees made the required contribution amounting to \$1,120,376 each.

Defined Contribution Plan 457: The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by CCOERA. The plan is available to all full-time or part-time employees (working at least 30 hours per week and more than six months in any calendar year) and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries. Plan investment purchases are determined by the plan participant and therefore, the plan’s investment concentration varies between participants.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
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31. Fund Balance Disclosure

The County classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal Resolutions or Ordinances of the highest level of decision making authority which is the Board of County Commissioners. Commitments may be modified or rescinded only by the government taking the same formal action that imposed the constraint originally.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assigned fund balance represents amounts constrained by the County's intent to use them for a specific purpose. The authority to assign has been delegate to the Board or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The County uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County does not have a formal minimum fund balance policy. However, the County's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to the Board.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2012
(Continued)

As of December 31, 2012, fund balances are composed of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds	Description
Non-spendable:				
Inventories	\$ -	\$ 91,652	\$ 91,652	
Prepaid expenses	29,960	-	29,960	
Restricted:				
Public Health	-	1,514,597	1,514,597	Legislative Restriction
Road and Bridge	-	23,319,842	23,319,842	Legislative Restriction
Human Services	-	9,007,835	9,007,835	Legislative Restriction
Conservation Trust	-	16,256	16,256	Legislative Restriction
Emergency Reserve	3,368,434	-	3,368,434	Legislative Restriction
Garfield County Grants	-	99,925	99,925	Federal and State Grant Restriction
Other capital projects	-	13,170,017	13,170,017	Legislative Restriction
Committed:				
Airport	-	2,201,737	2,201,737	BOCC Resolution
Fair	157,189	-	157,189	BOCC Resolution
Clerk and Recorder EFTF	-	33,840	33,840	BOCC Resolution
Traffic Study	-	732,061	732,061	Traffic Impact Fees Resolution
Livestock Auction	33,927	-	33,927	BOCC Resolution
Commissary	20,458	-	20,458	BOCC Resolution
Retirement	-	1,519,026	1,519,026	BOCC Resolution
Oil and Gas Mitigation	-	17,933,625	17,933,625	BOCC Resolution
Traveler's Highland PID	-	113,557	113,557	BOCC Resolution
Assigned:				
Human Services	-	266,474	266,474	Grant Restriction
Unassigned	39,956,305	-	39,956,305	
Total Fund Balances	\$ 43,566,273	\$ 70,020,444	\$ 113,586,717	

Garfield County, Colorado
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December 31, 2012
(Continued)

Note 4 - Other Notes

4A. Risk Management

The County participates in two risk management pools.

County Workers' Compensation Pool - The County is exposed to various risks of loss related to injuries of employees while on the job. The County joined together with other counties in the State of Colorado to form the County Workers' Compensation Pool ("CWCP"), a public entity risk pool currently operating as a common risk management and insurance program for member counties. 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 that the pool will purchase insurance through commercial companies for members' claims in excess of specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool - The County is exposed to various risks of loss related to casualty and property losses. The County has 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 intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the pool will purchase insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the County's insurance coverage during the past three years.

4B. Contingent Liabilities

The County has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the County believes such disallowances, if any, will be immaterial.

The County was a defendant in several lawsuits at December 31, 2012. In the opinion of County management, the outcome of these contingencies will not have a material effect on the financial position of the County.

4C. Tabor Amendment

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. The County placed a question on the November 1994 ballot that would permit the County to keep and spend state grants, all sales tax and property tax revenues without limiting in any year the amount of other revenues that may be collected. The ballot question was approved by the County's voters.

One of the requirements of TABOR is for emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue (excluding bonded debt service). The County has restricted a portion of its December 31, 2012 year end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$3,368,434.

Garfield County, Colorado
Notes to the Basic Financial Statements
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(Continued)

4D. Possible Violation of State Statute

The Grant Fund exceeded budgeted appropriations which may be a violation of state statutes.

4E. Construction Commitments

The County had the following contractual commitments at year end:

Fund	Project	Vendor	Contract Commitment	Completed	Retainage	Remaining
Landfill	Landfill Stockpile Relocation	Kuersten Construction	627,872	(510,482)	25,524	142,914
		Total	\$ 627,872	\$ (510,482)	\$ 25,524	\$ 142,914