

BASIC FINANCIAL STATEMENTS

Garfield County, Colorado
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 130,077,002	\$ 5,579,502	\$ 135,656,504
Due from other governments	779,040	-	779,040
Accounts, taxes, and other receivables	32,311,877	137,335	32,449,212
Prepays	39,960	-	39,960
Inventories	289,913	13,374	303,287
Internal balances	(111,508)	111,508	-
Capital assets:			
Capital assets not being depreciated	17,800,945	300,000	18,100,945
Capital assets - depreciable, cost	450,831,371	4,887,047	455,718,418
Accumulated depreciation and amortization	(173,720,332)	(2,127,962)	(175,848,294)
Total Assets	458,298,268	8,900,804	467,199,072
Liabilities			
Accounts payable	3,348,909	73,672	3,422,581
Accrued expenses	2,711,148	35,249	2,746,397
Unearned revenue	389,171	-	389,171
Noncurrent liabilities:			
Due within one year:			
Accrued compensated absences	541,711	6,685	548,396
Due in more than one year:			
Accrued compensated absences	1,625,132	20,054	1,645,186
Landfill closure and postclosure obligations	-	1,346,615	1,346,615
Total Liabilities	8,616,071	1,482,275	10,098,346
Deferred Inflow of Resources			
Property tax revenue	30,262,162	-	30,262,162
Total Deferred Inflow of Resources	30,262,162	-	30,262,162
Net Position			
Net investment in capital assets	294,911,984	3,059,085	297,971,069
Restricted for:			
Public health	3,032,510	-	3,032,510
Road and bridge	32,355,558	-	32,355,558
Human services	17,982,325	-	17,982,325
Conservation trust	385,526	-	385,526
Emergency reserve	3,018,434	-	3,018,434
Grants	120,932	-	120,932
Capital projects	4,681,491	-	4,681,491
Unrestricted	62,931,275	4,359,444	67,290,719
Total Net Position	\$ 419,420,035	\$ 7,418,529	\$ 426,838,564

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

Garfield County, Colorado
Balance Sheet
Governmental Funds
December 31, 2016

	General	Road and Bridge	Human Services	Capital Expenditures	Total Non-major Funds	Total Governmental Funds
Assets						
Cash and investments, unrestricted	\$ 47,712,106	\$ 32,361,640	\$ 18,345,229	\$ 5,218,019	\$ 21,949,285	\$ 125,586,279
Accounts receivable	23,078,035	35,953	3,122,471	4,096,565	1,976,348	32,309,372
Due from other governments	253,811	467,424	-	-	57,805	779,040
Prepays	39,960	-	-	-	-	39,960
Due from other funds	62,642	83,492	-	394	40,170	186,698
Inventories	-	106,828	-	-	-	106,828
Total Assets	\$ 71,146,554	\$ 33,055,337	\$ 21,467,700	\$ 9,314,978	\$ 24,023,608	\$ 159,008,177
Liabilities						
Accounts payable	\$ 1,559,012	\$ 354,930	\$ 441,652	\$ 203,328	\$ 720,609	\$ 3,279,531
Accrued expenditures	1,386,149	211,064	532,189	333,594	233,722	2,696,718
Unearned revenue	-	-	-	-	389,171	389,171
Due to other funds	354,938	26,957	46,448	-	11,687	440,030
Total Liabilities	3,300,099	592,951	1,020,289	536,922	1,355,189	6,805,450
Deferred Inflow of Resources						
Property tax revenue	22,486,820	-	2,214,360	4,096,565	1,464,417	30,262,162
Total Deferred Inflow of Resources	22,486,820	-	2,214,360	4,096,565	1,464,417	30,262,162
Fund Balances						
Non-spendable	39,960	106,828	-	-	-	146,788
Spendable:						
Restricted	3,018,434	32,355,558	17,982,325	4,681,491	3,538,968	61,576,776
Committed	1,008,686	-	-	-	17,665,034	18,673,720
Assigned	-	-	250,726	-	-	250,726
Unassigned	41,292,555	-	-	-	-	41,292,555
Total Fund Balances	45,359,635	32,462,386	18,233,051	4,681,491	21,204,002	121,940,565
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 71,146,554	\$ 33,055,337	\$ 21,467,700	\$ 9,314,978	\$ 24,023,608	\$ 159,008,177

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, 2016

Total Governmental Fund Balances	\$	121,940,565
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	\$ 462,309,299.00	
Less accumulated depreciation	<u>(169,190,481)</u>	293,118,818
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	\$ 440,030.00	
Interfund payables	<u>(440,030)</u>	-
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.		
		6,497,867
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	<u>\$ (2,137,215)</u>	<u>(2,137,215)</u>
Net Position of Governmental Activities	\$	<u>419,420,035</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, 2016

	General	Road and Bridge	Human Services	Capital Expenditures	Total Non-major Funds	Total Governmental Funds
Revenues						
Taxes	\$ 40,234,261	\$ 8,026,444	\$ 4,455,226	\$ 3,154,944	\$ 1,927,625	\$ 57,798,500
Licenses and permits	6,535	155,157	-	-	-	161,692
Intergovernmental	3,759,974	4,201,435	16,485,807	27,612	1,940,204	26,415,032
Charges for services	7,775,180	-	43	-	1,037,987	8,813,210
Fines and forfeitures	111,236	-	7,906	-	-	119,142
Investment income	835,560	-	106,980	-	269	942,809
Contributions	1,094,477	7,469	1,440	-	-	1,103,386
Miscellaneous	568,705	83,597	83,580	9,851	201,643	947,376
Total Revenues	54,385,928	12,474,102	21,140,982	3,192,407	5,107,728	96,301,147
Expenditures						
Current						
General government	21,479,939	-	-	4,609,761	2,889,779	28,979,479
Public safety	20,371,587	-	-	224,280	494,153	21,090,020
Public works	2,998,093	13,165,168	-	557,812	2,111,757	18,832,830
Health and welfare	431,000	-	18,718,562	-	3,608,447	22,758,009
Culture and recreation	1,573,117	-	-	187,910	279,985	2,041,012
Total Expenditures	46,853,736	13,165,168	18,718,562	5,579,763	9,384,121	93,701,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,532,192	(691,066)	2,422,420	(2,387,356)	(4,276,393)	2,599,797
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	29,578	8,255	37,833
Transfers in	800,000	-	-	-	2,500,000	3,300,000
Transfers out	(3,386,064)	-	-	(74,204)	-	(3,460,268)
Total Other Financing Sources (Uses)	(2,586,064)	-	-	(44,626)	2,508,255	(122,435)
Net Change in Fund Balances	4,946,128	(691,066)	2,422,420	(2,431,982)	(1,768,138)	2,477,362
Fund Balances Beginning of Year	40,413,507	33,153,452	15,810,631	7,113,473	22,972,140	119,463,203
Fund Balances End of Year	\$ 45,359,635	\$ 32,462,386	\$ 18,233,051	\$ 4,681,491	\$ 21,204,002	\$ 121,940,565

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, 2016

Net Changes In Fund Balances - Total Governmental Funds		\$ 2,477,362
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	\$ (10,710,244)	
Capital outlay	<u>9,459,775</u>	(1,250,469)
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.		
		(68,941)
Elimination of transfers between governmental funds:		
Transfers in	\$ 3,300,000	
Transfers out	<u>(3,300,000)</u>	-
The internal service fund, used by management to charge the 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.		
		330,495
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.		
		<u>(289,236)</u>
Change In Net Position of Governmental Activities		<u><u>\$ 1,199,211</u></u>

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

Garfield County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Assets		
Current Assets		
Cash and investments	\$ 5,579,502	\$ 4,490,723
Accounts receivables	137,335	2,505
Due from other funds	114,022	144,438
Inventories	13,374	183,085
Total Current Assets	5,844,233	4,820,751
Non-current Assets		
Capital Assets:		
Intangible assets	68,712	55,310
Land	300,000	-
Land improvements	1,735,234	-
Buildings	768,258	-
Improvements	17,800	-
Machinery and equipment	2,297,043	6,267,707
Accumulated depreciation and amortization	(2,127,962)	(4,529,851)
Total Non-current Assets	3,059,085	1,793,166
Total Assets	8,903,318	6,613,917
Liabilities		
Current Liabilities		
Accounts payable	73,672	69,350
Accrued expenses	35,249	14,460
Due to other funds	2,514	2,614
Non-current liabilities due within one year:		
Accrued compensated absences	6,685	8,888
Total Current Liabilities	118,120	95,312
Non-current Liabilities		
Accrued compensated absences	20,054	20,738
Closure and postclosure obligations	1,346,615	-
Total Non-current Liabilities	1,366,669	20,738
Total Liabilities	1,484,789	116,050
Net Position		
Net investment in capital assets	3,059,085	1,793,166
Unrestricted	4,359,444	4,704,701
Total Net Position	\$ 7,418,529	\$ 6,497,867

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, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 1,643,297	\$ 1,623,563
Other	17,786	59,407
Total Operating Revenues	<u>1,661,083</u>	<u>1,682,970</u>
Operating Expenses		
Personnel	600,109	259,996
Purchased services	450,731	177,136
Materials and supplies	106,964	314,029
Depreciation	280,152	636,575
Other	61,714	-
Total Operating Expenses	<u>1,499,670</u>	<u>1,387,736</u>
Operating Income (Loss)	161,413	295,234
Non-operating Revenues		
Gain (loss) on sale of capital assets	65,378	35,261
Income Before Capital Contributions and Transfers In	226,791	330,495
Capital contributions (disposals)	-	(74,204)
Transfers in	86,064	74,204
Change in Net Position	312,855	330,495
Net Position Beginning of Year	<u>7,105,674</u>	<u>6,167,372</u>
Net Position End of Year	<u>\$ 7,418,529</u>	<u>\$ 6,497,867</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, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,005,920	\$ 1,804,185
Cash received from other sources	17,786	59,407
Cash payments for personnel services	(606,225)	(265,410)
Cash payments for goods and services	(593,481)	(520,051)
Net Cash Provided by Operating Activities	<u>824,000</u>	<u>1,078,131</u>
Cash Flows from Noncapital Financing Activities		
Transfers in (out)	(34,538)	(71,075)
Net Cash (Used in) Noncapital Financing Activities	<u>(34,538)</u>	<u>(71,075)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from the sale of capital assets	119,767	35,261
Payments for capital acquisitions	(596,229)	(438,178)
Net Cash (Used in) Capital and Related Financing Activities	<u>(476,462)</u>	<u>(402,917)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	313,000	604,139
Cash and Cash Equivalents Beginning of Year	<u>5,266,502</u>	<u>3,886,584</u>
Cash and Cash Equivalents End of Year	<u>\$ 5,579,502</u>	<u>\$ 4,490,723</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 161,413	\$ 295,234
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation	280,152	636,575
(Increase) decrease in accounts receivable	362,623	180,622
(Increase) decrease in inventory	(2,913)	(36,568)
Increase (decrease) in accounts payable	(12,309)	10,495
Accrued expenses	(20,562)	(2,813)
Compensated absences payable	(6,116)	(5,414)
Landfill closure and postclosure care	61,712	-
Net Cash Provided by Operating Activities	<u>\$ 824,000</u>	<u>\$ 1,078,131</u>
Non-cash Capital Items		
Capital additions included in accounts payable	\$ 535,445	\$ -
Capital contributions (disposals)	-	(74,204)
Total Non-Cash Capital Items	<u>\$ 535,445</u>	<u>\$ (74,204)</u>

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

Garfield County, Colorado
Statement of Assets and Liabilities
Agency Funds
December 31, 2016

	<u>2016</u>
Assets	
Cash and investments	\$ 4,265,006
Total Assets	<u>\$ 4,265,006</u>
Liabilities	
Due to others	\$ 895,167
Due to other governments	3,369,839
Total Liabilities	<u>\$ 4,265,006</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, 2016

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 unit, an entity that is a legally separate organization that must be included in the financial report of the primary government. When a component unit functions as an integral part of the primary government, its data is blended with that of the primary government.

Blended Component Unit. The component unit below is blended since the primary government and the component unit have met the criteria of having substantially the same governing body and operational responsibility.

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. 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 as a blended component unit. The County's Board sits as *ex officio* as the PID Board and the County's management (below the governing body level) manages the activities of the component unit in the same manner as it manages its own activities. Therefore, it is blended based on the criteria that the primary government and the component unit have met the criteria of having substantially the same governing body and operational responsibility.

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 significantly rely upon fees and charges for support.

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

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

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 property taxes to defray a portion of the cost of administering the grants.

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

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

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 except for interfund services and those transactions between governmental and business-type activities, which 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 departmental petty cash, cash held for third parties (i.e., DHS Child Welfare), 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. Cash, cash equivalents, and investments are accounted for as cash and investments 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 include amounts invested in securities and are stated at fair value based on quoted market prices.

The County’s investment policy permits investments in the following type of obligations:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

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, 2016, 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.

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

1H. Capital Assets (continued)

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 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.

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

1K. Fund Balance and Net Position (continued)

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. 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, from grants or outside contributions of resources restricted to capital acquisition and construction, or from contributions (receipt) or disposals (donation) with the governmental activities funds.

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.

1O. 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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

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 future periods 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, 2016.

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 future periods 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, property tax 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 quarterly changes to budgeted appropriations for the year ended December 31, 2016.

All unexpended annual appropriations lapse at year-end.

Note 3 – Detailed Notes on 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 \$8,828,252 at year end.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3A. Deposits and Investments (continued)

The County had the following cash and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Less than one year	Less than five years
<i>Deposits:</i>				
Cash on hand	<i>Not Rated</i>	\$ 5,625	\$ 5,625	\$ -
Checking and savings	<i>Not Rated</i>	8,819,898	8,819,898	-
Savings	<i>Not Rated</i>	2,729	2,729	-
<i>Investments:</i>				
Money market	<i>Not Rated</i>	62,672	62,672	-
Pools	<i>AAAm</i>	46,990,950	46,990,950	-
Corporate bonds	<i>AA+/AA-</i>	7,705,582	-	7,705,582
Agencies	<i>AA+</i>	38,956,353	11,497,758	27,458,595
Treasuries	<i>AA+</i>	37,377,701	6,518,417	30,859,284
Total		<u>\$139,921,510</u>		

The Investment Pool represents investments in COLOTRUST, which is a 2a7-like pool. The fair value of the pool is determined by the pool's net asset value. The County has no regulatory oversight for the pool. At December 31, 2016, the County's investments in COLOTRUST were 34% of the County's investment portfolio.

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3A. Deposits and Investments (continued)

At December 31, 2016 the County had the following recurring fair value measurements:

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasuries	\$ 37,377,701	37,377,701	-	-
US Agencies	38,956,353	38,956,353	-	-
Corporate Bonds	7,705,582	7,705,582	-	-
	<u>84,039,636</u>	<u>84,039,636</u>	<u>-</u>	<u>-</u>
 Investments Measured at Net Asset Value				
Colotrust	46,990,950			
Money Market Mutual Fund	62,672			
	<u>47,053,622</u>			
Total Investments	<u>\$131,093,258</u>			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

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 and type of issuer. The County coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the County has limited its interest rate risk.

Credit Risk. County investment policy limits investments to those authorized by State statutes as listed in Note 1C. 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. 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. At December 31, 2016, the County's investments in Fannie Mae, Freddie Mac, Federal Home Loan Bank, and United States Treasuries were 11%, 8%, 7% and 27% of the County's investment portfolio, respectively.

At December 31, 2016, unrealized gains or (losses) were (\$604,582), which reflects changes in the fair market value of investments from 2015 to 2016.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3B. Receivables

Receivables at December 31, 2016, consisted of taxes, interest, accounts, and intergovernmental receivables arising from grants. Receivables are net of an allowance for uncollectibles. The allowance for uncollectibles at December 31, 2016 was \$33,049 .

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.

The County had the following receivables at year end:

	Governmental Funds				Nonmajor Governmental Funds
	General Fund	Road and Bridge	Human Services	Capital Expenditures	
Accounts	\$ 586,458	\$ 16,020	\$ 642,813	\$ -	\$ 511,931
Taxes	22,486,820	19,933	2,214,360	4,096,565	1,464,417
Other	4,757	-	295,298	-	3,049
Due from other governments	253,811	467,424	-	-	57,805
Gross receivables	23,331,846	503,377	3,152,471	4,096,565	2,037,202
Less: Allow ance for uncollectibles	-	-	(30,000)	-	(3,049)
Total	\$ 23,331,846	\$ 503,377	\$ 3,122,471	\$ 4,096,565	\$ 2,034,153
	Proprietary Funds				
	Solid Waste Disposal	Motor Pool			
Accounts	\$ 137,335	\$ 2,505			
Gross receivables	137,335	2,505			
Less: Allow ance for uncollectibles	-	-			
Total	\$ 137,335	\$ 2,505			

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3D. Capital Assets

Governmental Activities capital asset activity for the year ended December 31, 2016 follows:

	<u>Balance</u> <u>1/1/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,620,085	\$ 5,734,230	\$ (7,731,093)	\$ 1,623,222
Land	15,951,435	226,288	-	16,177,723
Total assets not being depreciated	<u>19,571,520</u>	<u>5,960,518</u>	<u>(7,731,093)</u>	<u>17,800,945</u>
Depreciable capital assets:				
Land improvements	58,768,252	1,492,527	(20,500)	60,240,279
Buildings	56,344,045	4,673,357	-	61,017,402
Building improvements	8,242,665	699,916	-	8,942,581
Machinery and equipment	26,027,968	2,340,853	(893,121)	27,475,700
Intangibles	2,385,025	362,632	-	2,747,657
Infrastructure	288,388,796	2,018,956	-	290,407,752
Total depreciable capital assets	<u>440,156,751</u>	<u>11,588,241</u>	<u>(913,621)</u>	<u>450,831,371</u>
Total capital assets	<u>459,728,271</u>	<u>17,548,759</u>	<u>(8,644,714)</u>	<u>468,632,316</u>
Accumulated depreciation and amortization:				
Land improvements	(9,386,067)	(1,837,704)	20,500	(11,203,271)
Buildings	(17,566,023)	(1,081,150)	-	(18,647,173)
Building improvements	(2,560,158)	(508,034)	-	(3,068,192)
Machinery and equipment	(16,349,128)	(2,304,076)	809,439	(17,843,765)
Intangibles	(1,388,208)	(163,355)	-	(1,551,563)
Infrastructure	(115,953,868)	(5,452,500)	-	(121,406,368)
Total accumulated depreciation & amortization	<u>(163,203,452)</u>	<u>(11,346,819)</u>	<u>829,939</u>	<u>(173,720,332)</u>
Governmental activities capital assets, net	<u>\$ 296,524,819</u>	<u>\$ 6,201,940</u>	<u>\$ (7,814,775)</u>	<u>\$ 294,911,984</u>

Governmental Activities depreciation and amortization expense classified by function follows:

General government	\$ 271,004
Public safety	1,503,603
Public works	9,109,401
Culture and recreation	286,233
Health and welfare	176,578
Total	<u>\$ 11,346,819</u>

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3D. Capital Assets (continued)

Business-type Activities capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance 1/1/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/16</u>
Business-type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 517,538	\$ 60,784	\$ (578,322)	\$ -
Land	300,000	-	-	300,000
Total assets not being depreciated	<u>817,538</u>	<u>60,784</u>	<u>(578,322)</u>	<u>300,000</u>
Depreciable capital assets:				
Land improvements	1,225,624	578,322	-	1,803,946
Buildings	768,258	-	-	768,258
Building improvements	17,800	-	-	17,800
Machinery and equipment	2,660,126	-	(363,083)	2,297,043
Total depreciable capital assets	<u>4,671,808</u>	<u>578,322</u>	<u>(363,083)</u>	<u>4,887,047</u>
Total capital assets	<u>5,489,346</u>	<u>639,106</u>	<u>(941,405)</u>	<u>5,187,047</u>
Accumulated depreciation:				
Land improvements	(105,903)	(64,497)	-	(170,400)
Buildings	(322,364)	(36,480)	-	(358,844)
Building improvements	(6,178)	(1,386)	-	(7,564)
Machinery and equipment	(1,722,059)	(177,789)	308,694	(1,591,154)
Total accumulated depreciation	<u>(2,156,504)</u>	<u>(280,152)</u>	<u>308,694</u>	<u>(2,127,962)</u>
Business-type activities capital assets, net	<u>\$ 3,332,842</u>	<u>\$ 358,954</u>	<u>\$ (632,711)</u>	<u>\$ 3,059,085</u>

At December 31, 2016, the County had \$18,147,941 of fully depreciated capital assets.

3E. Interfund Balances and Transfers

Interfund balances at December 31, 2016, 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.

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 62,642	\$ 354,938
Road and bridge fund	83,492	26,957
Human services fund	-	46,448
Capital expenditures fund	394	-
Nonmajor governmental funds	40,170	11,687
Solid waste fund	114,022	2,514
Motor pool fund	<u>144,438</u>	<u>2,614</u>
Total	<u>\$ 445,158</u>	<u>\$ 445,158</u>

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3E. Interfund Balances and Transfers (continued)

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfer In	Transfer (Out)
General fund	\$ 800,000	\$ (3,386,064)
Capital expenditures fund	-	(74,204)
Nonmajor governmental funds	2,500,000	-
Solid waste fund	86,064	-
Motor pool fund	74,204	-
	<u>\$ 3,460,268</u>	<u>\$ (3,460,268)</u>
Total	<u>\$ 3,460,268</u>	<u>\$ (3,460,268)</u>

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, and (5) return money to the fund from which it was originally provided once a project is completed.

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

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 \$2,325,759, with closure costs estimated to be \$1,632,148 and postclosure care cost estimated to be \$693,611. The \$1,346,615 reported as landfill closure and postclosure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 57.9% of the capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$979,144 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 2016. The County expects to close the landfill in the year 2040. 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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3G. Long-term Obligations

Changes in the County's long-term obligations consisted of the following for the year ended December 31, 2016:

	<u>Outstanding</u> <u>1/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/16</u>	<u>Amounts Due</u> <u>in One Year</u>
Governmental Activities:					
Compensated absences	\$ 1,883,008	\$ 848,737	\$ (564,902)	\$ 2,166,843	\$ 541,711
Total Governmental Activities	<u>\$ 1,883,008</u>	<u>\$ 848,737</u>	<u>\$ (564,902)</u>	<u>\$ 2,166,843</u>	<u>\$ 541,711</u>
Business-type Activities:					
Landfill closure & postclosure	\$ 1,284,903	\$ 61,712	\$ -	\$ 1,346,615	\$ -
Compensated absences	32,855	3,741	(9,857)	26,739	6,685
Total Business-type Activities	<u>\$ 1,317,758</u>	<u>\$ 65,453</u>	<u>\$ (9,857)</u>	<u>\$ 1,373,354</u>	<u>\$ 6,685</u>

The landfill closure and postclosure care liability is being retired by the Solid Waste Fund. The compensated absences liability will be paid from the following funds from which the employees' salaries are paid: General Fund, Public Health Fund, Road & Bridge Fund, Human Services Fund, and Airport Fund.

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.

3H. Retirement Plans

Defined Contribution Plan 401(a): The County participates in the Colorado County Officials and Employees Retirement Association ("CCOERA"), a non-profit, 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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3H. Retirement Plans (continued)

There are no unfunded past service liabilities. All full-time or part-time employees (employment status of working at least 30 hours per week for a continuous period of six months or more) 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 (five year vesting schedule) of participation in the plan. County contributions and earnings forfeited by employees who leave employment before fully vesting are returned to Garfield County. The County allows 401a loans, but distributions are not available to employees until termination, retirement, or death.

During 2016, there were 533 total participants. The County and employees made the required contribution amounting to \$1,396,669 each.

Defined Contribution Plan 457: The County offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 that is administered by CCOERA. The plan is available to all full-time or part-time employees (employment status of working at least 30 hours per week for a continuous period of six months or more) and permits them to defer a portion of their salary until future years. Contributions to the plan can be made before-tax or after-tax (i.e. Roth). However, the total contributions are limited to the annual IRS retirement plan limits or 100% of net pay, whichever is less. The County allows 457b loans, but distributions are only available for qualified unforeseeable emergencies, separation of service, retirement, or death. There are no provisions for in-service withdrawals and Roth assets are not eligible for emergency withdrawals. 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. In 2016, there were 84 total participants.

Retirement Plan Loan Program: Garfield County's preference is that loans are used for: education expenses for the employee, spouse, or child; to prevent eviction from an employee's home or defaulting on a mortgage; to pay unreimbursed medical expenses; to buy a primary residence; debt consolidation; and unforeseen emergencies. All CCOERA loans are made in accordance with Article 8 of the plan and the adopted procedures by the Plan Administrator.

All eligible participants are allowed to borrow from their 401(a) and/or 457 accounts, but may only have one outstanding loan per retirement plan at any given time. Loans can be made up to 50% of an eligible participant's vested account balance with a required minimum loan amount of \$2,500 and maximum loan amount of \$50,000, not to exceed a combined loan amount of \$50,000 on both plans (401(a) and 457 plans). The loan interest charged by the Plan Administrator is Prime + 1% which is determined on the day of loan approval plus additional fees.

Refinancing is allowed for loans (length of loan may not change) with a minimum balance of \$2,500 (additional fees applied). An eligible participant is only allowed to have one new loan or one refinance of an existing loan in a 12-month period and refinancing can't occur in the final year of the loan.

While employed by Garfield County, participant loans will be paid via payroll deductions (one to five years for General Purpose loans and up to fifteen years for Principal Residence loans). Participants can make additional payments to pay off the loan early without penalty. Upon separation of employment, the participant's loan(s) are 100% payable. If unpaid the remainder of the loan will become a taxable distribution to the IRS and subject to potential tax penalties. Participants are advised to contact the Plan Administrator to offset the loan to avoid consequences of potential default.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

3I. 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 adoption of a formal Resolution, the highest level of decision making authority which is the Board of County Commissioners. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (i.e. the adoption of another resolution to remove or revise the limitation).

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 delegated to the Board of County Commissioners or its management designee (i.e. County Manager). An intended use of any amount may also be expressed by the Board and recorded in the minutes of a Board meeting.

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, 2016
(Continued)

3I. Fund Balance Disclosure (continued)

As of December 31, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Description</u>
Non-spendable:				
Inventories	\$ -	\$ 106,828	\$ 106,828	
Prepays	39,960	-	39,960	
Restricted:				
Public health	-	3,032,510	3,032,510	Legislative Restriction
Road and bridge	-	32,355,558	32,355,558	Legislative Restriction
Human services	-	17,982,325	17,982,325	Legislative Restriction
Conservation trust	-	385,526	385,526	Legislative Restriction
Emergency reserve	3,018,434	-	3,018,434	Legislative Restriction
Grants	-	120,932	120,932	Federal and State Grant Restriction
Other capital projects	-	4,681,491	4,681,491	Legislative Restriction
Committed:				
Airport	-	1,540,607	1,540,607	BOCC Resolution
Community events	915,737	-	915,737	BOCC Resolution
Clerk and recorder EFTF	-	36,925	36,925	BOCC Resolution
Traffic study	-	83,875	83,875	Traffic Impact Fees Resolution
Livestock auction	44,222	-	44,222	BOCC Resolution
Commissary	48,727	-	48,727	BOCC Resolution
Retirement	-	3,040,319	3,040,319	BOCC Resolution
Oil and gas mitigation	-	12,891,629	12,891,629	BOCC Resolution
Traveler's highland PID	-	71,679	71,679	BOCC Resolution
Assigned:				
Human services	-	250,726	250,726	Grant Restriction
Unassigned	41,292,555	-	41,292,555	
Total Fund Balances	<u>\$ 45,359,635</u>	<u>\$ 76,580,930</u>	<u>\$ 121,940,565</u>	

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.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

4A. Risk Management (continued)

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, 2016. 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, 2016 year end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$3,018,434.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2016
(Continued)

4D. Construction Commitments

The County had the following contractual commitments at year end:

Fund	Project	Vendor	Contract Commitment	Completed	Retainage	Remaining
Air	Airport Entrance Upgrade	Tectonic Management Group	\$ 767,368	\$ (723,362)	\$ 33,036	\$ 77,043
R&B	CR137 Canyon Creek Bridge Replacement	Colorado River Engineering Inc	279,566	(209,957)	-	69,609
Grant	Broadband Assessment	Neo Fiber Inc	200,000	(115,965)	-	84,035
DHS	Prep Professional Services	Family Visitor Program	155,000	(34,434)	-	120,566
CF	Key Card Reader Upgrade	Current Solutions	126,475	-	-	126,475
DHS	TANF Education Classes/ Supportive Services	Colorado Mountain College	241,045	(94,783)	-	146,262
CF	Rifle Shop remodel/CNG upgrades	PNCI Construction Inc	779,685	(405,122)	20,256	394,819
MP	Two (2) CNG Trucks + Beds	MHC Kenworth	579,789	-	-	579,789
Total			\$ 3,128,928	\$ (1,583,623)	\$ 53,292	\$ 1,598,597