



## **INTRODUCTORY SECTION**



**FINANCE DEPARTMENT**  
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**Glenwood Springs, Colorado 81601**  
**(970) 945 7284**

June 10, 2013

To the Citizens and Board of County Commissioners of Garfield County:

It is our pleasure to present to you the Comprehensive Annual Financial Report (CAFR) of Garfield County, Colorado for the fiscal year ended December 31, 2012. This report was prepared in accordance with generally accepted accounting principles (GAAP) by the Finance Department of Garfield County. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects. It is presented in a manner designed to set forth fairly the financial activity of the various funds. All disclosures necessary for the reader to gain the maximum understanding of the County's financial affairs have been included.

Colorado law requires that the financial statements of Garfield County be audited by an independent, external certified public accountant. Accordingly, this report is the result of the cooperative effort between the Finance Department and McMahan and Associates, L.L.C., our independent auditors. The independent auditor's report has been included in the financial section of this report on pages B1 and B2. In their opinion, the financial statements were presented fairly in all material respects.

Garfield County is also required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, the independent auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants is included in the single audit section located after the Statistical Section.

GAAP requires management provide a narrative introduction, overview, and an analysis to accompany the basic financial statements. This narrative is in the form of the Management's Discussion and Analysis (MD&A) and can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **PROFILE OF GARFIELD COUNTY**

### **Geography**

Garfield County is located approximately 158 miles west of Denver and 88 miles east of Grand Junction and stretches from the foothills of the Colorado Rocky Mountains to the east to the high desert plateaus to the west. It encompasses 2,958 square miles and has an estimated

population of 56,270. Approximately two thirds of the land is publicly owned and is controlled primarily by the U.S. Forest Service and the U.S. Bureau of Land Management. The County seat is Glenwood Springs.

### **Operating Structure**

Incorporated February 10, 1883, Garfield County is a statutory county, defined as a service arm of the State, and derives its elected official structure and its powers from the State through enabling legislation. The three-member Board of County Commissioners serves as the legislative, policy-making and administrative body governing the unincorporated area of Garfield County. Commissioners are elected at large from one of three geographical districts and serve staggered four-year terms. In addition to having the power to levy taxes, the authority to represent the County, the responsibility for the care of County property and the management of its affairs, the Board has the exclusive responsibility and power to adopt the annual budget for operation of County government, including all offices, boards, commissions and other spending agencies funded in whole or in part by County appropriations.

### **Services**

Garfield County provides the full range of services contemplated by State statute including assessment and property tax administration; recording of vital documents and automobile registration; sheriff patrol and jail administration; court facilities; land use planning and building inspections; road maintenance and construction; welfare and public health services; a solid waste landfill disposal facility; general aviation airport operations; fairgrounds; and environmental health protection.

### **Component Units**

The County, for financial reporting purposes, includes all funds of the primary government, as well as all of its component units. Component units are legally separate entities which the primary government must disclose in its financial statements. Blended component units are, from an accounting perspective, part of the primary government's operation and are included as part of the primary government. Garfield County has two blended component units: Garfield County Building Corporation and Garfield County Finance Authority. The Garfield County Building Corporation dissolved in 2012.

### **Budget Process**

The annual budget serves as the foundation for the County's financial planning and control. All activities, departments and funds of the County are prepared in compliance with State statute and generally accepted accounting principles. Supplemental appropriations are approved by the Board of County Commissioners as needed throughout the year. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of County Commissioners. Expenditures may not legally exceed appropriations at the fund or elected official level. Detailed line item records provide management the capability to monitor budgets for all areas. Budgetary control is exercised through the use of system controls which restrict payments exceeding the budget.

### **Internal Control**

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) The cost of a control should not exceed the benefits likely to be derived; and
- (2) The valuation of costs and benefits requires estimates and judgments by management.

## **ECONOMIC CONDITION**

### **Summary**

Garfield County's economy is largely dominated by agriculture, tourism and natural resource development and has experienced strong job growth and historically low unemployment rates until 2009. Natural gas drilling has had the most dramatic economic influence on Garfield County. As of 2008, nearly one-third of all mining industry employment for the State of Colorado was located in Garfield and the neighboring Mesa and Rio Blanco counties. Between 2004 and 2005 there was a rapid increase in the County's share of statewide mining employees, which then leveled off and modestly declined between 2006 and 2009. The industry slowed in 2008 as gas prices fell and operators reduced the number of drilling rigs. With the effects of the nationwide recession, tourism, retail sales and second home development were also reduced and the County's employment outlook began to change drastically. There was a significant reduction in both jobs and the available labor force (approximately 14 percent over a two year period) and the unemployment rate spiked, reaching a peak of 11.7 percent in March 2010. Since then, there has been a steady drop in unemployment and as of yearend, the annualized rate for Garfield County's unemployment was 8 percent, which was lower than the national rate of 8.1 percent but in line with the State rate of 8 percent. It is expected this rate will continue to decline albeit at a slow pace. Currently, 9.5 percent of Colorado mining employment is within Garfield County.

The number of building permits and the value thereof, issued by the Garfield County Community Development Department, have declined significantly in recent years though 2011 saw a temporary improvement in the number of building permits issued. Residential permits showed a decline in 2012, but commercial activity increased. It is expected that 2013 will not see much change from 2012. Valuations also remain stagnant.

Area foreclosure filings appear to have peaked in 2011, although they remain at near record highs and are accompanied by substantial short sale activity, all of which makes the health of the local real estate market difficult to determine.

Overall Garfield County's economy showed some signs of improvement in 2012. This trend is expected to continue in 2013 but at a similar, slow pace. With some upturns in the housing and job markets, incomes are expected to rise, and retail, tourism, and related sales tax revenues are also expected to increase. Retail sales have already shown good signs of recovery in 2012. Property tax revenues will increase slightly in 2013. The outlook for 2014 and beyond, however, is bleak because the price of natural gas fell by 50 percent in 2012, the year in which assessments are made for 2014 revenues, and because natural gas production slowed dramatically. At the time of this writing, the Assessor estimates there will be a decline in assessed valuations, which likely will translate to multi-million dollar decline in property tax revenues for the County for at least 2014 and 2015.

## **LONG-TERM FINANCIAL PLANNING**

As mentioned previously, the financial health of Garfield County is significantly dependent on natural resource development. Approximately 50 percent of the County's total revenue is related to property tax, and almost three quarters of property tax revenue is associated with the energy industry. Because of this and other factors, Garfield County has built up a healthy fund balance to ensure stable levels of service to Garfield County citizens, stable employment and benefits for its employees, and a strong assurance it will not need to ask the taxpayers for tax

increases to pay for the growing needs of the County during the expected downturn in our local economy.

In order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain a sound bond rating, the County has determined it will maintain an unassigned fund balance in its General Fund plus its Oil and Gas Mitigation Fund of one third of the County's total General Fund expenditures.

Due to the volatile economy driven by the oil and gas industry, Garfield County also strives to maintain an unassigned fund balance in the General Fund in excess of 15 percent of total General Fund revenues.

Looking forward, the County sees a need for constant re-evaluation of its projects and programs. Projects and programs are revisited, re-evaluated and prioritized during the annual strategic planning process and in preparation for the budget. The County emphasizes continuous improvement of work processes to ensure that the County is providing the best services possible at the lowest possible cost.

## **RELEVANT FINANCIAL POLICIES**

Garfield County updated their investment policy in May 2012. This policy adopted and amended a previous resolution that occurred in 2011. This policy accommodates the changing economy and the statutory rating requirements on investments. The policy includes more flexibility in the ratings of our investments.

In October of 2012, an updated Procurement Code was approved. The major change involved reducing the contract requirement for approval by the Board of County Commissioners (BOCC) from \$50,000 or more, to \$25,000 or more. This change in requirement added additional oversight in the areas of procurement and contracting when financial constraints are necessary due to a volatile economy.

## **MAJOR INITIATIVES**

In 2012, the Board of County Commissioners initiated several organizational changes including a managerial restructuring and downsizing. In addition the Board identified its strategic priorities which include, *inter alia*, a more sophisticated treatment of investments, cash flow analysis; increased investment in core infrastructure including Road and Bridge projects; strategic capital purchases including real property; retirement of all long-term financial obligations and the associated interest savings; decreased regulation through revision of the Unified Land Use Resolution; and clarified operating policies and procedures including an improved Procurement Code.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Garfield County, Colorado for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the fourth consecutive year that Garfield County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an

easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 GFOA to determine its eligibility for another certificate.

In addition, Garfield County also received the GFOA's Distinguished Budget Presentation Award for its budget document for the period beginning January 1, 2012. This was the third time Garfield County received this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including a policy document, a financial plan, an operations guide and a communications device.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated service of the Garfield County Finance Department. In addition, as a staff we are grateful for the assistance we receive from our independent auditors, McMahan and Associates, L.L.C.

In closing, we wish to acknowledge the leadership of the Board of County Commissioners and the cooperation of each of the County's elected officials and departments as we work together to conduct the County's financial operations. The Board supports prudent fiscal management and stewardship in a responsible and progressive manner, and the strong financial condition of Garfield County can be attributed to its positive leadership.

Respectfully submitted.



Ann Driggers  
Finance Director



Andrew Gorgey  
County Manager

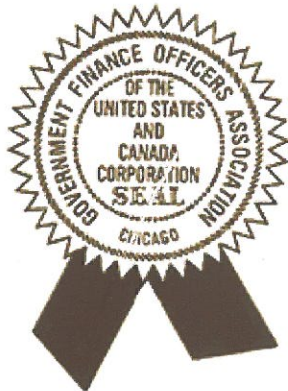
# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Garfield County  
Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



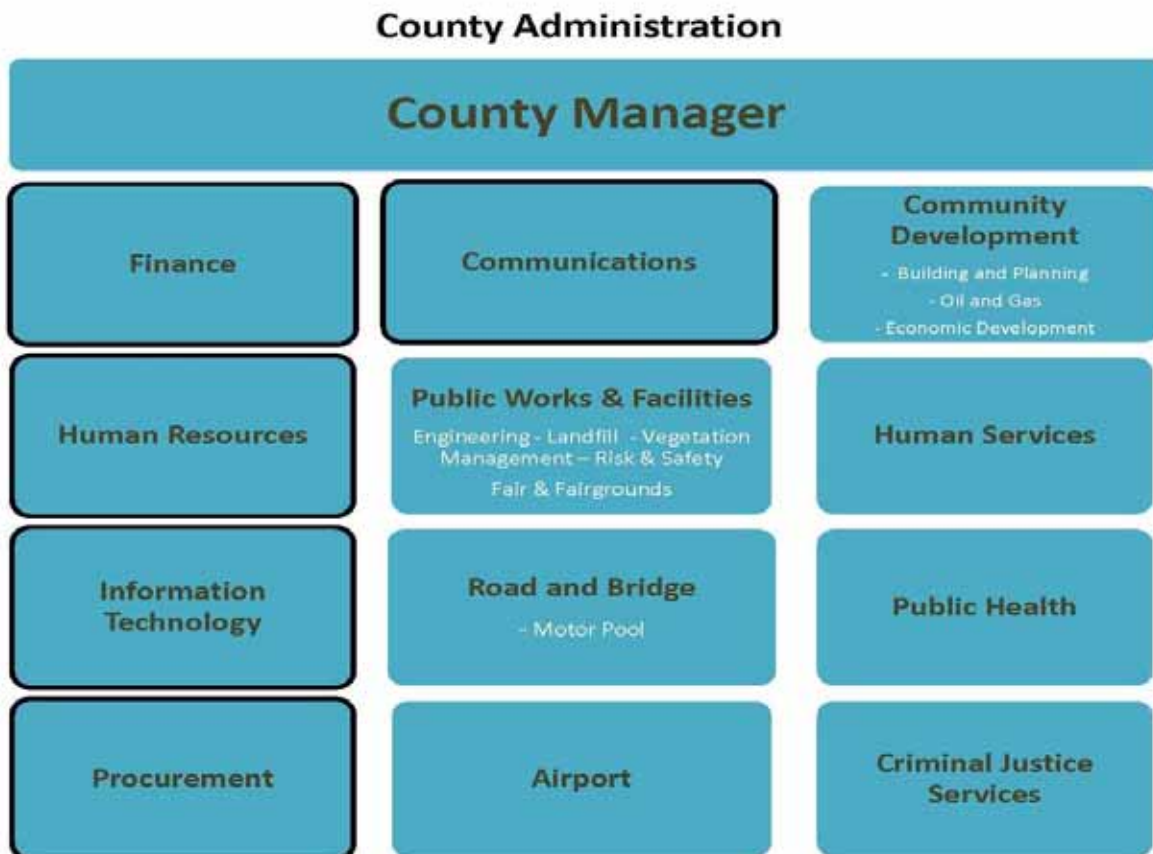
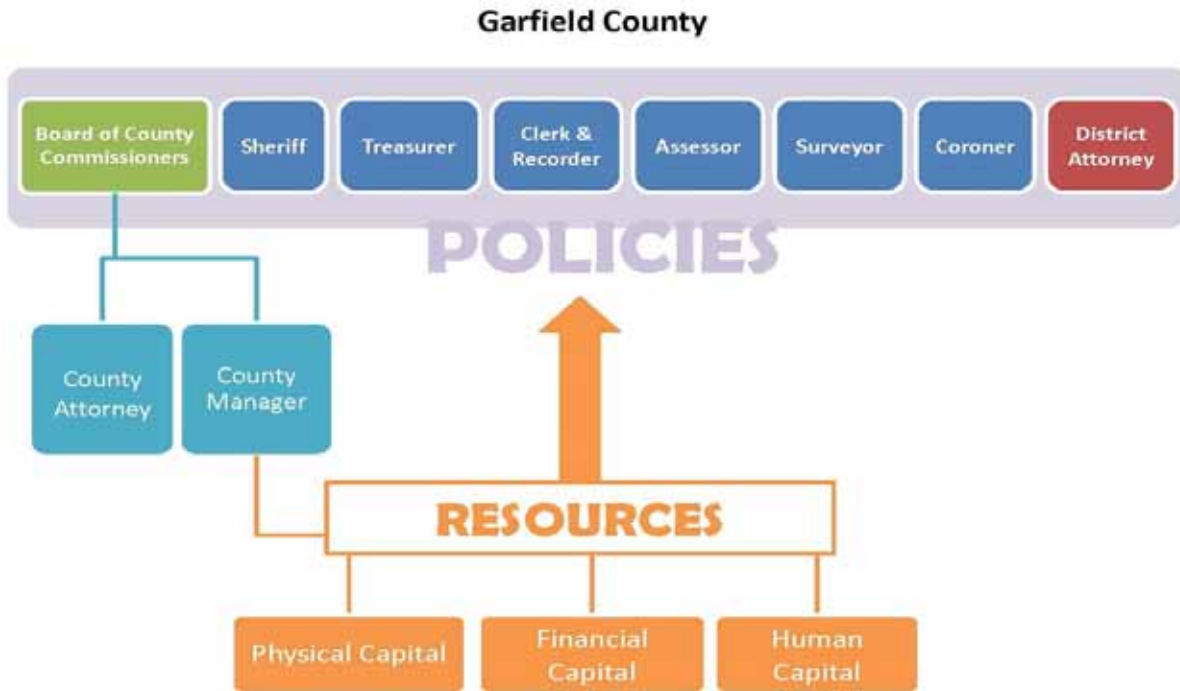
*Christopher P. Mouill*

President

*Jeffrey R. Emer*

Executive Director

## Organization Chart - 2012



*\*Departments with black outline are internal services departments, those without are public service departments*



**ELECTED OFFICIALS**

<b>Commissioner, District # 1</b>	<b>Tom Jankovsky</b>
<b>Commissioner, District # 2</b>	<b>John Martin</b>
<b>Commissioner, District # 3</b>	<b>Mike Samson</b>
<b>County Assessor</b>	<b>Jim Yellico</b>
<b>County Clerk</b>	<b>Jean Alberico</b>
<b>County Coroner</b>	<b>Trey Holt</b>
<b>County Sheriff</b>	<b>Lou Vallario</b>
<b>County Surveyor</b>	<b>Scott Aibner</b>
<b>County Treasurer/Public Trustee</b>	<b>Georgia Chamberlain</b>

**APPOINTED BY BOARD OF COUNTY COMMISSIONERS**

<b>County Attorney</b>	<b>Frank Hutfless</b>
<b>County Manager</b>	<b>Andrew Gorgey</b>

**ADMINISTRATION MANAGEMENT TEAM**

Airport	Brian Condie
Criminal Justice Services	Rodney Hollandsworth
Communications	Renelle Lott
Community Development	Fred Jarman
Public Works and Facilities	Betsy Suerth
Engineering	Randy Withee
Road & Bridge	Deb Fiscus
Finance	Ann Driggers
Information Technology	Gary Noffsinger
Procurement	Jamaica Watts
Human Services	Mary Elliott Baydarian
Public Health	Mary Meisner
Human Resources	Katherine Ross

## BOARD OF COUNTY COMMISSIONERS



Mike Samson

John Martin

Tom Jankovsky

Board of County Commissioners serve as both administrative and policy-making bodies for their counties. While, generally, boards have only those powers specifically conferred by the state general assembly, courts have held that they have such implied powers as may be necessary to carry out their specified powers. Constitutionally, the board also sits as the County Board of Equalization. The board also fills all vacancies in county offices other than those for county commissioners and for the public trustee. All powers of the county, as a legal entity, are exercised by the Board of County Commissioners and not by its individual members.