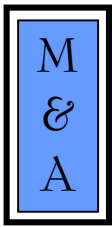


# **FINANCIAL SECTION**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of County Commissioners  
Garfield County, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Colorado, (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Member: American Institute of Certified Public Accountants*

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Colorado as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in Section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements taken as a whole. The introductory section, combining fund financial statements, individual fund budgetary information, the Local Highway Finance Report, and the statistical section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the County's financial statements. The combining fund financial statements, the individual fund budgetary information, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**To the Board of County Commissioners  
Garfield County, Colorado**

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section are presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and are not a required part of the County's financial statements. Such information has been subjected to the auditing procedures applied audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



**McMahan and Associates, L.L.C.  
May 12, 2017**

**Garfield County, Colorado**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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This section of Garfield County's (the County) Comprehensive Annual Financial Report (CAFR) presents narrative discussion and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. This information should be considered in conjunction with that furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- As of December 31, 2016, the County's total assets were \$467.2 million, and total liabilities and deferred inflow of resources were \$40.4 million. The total net position was therefore \$426.8 million, an increase of 0.4 percent (\$1.5 million) over 2015.
- Total net position comprises the following:
  - (1) Investment in capital assets including property and equipment, net of related debt (if any) and accumulated depreciation, of \$298.0 million
  - (2) Restricted net position of \$61.6 million, which is constrained for specific purposes by external providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation
  - (3) Unrestricted net position of \$67.3 million, which represents the portion available to maintain the County's continuing obligations to its citizens and creditors.
- Total governmental fund revenues (including transfers in) in 2016 were \$99.6 million, a 0.3 percent (\$0.3 million) decrease under 2015.
- Total governmental fund expenditures (including transfers out) in 2016 were \$97.2 million, a 4.7 percent (\$4.8 million) decrease under 2015.
- As of December 31, 2016, the County's governmental funds reported combined ending fund balances of \$121.9 million. This compares to the prior year ending fund balances of \$119.5 million, an increase of 2.0 percent (\$2.4 million) during 2016. Approximately \$41.3 million (33.9 percent) is unassigned fund balance.
- At the end of 2016, fund balance for the General Fund was \$45.4 million, amounting to 90.3 percent of total General Fund expenditures. This compares to the prior year ending fund balance of \$40.4 million with an increase of 12.4 percent (\$5.0 million) during 2016.

The above financial highlights are explained in more detail in the financial analysis section of this document.

**Garfield County, Colorado**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the County's basic financial statements. The basic financial statements include:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

The County also includes in this report additional information to supplement the basic financial statements.

**Government-wide Financial Statements**

The County's annual report includes two government-wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds. The two statements are:

The **statement of net position** presents all of the County's assets, liabilities and deferred outflows and inflows, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County as a whole is improving or deteriorating. Evaluation of the overall health of the County should extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of County infrastructure, in addition to the financial information provided in this report.

The **statement of activities** reports how the County's net position changed during the fiscal year. All current year revenues and expenditures are included regardless of when cash is received or payments are made. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by property and sales taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety; health and welfare; culture and recreation; and maintenance and improvement of transportation, infrastructure, buildings, grounds, and public works. Business-type activities include the solid waste disposal operations (landfill).

The government-wide financial statements are presented on pages C1 and C2 of this report.

**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial statements focus on the County's most significant funds, known as major funds, rather than the County as a whole. Major funds are reported separately while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds are provided in the form of combining statements in a later section of this report.

All the funds of the County fall into one of three types: governmental funds, proprietary funds, and fiduciary funds.

**Garfield County, Colorado**  
**Management's Discussion and Analysis**  
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**Governmental funds.** Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions, which are reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, the governmental funds financial statements focus on the use of spendable resources during the year and the balances available at the end of the year for future spending. Such information is useful in determining whether there will be adequate financial resources available to meet the current and near-term needs of the County.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County's governmental funds are comprised of a general fund, a capital projects fund and eleven special revenue funds. Four governmental funds, the General Fund, the Road and Bridge Fund, the Human Services Fund and the Capital Expenditures Fund are considered major funds for financial reporting purposes. Each of the major funds is presented in a separate column in the governmental fund financial statements presented on pages C3 through C6 of this report. Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

**Proprietary funds.** Services for which the County charges customers a fee are accounted for in proprietary funds. The two County proprietary funds are the Solid Waste Disposal Fund and the Motor Pool Fund. The Solid Waste Disposal Fund is an enterprise fund, which encompasses the same functions reported as business-type activities in the government-wide statements. The Motor Pool Fund is an internal service fund which reports activities that provide services to the County's other programs and activities on a cost reimbursement basis. For reporting purposes, the Motor Pool Fund is included in the governmental activities in the government-wide financial statements. The basic proprietary fund financial statements are presented on pages C7 through C9 of this report.

**Fiduciary funds.** Assets held in a trustee or agency on behalf of another legally separate party or entity are accounted for in fiduciary funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements and only balance sheet accounts are used. The County has no trustee funds. The County agency fund information is presented on pages C10 and F17 of this report.

**Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page D1 of this report.

**Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information on the County's annual budget. The County adopts a budget appropriated for each fund. Budgetary comparison statements are included as Required Supplementary Information for the General Fund, the Road and Bridge Fund, and the Human Services Fund on pages E1 – E3. Budgetary comparison schedules for all other governmental funds including the Capital Expenditures Fund type can be found in the Supplementary Information section of this report on pages F1, and F6 through F14. The proprietary funds budgetary comparison schedules are on pages F15 and F16. These statements and schedules demonstrate compliance with the County's adopted and amended budget.

**Garfield County, Colorado**  
**Management's Discussion and Analysis**  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary of Net Position**

An analysis of net position may serve as a useful indicator of a government's financial health. Total assets for the County on December 31, 2016 were \$467.2 million, total liabilities were \$10.1 million, and deferred inflows of resources were \$30.3 million. The County's net position is therefore \$426.8 million, an increase of 0.4 percent over December 31, 2015. The following provides a summary of the County's net position (as presented on page C1):

<b>SUMMARY OF NET POSITION (\$)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>TOTAL</b>	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current assets	\$163,386,284	\$175,888,940	\$5,841,719	\$5,767,827	\$169,228,003	\$181,656,767
Capital assets	294,911,984	296,524,819	3,059,085	3,332,842	297,971,069	299,857,661
<b>Total Assets</b>	<b>458,298,268</b>	<b>472,413,759</b>	<b>8,900,804</b>	<b>9,100,669</b>	<b>467,199,072</b>	<b>481,514,428</b>
<b>Liabilities:</b>						
Current liabilities	6,990,939	6,170,319	115,606	685,451	7,106,545	6,855,770
Non-current liabilities	1,625,132	1,412,256	1,366,669	1,309,544	2,991,801	2,721,800
<b>Total Liabilities</b>	<b>8,616,071</b>	<b>7,582,575</b>	<b>1,482,275</b>	<b>1,994,995</b>	<b>10,098,346</b>	<b>9,577,570</b>
<b>Total Deferred Inflow of Resources</b>	<b>30,262,162</b>	<b>46,610,360</b>	-	-	<b>30,262,162</b>	<b>46,610,360</b>
<b>Net Position:</b>						
Inv. in capital assets	294,911,984	296,524,819	3,059,085	3,332,842	297,971,069	299,857,661
Restricted	61,576,776	61,960,567	-	-	61,576,776	61,960,567
Unrestricted	62,931,275	59,735,438	4,359,444	3,772,832	67,290,719	63,508,270
<b>Total Net Position</b>	<b>\$419,420,035</b>	<b>\$418,220,824</b>	<b>\$7,418,529</b>	<b>\$7,105,674</b>	<b>\$426,838,564</b>	<b>\$425,326,498</b>

The County continues to maintain very strong current ratios. The current ratio compares current assets to current liabilities and is an indication of the ability to pay obligations within one year. The current ratio for governmental activities is 4:1 and 54:1 for business-type activities. For the County overall, the current ratio is 4:1 meaning current assets are four times greater than current liabilities.

The County reported positive balances in net position for both governmental and business-type activities. Net position increased \$1.2 million for governmental activities and increased by \$313 thousand for business-type activities. The County's overall total net position increased during 2016 by \$1.5 million. The gain in net position is due to higher revenues compared to 2015.

As of December 31, 2016, the County's governmental activities reported a combined ending net position of \$419.4 million, an increase of 0.3 percent (\$1.2 million) more than the prior year. Of this, 15.0 percent (\$62.9 million) is unrestricted and constitutes available funds for spending in the coming year at the County's discretion. Legally restricted net position includes \$32.4 million restricted to road and bridge, \$18.0 million restricted to human services, \$4.7 million restricted to capital projects, \$3.0 million restricted to emergency reserve, and \$3.0 million restricted to public health.

Approximately 70 percent of the governmental activities' net position is invested in capital assets. Capital assets are tangible property used in the operation of the County such as land, roads and bridges, buildings, machinery, furnishings and equipment. The County uses these capital assets to provide services to its citizens. For business-type activities, 41.2 percent of its net position is invested in capital assets providing facilities and equipment for the Solid Waste Disposal Fund.



**Garfield County, Colorado**  
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**Summary of Changes in Net Position**

Governmental activities and business-type activities increased the County's net position by \$1.5 million or 0.4 percent.

The following table provides a summary of the County's changes in net position for governmental and business-type activities in 2016 and 2015:

<b>SUMMARY OF CHANGES IN NET POSITION</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Revenues:</b>						
Program:						
Charges for services	\$ 8,214,902	\$ 6,063,814	\$ 1,643,297	\$ 1,521,516	\$ 9,858,199	\$ 7,585,330
Operating grants	27,452,507	27,141,100	17,786	-	27,470,293	27,141,100
Capital grants and contributions	1,170,130	1,580,188	-	285,000	1,170,130	1,865,188
General:						
Taxes	58,496,903	54,584,506	-	-	58,496,903	54,584,506
Other	970,858	3,538,970	65,378	-	1,036,236	3,538,970
<b>Total Revenues</b>	<b>96,305,300</b>	<b>92,908,578</b>	<b>1,726,461</b>	<b>1,806,516</b>	<b>98,031,761</b>	<b>94,715,094</b>
<b>Program Expenses:</b>						
General government	24,596,283	23,171,168	-	-	24,596,283	23,171,168
Public safety	22,126,678	22,761,179	-	-	22,126,678	22,761,179
Public works	23,584,988	21,509,213	-	-	23,584,988	21,509,213
Health and welfare	22,598,603	22,181,053	-	-	22,598,603	22,181,053
Culture and recreation	2,113,473	1,566,988	-	-	2,113,473	1,566,988
Interest	-	-	-	-	-	-
Solid waste	-	-	1,499,670	1,334,976	1,499,670	1,334,976
<b>Total Expenses</b>	<b>95,020,025</b>	<b>91,189,601</b>	<b>1,499,670</b>	<b>1,334,976</b>	<b>96,519,695</b>	<b>92,524,577</b>
<b>Excess (Deficiency)</b>	<b>1,285,275</b>	<b>1,718,977</b>	<b>226,791</b>	<b>471,540</b>	<b>1,512,066</b>	<b>2,190,517</b>
<b>Transfers</b>	<b>(86,064)</b>	<b>(82,863)</b>	<b>86,064</b>	<b>82,863</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>1,199,211</b>	<b>1,636,114</b>	<b>312,855</b>	<b>554,403</b>	<b>1,512,066</b>	<b>2,190,517</b>
<b>Beginning Net Position</b>	<b>418,220,824</b>	<b>416,584,710</b>	<b>7,105,674</b>	<b>6,551,271</b>	<b>425,326,498</b>	<b>423,135,981</b>
<b>Ending Net Position</b>	<b>\$419,420,035</b>	<b>\$418,220,824</b>	<b>\$7,418,529</b>	<b>\$7,105,674</b>	<b>\$426,838,564</b>	<b>\$425,326,498</b>

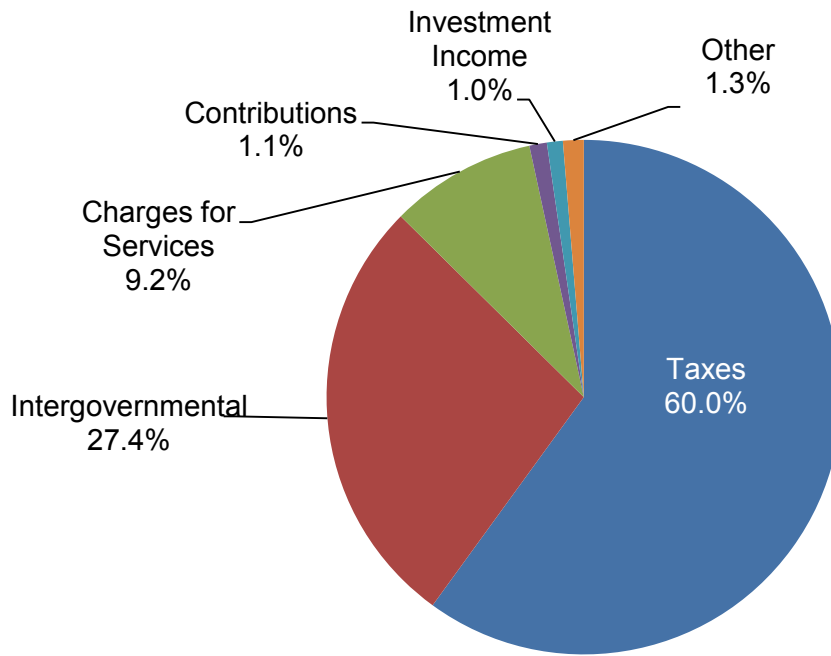
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**GOVERNMENTAL REVENUES**

Total governmental revenues for 2016 were \$96.3 million (excluding transfers in) compared to \$92.9 million in 2015, an increase of 3.7 percent. The source of revenues is as follows:

Governmental Revenues by Source 2016	
Taxes	\$57,798,500
Intergovernmental	26,415,032
Charges for Services	8,813,210
Contributions	1,103,386
Investment Income	942,809
Other	1,228,210
<b>Total</b>	<b>\$96,301,147</b>



The County is heavily reliant on taxes and intergovernmental revenues to support governmental operations and capital improvements.

Property taxes are the largest source of revenue with \$46.7 million accounting for 48.5 percent of total revenues. Sales taxes of \$8.7 million represent 9.0 percent of revenues.

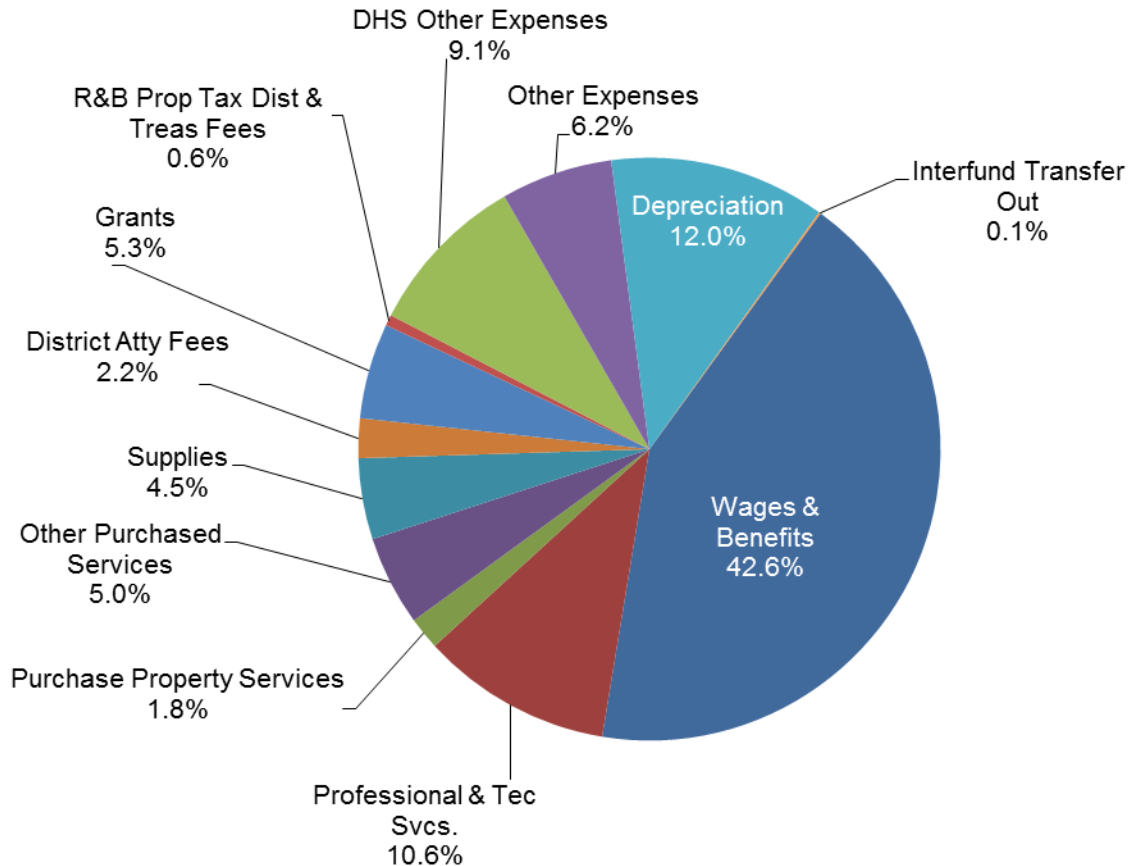
Intergovernmental revenues of \$26.4 million represents 27.4 percent of the County's total governmental revenues. This includes \$16.5 million from the State for Human Services programs, \$3.5 million from the State Highway Users Tax Fund for road and bridge purposes, \$3.0 million from the Payment in Lieu of Taxes (PILT), and \$0.7 million in federal mineral severance taxes.

**Garfield County, Colorado**  
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**GOVERNMENTAL EXPENSES**

Total governmental expenses for 2016 were \$95.1 million compared with \$91.3 million in 2015, an increase of 4.2 percent. Expenses by classification are as follows:

Governmental Expenses by Classification 2016	
Wages and Benefits	\$40,515,949
Professional and Technical Services	10,071,324
Purchase Property Services	1,723,523
Other Purchased Services	4,760,635
Supplies	4,326,334
District Attorney Fees	2,127,096
Grants	5,051,558
R&B Property Tax Distribution and Treasurers Fees	560,585
DHS Other Expenses	8,632,376
Other Expenses	5,903,827
Depreciation	11,346,818
<b>Sub-Total</b>	<b>\$95,020,025</b>
Interfund Transfer Out	86,064
<b>Total</b>	<b>\$95,106,089</b>



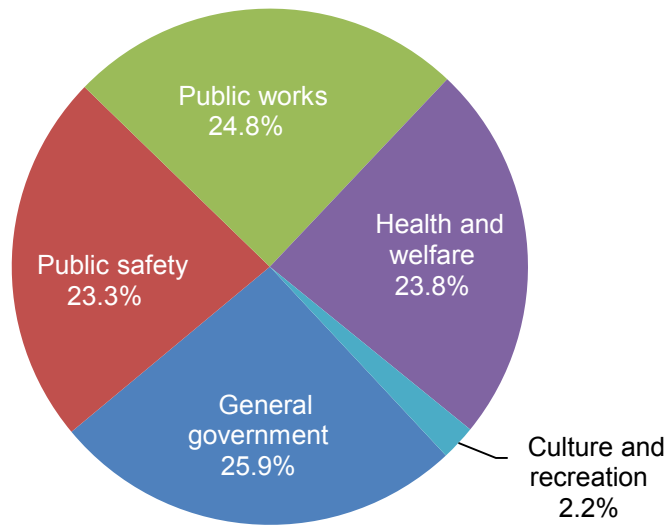
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**GOVERNMENT-WIDE – GOVERNMENTAL ACTIVITIES – FUNCTION/PROGRAM ANALYSIS**

Program revenues such as charges for services, operating and capital grants and contributions, cover 38.8 percent of governmental activities expenses. This is a very high percentage and largely relates to the social services grants and other grants mentioned above. This means that the government's taxpayers and the County's other general governmental revenues fund 61.2 percent of the governmental activities. As a result, the general economy and the County businesses have a major impact on the County's revenue streams.

Total governmental activities expenses by function or program are as follows:

Governmental Activities Expenses by Function/Program 2016	
General government	\$24,596,283
Public safety	22,126,678
Public works	23,584,988
Health and welfare	22,598,603
Culture and recreation	2,113,473
<b>Total</b>	<b>\$ 95,020,025</b>



The general government, public safety, public works, and health and welfare functions account for 97.8 percent of governmental activities expenses.

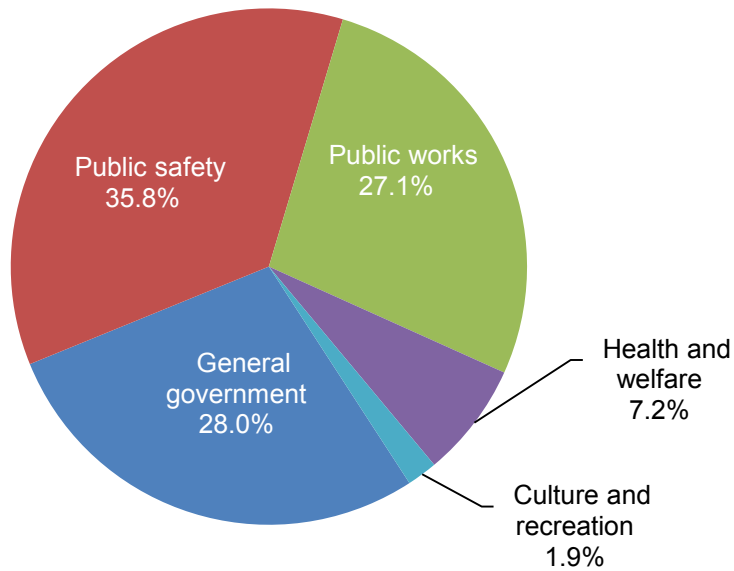
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Each of these functions generates some form of revenue. The following table presents the net cost of the functions, i.e. the expenses less revenues generated by the activities. The net costs illustrate the financial burden placed on the County's taxpayers by each of these functions.

**Net Cost of Governmental Activities by  
Function/Program  
2016**

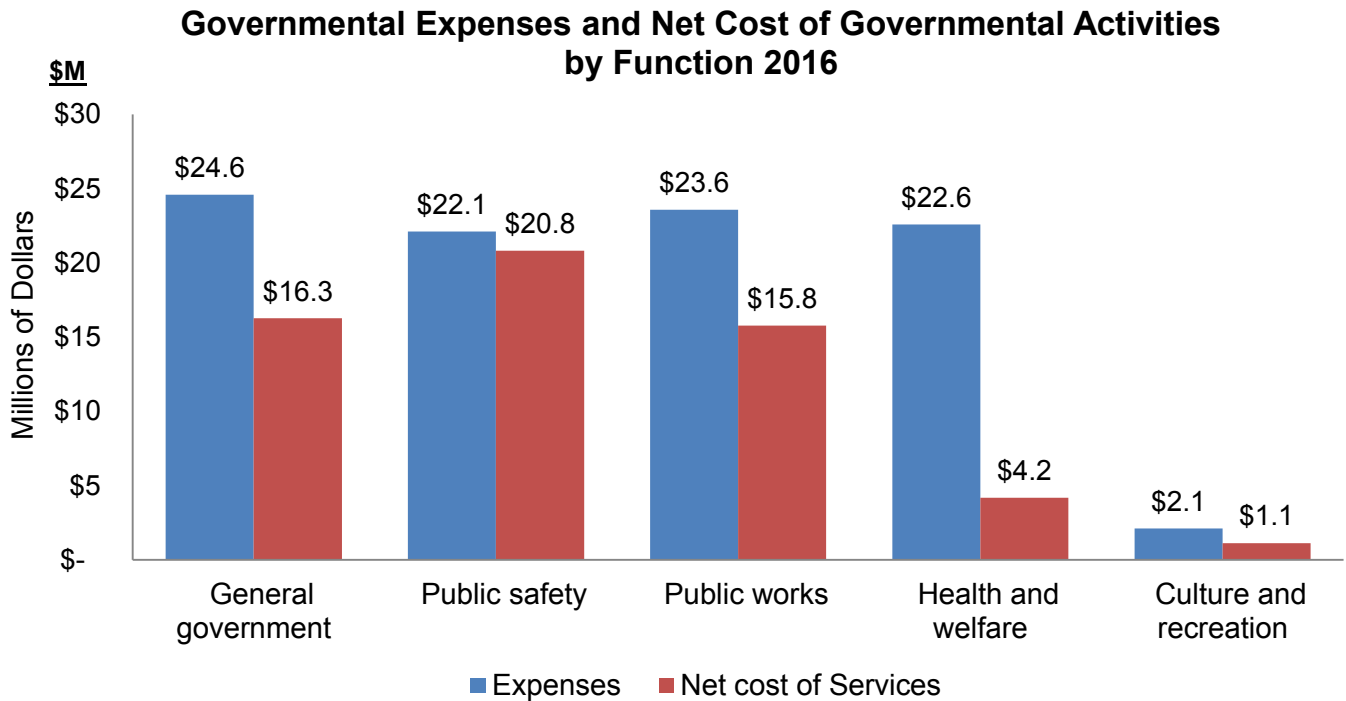
General government	\$ 16,268,676
Public safety	20,827,813
Public works	15,781,204
Health and welfare	4,175,181
Culture and recreation	1,129,612
<b>Total</b>	<b>\$ 58,182,486</b>



**Garfield County, Colorado**  
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Total net cost of governmental activities of \$58.2 million is 61.2 percent of the total cost of governmental activities of \$95.0 million. This means 61.2 percent of governmental activities are paid for with taxpayer dollars and 38.8 percent are funded with program revenues such as charges/fees for services, grants and contributions.

A comparison of the expenses on governmental activities and the net cost of governmental activities, by function, is as follows:



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**Management's Discussion and Analysis**  
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**BUSINESS-TYPE ACTIVITIES**

The Solid Waste Disposal Fund, which accounts for the activities of the landfill, is the only business-type activity of the County. In 2016, the fund accounted for an increase in the County's net position of \$312,855 primarily due to higher charges for services than expenses.

Operating revenues of the fund were \$1.7 million and operating expenses were \$1.5 million. At 90.7 percent, charges for services (tipping fees) accounted for the majority of revenues. Other revenues included two items: 1) Sale of Capital Assets for \$65 thousand; and 2) interfund transfer of \$86 thousand from the General Fund for cost reimbursement.

Wages and benefits accounted for 40.0 percent of expenses and the remaining 60.0 percent was for other operating expenses.

**ANALYSIS OF THE COUNTY'S GOVERNMENTAL FUNDS**

As previously discussed, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balance of resources. This information is useful in assessing the County's financing requirements.

Overall, governmental fund revenues totaled approximately \$96.3 million in 2016, an increase of 3.8 percent over the prior year. Taxes, primarily property tax, increased by 5.9 percent (\$3.2 million) and intergovernmental revenues were down 8.7 percent (\$2.5 million) mostly due to a decrease in state mineral severance taxes of \$2.1 million and the remaining decreases was primarily in state reimbursements of human services programs. Charges for services increased by 31.3 percent (\$2.1 million) primarily due to a royalty one-time catch-up payment of \$1.6 million. Investment Income increased by 50.0 percent (\$0.3 million). Modest increases and decreases took place in other revenue sources.

In 2016, expenditures for governmental funds totaled \$93.7 million, a decrease of 1.3 percent (\$1.2 million). A \$0.2 million increase took place in General Government, a 0.7 percent increase mostly due to higher capital expenditures. Public Safety decreased 5.8 percent (\$1.3 million) primarily due to lower capital expenditures. Public Works has a 2.6 percent decrease (\$0.5 million) which reflects less investment in road and bridge capital projects in 2016. Culture and recreation decreased 4.8 percent (\$0.1 million) caused by less capital investment in the County Fairgrounds in 2016.

Information on the County's major funds is as follows:

**General Fund**

The General Fund is the primary operating fund for the County and the largest source of day-to-day service delivery.

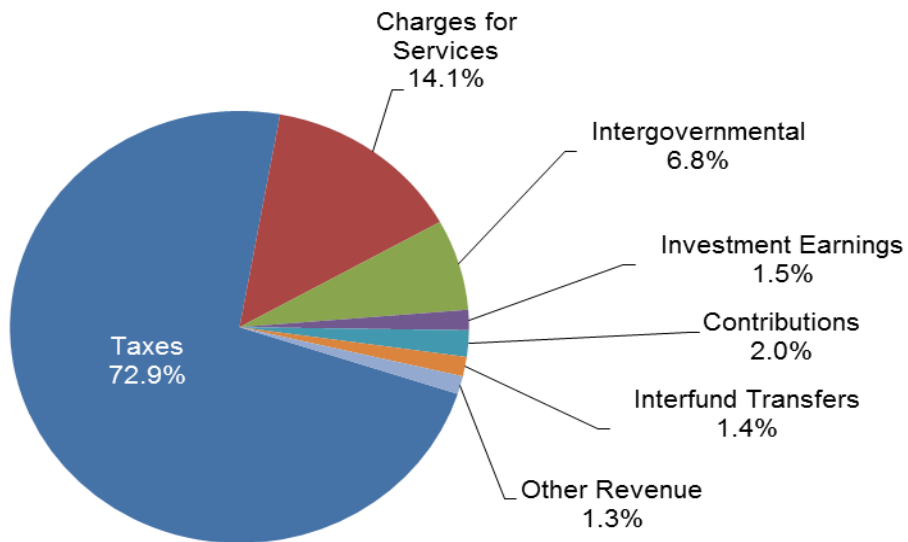
The General Fund's fund balance increased by 12.4 percent (\$5.0 million) in 2016 to \$45.4 million. Unassigned fund balance constitutes 91.0 percent (\$41.3 million) of fund balance available for spending in the coming year at the County's discretion. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 88.1 percent of total General Fund expenditures and total fund balance represents 96.8 percent of expenditures.

In 2016, total revenues for the General Fund were \$55.2 million (including interfund transfers in from other funds), an increase of 26.6 percent over the prior year. Taxes generated more than half this

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revenue, followed by charges and fees for services, and intergovernmental. The following represents General Fund revenues by classification in 2016, which was similar to the prior year:

<b>General Fund Revenues</b>	
<b>2016</b>	
Taxes	\$40,234,261
Charges for Services	7,775,180
Intergovernmental	3,759,974
Investment Earnings	835,560
Contributions	1,094,477
Interfund Transfers	800,000
Other Revenue	686,476
<b>Total</b>	<b>\$55,185,928</b>



General Fund revenues were 2.4 percent over the amended budget in 2016. Property tax revenues were \$6.0 million higher than last year due to increased ad valorem taxes from oil and gas industry. Intergovernmental taxes were higher by \$3.2 million due to moving the Payment in Lieu of Taxes (PILT) to the General Fund from Oil & Gas Mitigation Fund.

<b>General Fund Revenues Budgetary Comparison</b>					
	<b>2016 Adopted Budget</b>	<b>2016 Amended Budget</b>	<b>2016 Actual</b>	<b>Amount Over/(Under) Amended</b>	<b>% Over/(Under) Amended</b>
Taxes	\$41,639,252	\$41,639,252	\$40,234,261	(\$1,404,991)	(3.4%)
Charges for Services	5,713,163	5,762,573	7,775,180	2,012,607	34.9%
Intergovernmental	3,272,530	3,287,760	3,759,974	472,214	14.4%
Investment Income	672,329	672,329	835,560	163,231	24.3%
Contributions	965,625	968,625	1,094,477	125,852	13.0%
Interfund Transfers	800,000	800,000	800,000	0	0.0%
Other Revenue	731,848	767,948	686,476	(81,472)	(10.6%)
<b>Totals</b>	<b>\$53,794,747</b>	<b>\$53,898,487</b>	<b>\$55,185,928</b>	<b>\$1,287,441</b>	<b>2.4%</b>

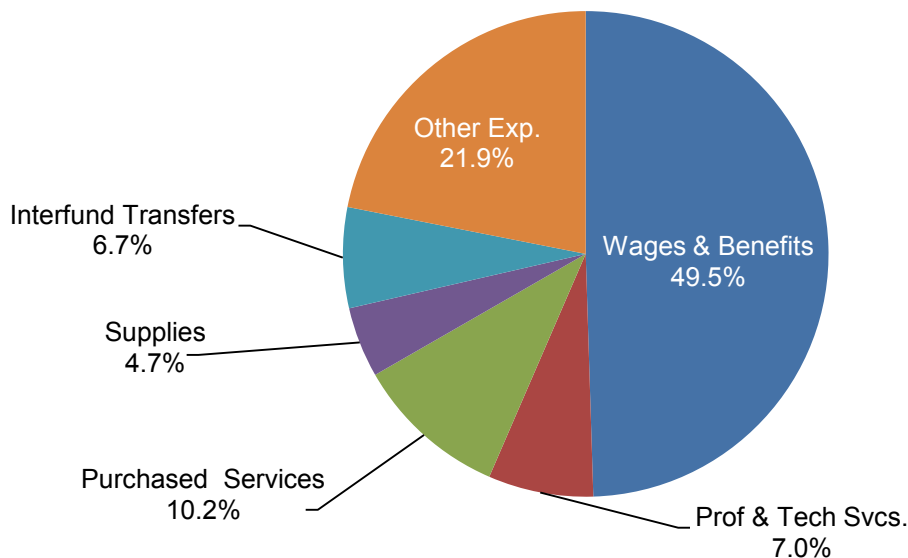


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Total expenditures for the General Fund in 2016 (including interfund transfers to other funds) were \$50.2 million, a 3.3 percent decrease over 2015. A large part was due to a decrease of \$3.0 million in interfund transfers for capital to the Airport Fund.

As mentioned previously, the General Fund is the County's primary operating fund and consequently it contains a total of eighteen elected official offices and departments. Wages and benefits, therefore, make up 49.5 percent of total expenditures, while services provided for the County (professional and technical services, and purchased services) comprised 17.2 percent of the total. The following presents the total General Fund expenditures by classification:

General Fund Expenditures 2016	
Wages & Benefits	\$24,859,372
Professional and Technical Services	3,493,335
Purchased Services	5,143,796
Supplies	2,359,500
Interfund Transfers	3,386,064
Other Expenditures	10,997,733
<b>Total</b>	<b>\$50,239,800</b>



During 2016, there was a \$0.4 million (0.8 percent) increase in appropriations between the adopted and amended budgets for General Fund expenditures. The majority of the increase was in both other expenditures of \$0.2 million and services of \$0.2 million.

General Fund expenditures were 8.4 percent (\$4.6 million) below the amended budget in 2016, which is the normal trend the County has experienced in previous years. There was a multitude of cost savings across the board with all departments and offices coming under budget. Notable variances include: lower than budgeted wages and benefits primarily due to vacancy savings of \$1.4 million and lower health insurance costs of \$559 thousand. In addition, the Sheriff's office spent only 61 percent of the emergency management contingency and returned \$477 thousand to fund balance.

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**General Fund Expenditures Budgetary Comparison**

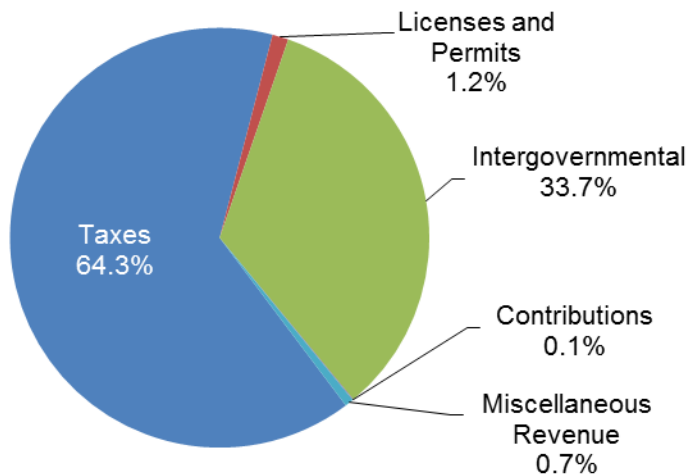
	<b>2016 Adopted Budget</b>	<b>2016 Amended Budget</b>	<b>2016 Actual</b>	<b>Amount Over/(Under) Amended</b>	<b>% Over/ (Under) Amended</b>
Wages & Benefits	\$26,842,203	\$26,794,783	\$24,859,372	(\$1,935,411)	(7.2%)
Professional & Technical Services	3,999,183	4,187,583	3,493,335	(694,248)	(16.6%)
Purchased Services	5,650,219	5,673,279	5,143,796	(529,483)	(9.3%)
Supplies	2,444,556	2,446,796	2,359,500	(87,296)	(3.6%)
Interfund Transfers	3,388,000	3,388,000	3,386,064	(1,936)	(0.1%)
Other Expenditures	12,067,737	12,331,340	10,997,733	(1,333,607)	(10.8%)
<b>Totals</b>	<b>\$54,391,898</b>	<b>\$54,821,781</b>	<b>\$50,239,800</b>	<b>(\$4,581,981)</b>	<b>(8.4%)</b>

**Road and Bridge Fund**

The Road and Bridge Fund is used to account for the construction, maintenance, and snow removal on all County roads and bridges. The fund balance decreased by \$0.7 million in 2016 and has \$32.5 million available for future spending at the year-end. In 2016, total revenues of \$12.5 million in this fund decreased by 42.1 percent over 2015 and total expenditures of \$13.2 million decreased by 1.5 percent over 2015.

**Road and Bridge Fund Revenues  
2016**

Taxes	\$8,026,444
Licenses and Permits	155,157
Intergovernmental	4,201,435
Contributions	7,469
Miscellaneous Revenue	83,597
<b>Total</b>	<b>\$12,474,102</b>

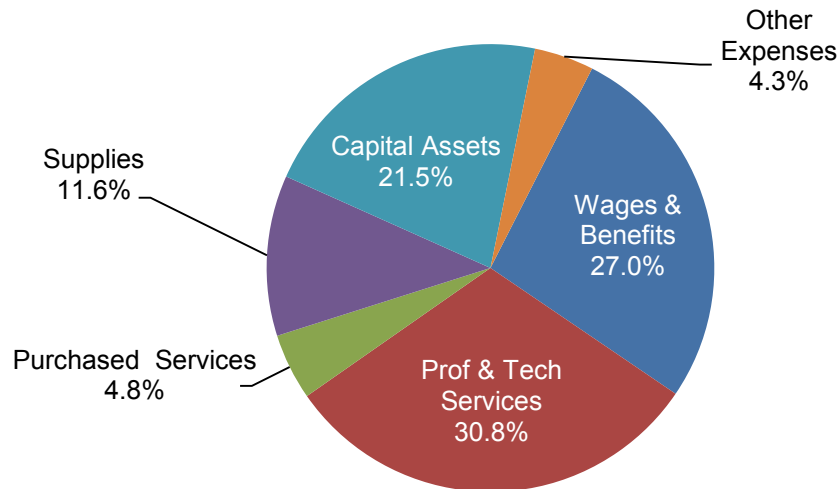


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In 2016, the majority of the decrease in revenue were in property taxes of \$6.3 million, in Federal Mineral Severance for \$2.0 million and a non-interfund transfer in from Traffic Impact Fund for \$0.7 million that were all under 2015. Revenue offsets were minimal.

All expenditures in the Road and Bridge Fund are a public works function. Expenditures by classification were as follows:

<b>Road and Bridge Fund Expenditures</b>	
<b>2016</b>	
Wages and benefits	\$3,549,457
Professional and technical services	4,055,636
Purchased services	633,715
Supplies	1,525,963
Capital expenditures	2,826,421
Other expenditures	573,976
<b>Total</b>	<b>\$13,165,168</b>



**Human Services Fund**

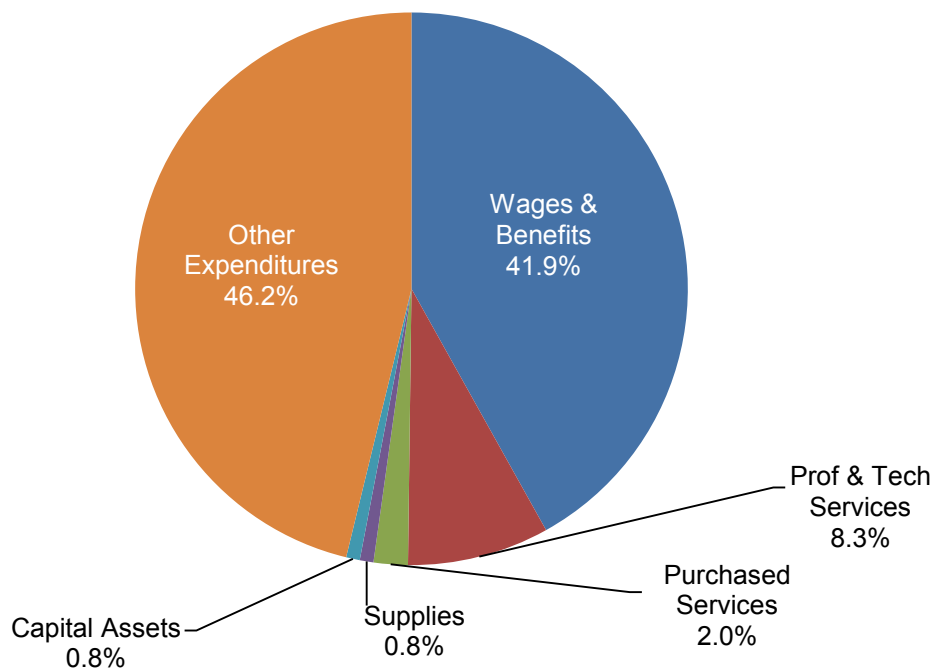
The Human Services Fund is used to account for a variety of State mandated social services including public assistance, child support, and family service programs. These services are provided by the County's Department of Human Services (DHS). In 2016, revenues in excess of expenditures caused the Human Services fund balance to grow 15.2 percent from \$15.8 million to \$18.2 million. When compared to 2015, total revenues decreased by 0.3 percent (\$0.1 million); property taxes increased by 6.7 percent (\$0.3 million); and intergovernmental revenues decreased by 2.6 percent (\$0.4 million). The majority of revenues (78.0 percent) in this Fund are from intergovernmental sources.

Total expenditures increased by 0.2 percent (\$46 thousand) compared with 2015, these were due to increases in wages and benefits caused by federally mandated programs that required additional staff; the annual merit increases (up to 2.5 percent); and increases in health benefits.

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All expenditures in the Human Services Fund are a Health and Welfare function. Expenditures by classification were as follows:

Human Services Fund Expenditures 2016	
Wages and benefits	\$7,847,761
Professional and technical services	1,551,296
Purchased services	382,901
Supplies	152,099
Capital expenditures	152,129
Other expenditures	8,632,376
<b>Total</b>	<b>\$18,718,562</b>



Of the \$8.6 million categorized as other expenditures, \$1.6 million was spent on Child Welfare Block Grant programs, \$5.7 million on the Food Assistance Benefits program, \$0.8 million on the Old Age Pension program, and \$0.5 million on Child Care Assistance program.

**Capital Expenditures Fund**

The Capital Expenditures fund balance decreased by 33.8 percent from \$7.1 million in 2015 to \$4.7 million in 2016.

In 2016, there were \$3.2 million in revenues due to taxes.

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Total expenditures were \$5.6 million, as follows:

Capital Expenditures Fund Expenditures 2016	
<b>Land:</b>	
- Rifle 1115 Park Avenue, Land for Maintenance Storage	\$ 35,454
- Rifle 1327 Howard Avenue, Land for Parking Lot	190,834
<b>Land Improvements:</b>	
- Rifle 1327 Howard Avenue Parking Lot Preparations (CIP)	40,091
- Rifle 1241 & 1301 Howard Avenue Parking Lot	415,063
<b>Buildings:</b>	
- Rifle Administration Building (CIP)	2,263,013
- Rifle 1115 Park Avenue, Building for Maintenance Storage	69,500
<b>Building Improvements:</b>	
- GWS Public Health Mountain View Building Remodel	74,294
- GWS Procurement 810 Pitkin Asbestos Remediation & Renovations	423,457
- Fairgrounds North and South Halls Fire Alarm/Suppression (CIP)	26,185
- Fairgrounds North Hall Kitchen Remodel (CIP)	122,110
- Rifle Shop Remodel/CNG Upgrade (CIP)	632,016
<b>Machinery and Equipment:</b>	
- Clerk and Recorder Microfilm Reader/Printer	16,815
<b>Computer Hardware:</b>	
- Sheriff's Office Mobile Data Technology (MDT) for Patrol Cars-Hardware	85,395
- Sheriff's Office Finger Print Machine	16,109
- Sheriff's Office Forensic Fred/FTK Upgrade in Computer Equipment	19,980
- GWS IT Courthouse Disk Expansion Shelf and NIC's – Storage Unit	34,100
- GWS IT Cisco UCX Project	241,065
- Annual Countywide Hardware Replacement (Computers)	68,652
<b>Computer Software:</b>	
- Rifle Criminal Justice Tribridge Software	55,000
- Finance New World Systems (NWS) Unlimited Licenses	9,405
- IT Annual Software License Upgrade	19,100
<b>Furnishings:</b>	
- Coroner furniture for remodel	19,170
- Rifle Admin Building furniture and fixtures	458,007
<b>Intangibles:</b>	
- Vegetation Management's CNHP Bio Inventory (CIP)	7,500
- IT GIS Cooperative LiDAR Floodplain Mapping Project	125,000
<b>Rolling Stock:</b>	
- Sheriff's Office Patrol CNT 2016 Ford Transit Van Outfitting (CIP)	44,051
- Fairgrounds John Deere 5065E Tractor	39,615
<b>Miscellaneous Countywide Capital Expenditures:</b>	
	28,782
<b>TOTAL</b>	<b>\$5,579,763</b>

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**CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

**Capital Assets**

As of December 31, 2016, the County's investment in capital assets (less accumulated depreciation) for governmental activities (including the motor pool fund) was \$294.9 million. The investment in capital assets activities (less accumulated depreciation) for business-type activities was \$3.1 million.

In 2016, major capital expenditures included:

- Road & Bridge had eight projects totaling \$1.8 million. Six projects were completed in 2016 and one was carried-over into 2017. One major road project was completed: CR113/SH82 Cattle Creek Intersection Acceleration/Deceleration Lanes for \$918 thousand; two drainage projects were completed in Battlement Mesa for \$491 thousand. Four bridge projects were completed or carried forward. They are as follows: three bridge scour protection projects completed on CR108, CR300 & CR311 for \$325 thousand; and CR137 Canyon Creek Bridge Replacement for \$87 thousand, which is being carried forward into 2017.
- The Airport had two major and two minor capital improvement projects totaling \$1 million, which were all completed in 2016: Airport Entrance Upgrade for \$742 thousand; Fuel Farm (2015 carry forward) final payment for \$138 thousand; Observation Shade Structure for \$20 thousand; and Sheriff's Impoundment Lot for \$10 thousand.
- Two land purchases in 2016 totaling \$226 thousand: CDOT maintenance hut (across from the back of the Fairgrounds) for \$35 thousand and property in proximity to the new Rifle administration building to be used for parking lot construction in 2017 for \$191 thousand.
- Design & Construction of a new administration building in Rifle. Design began in May 2015 and the construction was completed in June 2016 totaling \$2.3 million. The total project expenditure totaled \$4.6 million.
- The Sheriff's Office purchased Mobile Data Technology (MDT) computer hardware and software for Sheriff's Office patrol cars costing \$85 thousand; a finger print machine for the jail for \$16 thousand; and replacement of six Sheriff's Office vehicles totaling \$287 thousand.
- In the Motor Pool Fund: Community Development purchased a F150 CNG pick-up truck for \$39 thousand; Criminal Justice Services purchased a Chevy 15 Passenger van for \$31 thousand; and Road & Bridge purchased a replacement pick-up truck for \$58 thousand.
- Seven pieces of heavy equipment were purchased in 2016 by Road & Bridge totaling \$1 million: two dump trucks for \$386 thousand; a heavy haul tractor for \$119 thousand; a motor grader for \$280 thousand; a mower for \$121 thousand; a Smithco Side Dump Semi Trailer for \$52 thousand; and one Bobcat Skid Steer for \$50 thousand.
- The Landfill continued the development of the PCS Contaminated Soil Treatment facility and spent \$61 thousand of the approximately \$578 thousand project in 2016. The facility is to be used by energy industry for storage of contaminated soils. The project was completed in the first half of 2016.
- Fairgrounds improvements included the completion of the North Hall remodel for \$122 thousand of a \$176 thousand project, and fire alarm/suppression of both North and South Halls for \$26 thousand.
- The Road and Bridge Shop Remodel/Motor Pool CNG shop upgrades still in process at the end of 2016 spent \$632 thousand. The project is scheduled to be completed in 2017 for a total of \$1.25 million.

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Overall, the County saw a decrease of 0.6 percent in total capital assets. Note 3D Capital Assets on pages D11 and D12 provide additional information about changes in capital assets during the calendar year. The following table provides a summary of capital asset activity:

	CAPITAL ASSETS					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Non-depreciable assets:</b>						
Construction in progress	\$ 1,623,222	\$ 3,620,085	\$ -	\$ 517,538	\$ 1,623,222	\$ 4,137,623
Land	16,177,723	15,951,435	300,000	300,000	16,477,723	16,251,435
<b>Total non-depreciable assets</b>	<b>\$ 17,800,945</b>	<b>\$ 19,571,520</b>	<b>\$ 300,000</b>	<b>\$ 817,538</b>	<b>\$ 18,100,945</b>	<b>\$ 20,389,058</b>
<b>Depreciable assets:</b>						
Land improvements	60,240,279	58,768,252	1,803,946	1,225,624	62,044,225	59,993,876
Buildings	61,017,402	56,344,045	768,258	768,258	61,785,660	57,112,303
Building improvements	8,942,581	8,242,665	17,800	17,800	8,960,381	8,260,465
Machinery and equipment	27,475,700	26,027,968	2,297,043	2,660,126	29,772,743	28,688,094
Intangibles	2,747,657	2,385,025	-	-	2,747,657	2,385,025
Infrastructure	290,407,752	288,388,796	-	-	290,407,752	288,388,796
<b>Total depreciable assets</b>	<b>450,831,371</b>	<b>440,156,751</b>	<b>4,887,047</b>	<b>4,671,808</b>	<b>455,718,418</b>	<b>444,828,559</b>
<b>Less accumulated depreciation</b>	<b>173,720,332</b>	<b>163,203,452</b>	<b>2,127,962</b>	<b>2,156,504</b>	<b>175,848,294</b>	<b>165,359,956</b>
<b>Book value - depreciable assets</b>	<b>277,111,039</b>	<b>276,953,299</b>	<b>2,759,085</b>	<b>2,515,304</b>	<b>279,870,124</b>	<b>279,468,603</b>
<b>Percentage depreciated</b>	<b>39%</b>	<b>37%</b>	<b>44%</b>	<b>46%</b>	<b>39%</b>	<b>37%</b>
<b>Book value - all assets</b>	<b>\$ 294,911,984</b>	<b>\$ 296,524,819</b>	<b>\$ 3,059,085</b>	<b>\$ 3,332,842</b>	<b>\$ 297,971,069</b>	<b>\$ 299,857,661</b>

At December 31, 2016, the depreciable capital assets for governmental activities were 39 percent depreciated. This compares with 37 percent at December 31, 2015. The County's business-type activities asset values were 44 percent depreciated by December 31, 2016, which compares to 46 percent at December 31, 2015. During 2016, the County continued to replace its capital assets at a consistent level and has accumulated another year's worth of depreciation on its capital assets.

**Long-term Obligations**

During 2016, the County has the following long-term obligations for landfill closure and post closure costs and compensated absences:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Landfill closure and post closure care	\$ -	\$ -	\$ 1,346,615	\$ 1,284,903	\$ 1,346,615	\$ 1,284,903
Compensated absences	2,166,843	1,883,008	26,739	32,855	2,193,582	1,915,863
<b>Total</b>	<b>\$ 2,166,843</b>	<b>\$ 1,883,008</b>	<b>\$ 1,373,354</b>	<b>\$ 1,317,758</b>	<b>\$ 3,540,197</b>	<b>\$ 3,200,766</b>

Additional information about the County's long-term obligations is available on page D14.

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**ECONOMIC OUTLOOK AND 2017 BUDGET**

Garfield County's economy, largely dominated by agriculture, tourism, and natural resource development, continued to show signs of improvement in 2016 in all sectors, except the energy industry. This trend is expected to continue in 2017 with growth in the housing and job markets, rising incomes, and increasing retail, tourism, and related sales tax revenues. Property tax revenues are expected to decrease in 2017 due to both a lower price and production of natural gas in 2015, the year in which assessments are made for 2017 revenues.

The County continues to experience strong demand for many of its services, especially Human Services and Road and Bridge projects. With careful and prudent management and efficient use of funds, the County will continue to provide quality services and maintain operating expenditures in 2017. The operating budget is balanced with excess revenues of more than \$150 thousand and is, therefore, balanced. The Board's policy called for the adoption of a balanced operating budget and total fund balances above \$100 million. The 2017 adopted budget meets both goals.

The 2017 adopted budget is \$91,345,608 in revenues and appropriates \$105,687,458 in expenditures. The difference of \$14,341,850 is taken from fund balances and will be primarily be used for capital projects. Priorities for 2017 include replacement of two communication towers; construction of a Search and Rescue and Coroner building in the Rifle Sheriff's Office Annex Campus; construction of an Airport Snow Removal Equipment Facility; development of the Fairgrounds as a year round event center; and Road and Bridge maintenance and capital projects.

Overall, the 2017 budget and the policy-driven strategic plan enable Garfield County to continue to provide high levels of service to its citizens; invest in prudent capital improvements; and support municipalities with key infrastructure projects, while maintaining a strong financial position.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the County's financial activities for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

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Finance Director  
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Glenwood Springs, Colorado, 81601  
970/945-7284 ext. #3  
[twagenman@garfield-county.com](mailto:twagenman@garfield-county.com)