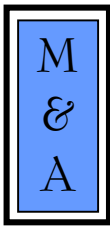


FINANCIAL SECTION



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, 2017, 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

PAUL J. BACKES, CPA, CGMA
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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, 2017, 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 June 4, 2018 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.
June 4, 2018**

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2017

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, 2017. 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, 2017, the County's total assets were \$448.6 million, and total liabilities and deferred inflow of resources were \$41.7 million. The total net position was therefore \$406.9 million, a decrease of 4.7 percent (\$20.0 million) over 2016.
- 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 \$292.6 million
 - (2) Restricted net position of \$57.8 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 \$56.4 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 and sale of capital assets) in 2017 were \$83.0 million, a 16.7 percent (\$16.6 million) decrease under 2016.
- Total governmental fund expenditures (including transfers out) in 2017 were \$97.9 million, a 0.7 percent (\$0.7 million) increase over 2016.
- As of December 31, 2017, the County's governmental funds reported combined ending fund balances of \$107.1 million. This compares to the prior year ending fund balances of \$121.9 million, a decrease of 12.1 percent (\$14.8 million) during 2017. Approximately \$32.5 million (30.3 percent) is unassigned fund balance.
- At the end of 2017, fund balance for the General Fund was \$36.7 million, amounting to 70.0 percent of total General Fund expenditures. This compares to the prior year ending fund balance of \$45.4 million with a decrease of 19.2 percent (\$8.7 million) during 2017.

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, 2017

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
December 31, 2017

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
December 31, 2017

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, 2017 were \$448.6 million, total liabilities were \$11.9 million, and deferred inflows of resources were \$29.8 million. The County's net position is therefore \$406.9 million, a decrease of 4.7 percent compared to December 31, 2016. The following provides a summary of the County's net position (as presented on page C1):

SUMMARY OF NET POSITION (\$)						
	Governmental Activities		Business-type Activities		TOTAL	
	2017	2016	2017	2016	2017	2016
Assets:						
Current assets	\$150,055,295	\$163,386,284	\$5,940,263	\$5,841,719	\$155,995,558	\$169,228,003
Capital assets	289,553,725	294,911,984	3,064,727	3,059,085	292,618,452	297,971,069
Total Assets	439,609,020	458,298,268	9,004,990	8,900,804	448,614,010	467,199,072
Liabilities:						
Current liabilities	8,670,152	6,990,939	113,376	115,606	8,783,528	7,106,545
Non-current liabilities	1,715,951	1,625,132	1,446,873	1,366,669	3,162,824	2,991,801
Total Liabilities	10,386,103	8,616,071	1,560,249	1,482,275	11,946,352	10,098,346
Total Deferred Inflow of Resources	29,806,371	30,262,162	-	-	29,806,371	30,262,162
Net Position:						
Inv. in capital assets	289,553,725	294,911,984	3,064,727	3,059,085	292,618,452	297,971,069
Restricted	57,814,262	61,576,776	-	-	57,814,262	61,576,776
Unrestricted	52,048,559	62,931,275	4,380,014	4,359,444	56,428,573	67,290,719
Total Net Position	\$399,416,546	\$419,420,035	\$7,444,741	\$7,418,529	\$406,861,287	\$426,838,564

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 59:1 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 decreased \$20.0 million for governmental activities and increased by \$26 thousand for business-type activities. The County's overall total net position decreased during 2017 by \$20.0 million. The loss in net position is primarily due to lower property tax revenues compared to 2016.

As of December 31, 2017, the County's governmental activities reported a combined ending net position of \$399.4 million, a decrease of 4.8 percent (\$20.0 million) less than the prior year. Of this, 13.0 percent (\$52.0 million) is unrestricted and constitutes available funds for spending in the coming year at the County's discretion. Legally restricted net position includes \$28.9 million restricted to road and bridge, \$18.5 million restricted to human services, \$3.7 million restricted to capital projects, \$3.2 million restricted to public health, \$3.0 million restricted to emergency reserve, \$429 thousand conservation trust and \$100 thousand grants.

Approximately 72.5 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, 41.9 percent of its net position is invested in capital assets providing facilities and equipment for the Solid Waste Disposal Fund.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2017

Summary of Changes in Net Position

Governmental activities and business-type activities decreased the County's net position by \$20.0 million or 4.7 percent.

The following table provides a summary of the County's changes in net position for governmental and business-type activities in 2017 and 2016:

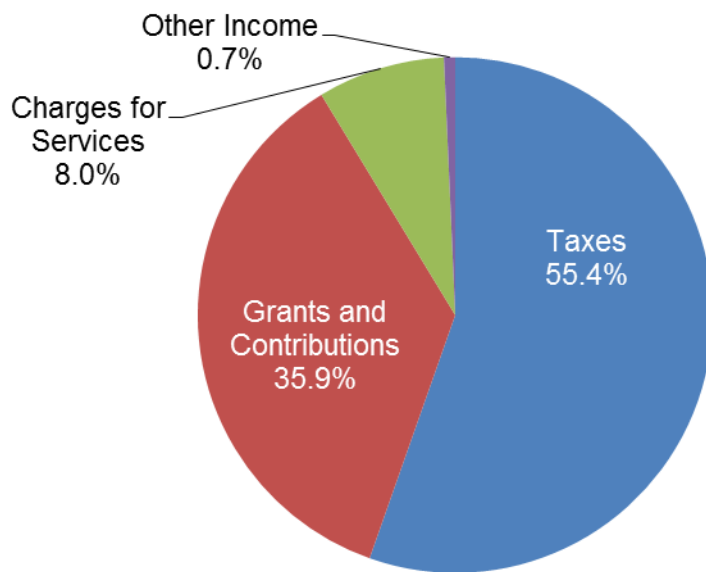
SUMMARY OF CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program:						
Charges for services	\$ 6,254,511	\$ 8,214,902	\$ 1,692,481	\$ 1,643,297	\$ 7,946,992	\$ 9,858,199
Operating grants	27,498,668	27,452,507	41	17,786	27,498,709	27,470,293
Capital grants and contributions	621,252	1,170,130	-	-	621,252	1,170,130
General:						
Taxes	43,399,022	58,496,903	-	-	43,399,022	58,496,903
Other	541,581	970,858	-	65,378	541,581	1,036,236
Total Revenues	78,315,034	96,305,300	1,692,522	1,726,461	80,007,556	98,031,761
Program Expenses:						
General government	28,133,188	24,596,283	-	-	28,133,188	24,596,283
Public safety	22,756,808	22,126,678	-	-	22,756,808	22,126,678
Public works	22,447,525	23,584,988	-	-	22,447,525	23,584,988
Health and welfare	22,600,413	22,598,603	-	-	22,600,413	22,598,603
Culture and recreation	2,305,715	2,113,473	-	-	2,305,715	2,113,473
Interest	-	-	-	-	-	-
Solid waste	-	-	1,741,184	1,499,670	1,741,184	1,499,670
Total Expenses	98,243,649	95,020,025	1,741,184	1,499,670	99,984,833	96,519,695
Excess (Deficiency)	(19,928,615)	1,285,275	(48,662)	226,791	(19,977,277)	1,512,066
Transfers	(74,874)	(86,064)	74,874	86,064	-	-
Change in Net Position	(20,003,489)	1,199,211	26,212	312,855	(19,977,277)	1,512,066
Beginning Net Position	419,420,035	418,220,824	7,418,529	7,105,674	426,838,564	425,326,498
Ending Net Position	\$399,416,546	\$419,420,035	\$7,444,741	\$7,418,529	\$406,861,287	\$426,838,564

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2017

GOVERNMENTAL REVENUES

Total governmental revenues for 2017 were \$78.3 million (excluding transfers in) compared to \$96.3 million in 2016, a decrease of 18.7 percent. The source of revenues is as follows:

Governmental Revenues by Source 2017	
Taxes	\$43,399,022
Grants and Contributions	28,119,920
Charges for Services	6,254,511
Other Income	541,851
Total	\$78,315,034



The County is heavily reliant on taxes, and grants and contributions to support governmental operations and capital improvements.

Property taxes are the largest source of revenue with \$30.5 million accounting for 38.9 percent of total revenues. Sales taxes of \$9.8 million represent 12.5 percent of revenues.

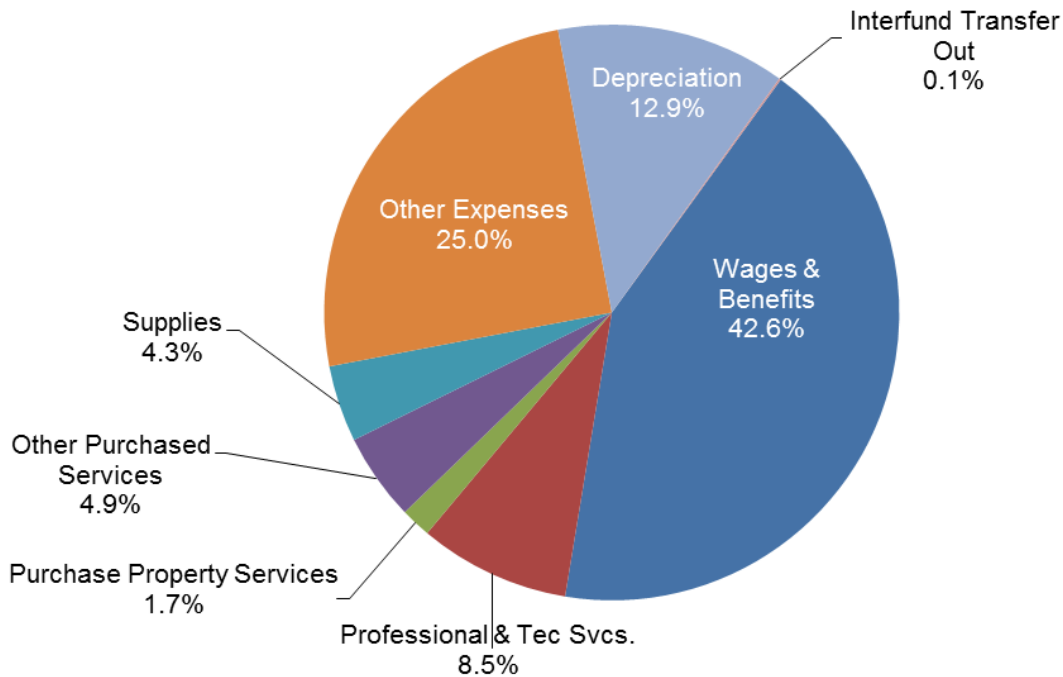
Intergovernmental revenues included in grants and contributions of \$28.1 million represents 35.9 percent of the County's total governmental revenues. This includes \$16.3 million from the State for Human Services programs; \$3.6 million from the State Highway Users Tax Fund for road and bridge purposes; \$3.1 million from the Payment in Lieu of Taxes (PILT); \$0.6 million in federal mineral severance taxes; and \$4.5 million of other various items.

Garfield County, Colorado
Management's Discussion and Analysis
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GOVERNMENTAL EXPENSES

Total governmental expenses for 2017 were \$98.3 million compared with \$95.1 million in 2016, an increase of 3.4 percent. Expenses by classification are as follows:

Governmental Expenses by Classification 2017	
Wages and Benefits	\$41,929,585
Professional and Technical Services	8,405,510
Purchase Property Services	1,655,852
Other Purchased Services	4,794,712
Supplies	4,236,773
Other Expenses	24,607,609
Depreciation	12,613,608
Sub-Total	\$98,243,649
Interfund Transfer Out	74,874
Total	\$98,318,523



Other expenses of \$24.6 million included DHS other expenses of \$8.1 million; BOCC approved grants of \$4.1 million; and District Attorney Fees of \$2.2 million.

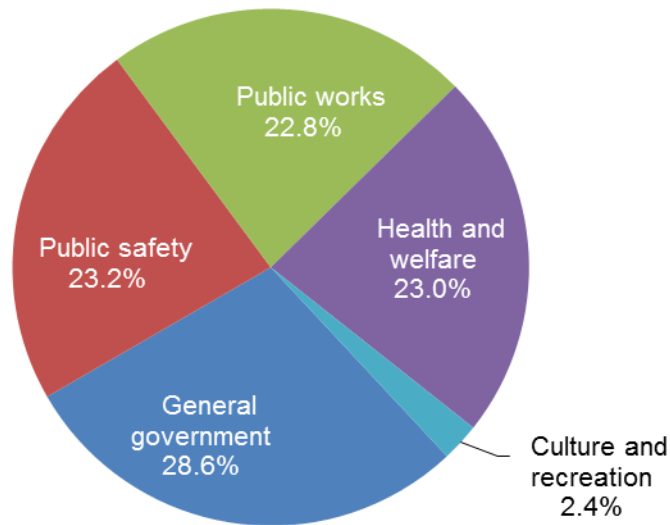
Garfield County, Colorado
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GOVERNMENT-WIDE – GOVERNMENTAL ACTIVITIES – FUNCTION/PROGRAM ANALYSIS

Program revenues such as charges for services, operating and capital grants and contributions, cover 35.0 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 65.0 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 2017	
General government	\$28,133,188
Public safety	22,756,808
Public works	22,447,525
Health and welfare	22,600,413
Culture and recreation	2,305,715
Total	\$ 98,243,649



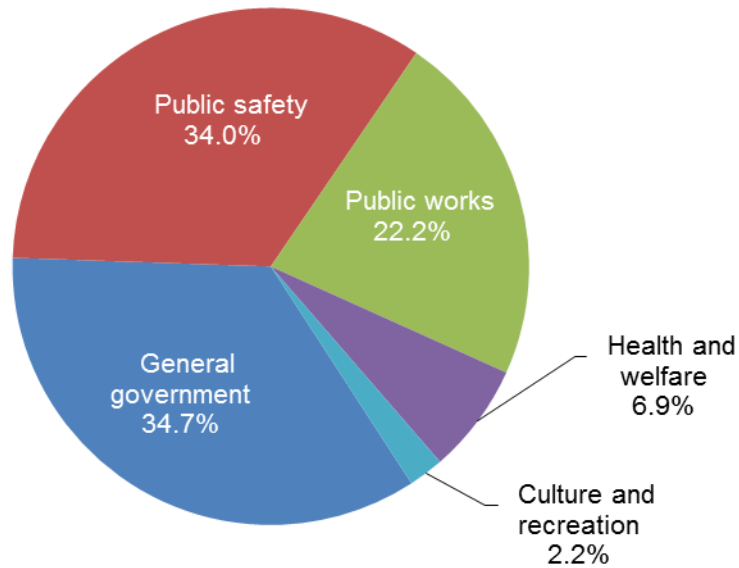
The general government, public safety, public works, and health and welfare functions account for 97.6 percent of governmental activities expenses.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2017

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
2017**

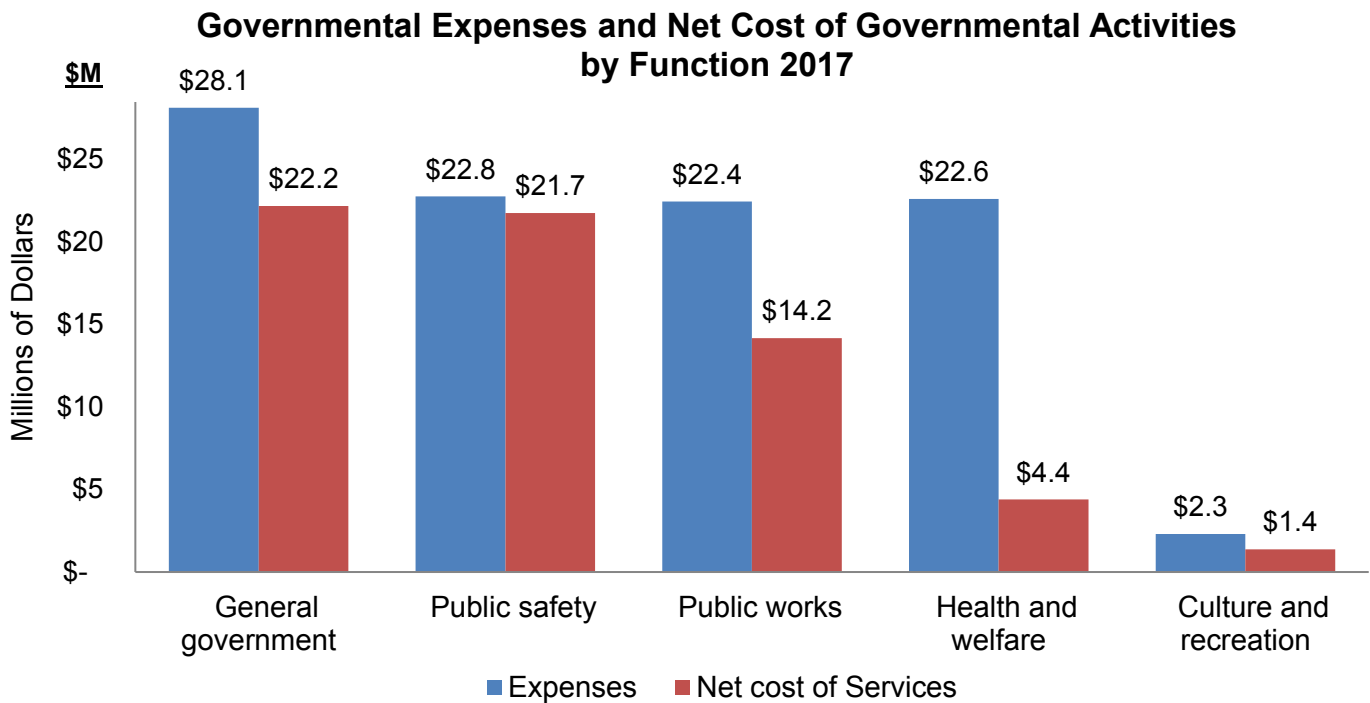
General government	\$ 22,172,014
Public safety	21,746,287
Public works	14,165,151
Health and welfare	4,404,246
Culture and recreation	1,381,520
Total	\$ 63,869,218



Garfield County, Colorado
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Total net cost of governmental activities of \$63.9 million is 65.0 percent of the total cost of governmental activities of \$98.2 million. This means 65.0 percent of governmental activities are paid for with taxpayer dollars and 35.0 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:



Garfield County, Colorado
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 2017, the fund accounted for an increase in the County's net position of \$26 thousand primarily due to higher charges for services and transfers in compared to expenses.

Operating revenues of the fund were \$1.7 million and operating expenses were \$1.7 million. At 95.8 percent, charges for services (tipping fees) accounted for the majority of revenues. Other revenues included an interfund transfer of \$75 thousand from the General Fund for cost reimbursement.

Wages and benefits accounted for 41.2 percent of expenses and the remaining 58.8 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 \$79.0 million in 2017, a decrease of 18.0 percent under the prior year. Taxes, primarily property tax, decreased by 26.0 percent (\$15.0 million) and charges for services decreased by 22.7 percent (\$2.0 million) due to a royalty one-time catch-up payment of \$1.6 million received in 2016. Investment Income increased by 22.2 percent (\$0.2 million). Modest increases and decreases took place in other revenue sources.

In 2017, expenditures for governmental funds totaled \$94.4 million, an increase of 0.7 percent (\$0.7 million). A \$2.1 million increase took place in General Government, a 7.2 percent increase mostly due to a property tax abatement of \$3.2 million offset by other lower expenditures. Public Safety increased 2.8 percent (\$0.6 million) primarily due to higher wages and benefits caused by the annual merit increases (up to 2.5 percent); and increases in health benefits. Public Works has a 21.3 percent decrease (\$4.0 million) which reflects less investment in road and bridge capital and asphalt projects in 2017. Culture and recreation increased 115.0 percent (\$2.3 million) resulting from increased capital investment at the County Fairgrounds in 2017.

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

General Fund

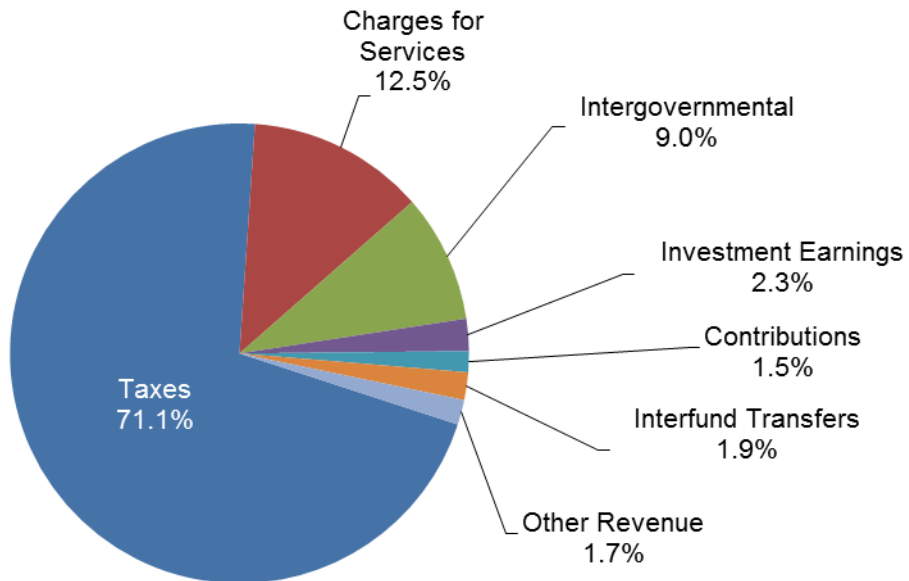
The General Fund is the primary operating fund for the County and the largest source of day-to-day service delivery.

The General Fund's fund balance decreased by 19.2 percent (\$8.7 million) in 2017 to \$36.7 million. Unassigned fund balance constitutes 88.7 percent (\$32.5 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 66.3 percent of total General Fund expenditures and total fund balance represents 74.9 percent of expenditures.

In 2017, total revenues for the General Fund were \$43.7 million (including interfund transfers in from other funds), a decrease of 20.8 percent over the prior year. Taxes generated more than half this revenue, followed by charges and fees for services, and intergovernmental. The following represents General Fund revenues by classification in 2017, which was similar to the prior year:

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2017

General Fund Revenues 2017	
Taxes	\$31,082,446
Charges for Services	5,458,565
Intergovernmental	3,947,051
Investment Earnings	988,055
Contributions	644,366
Interfund Transfers	850,000
Other Revenue	762,750
Total	\$43,733,233



General Fund revenues were 4.6 percent under the amended budget in 2017. Property tax revenues were \$10.1 million lower than last year due to decreased ad valorem taxes from oil and gas industry. Charges for services were lower by \$2.3 million mostly due to lower treasurer fees caused by the lower property tax collections.

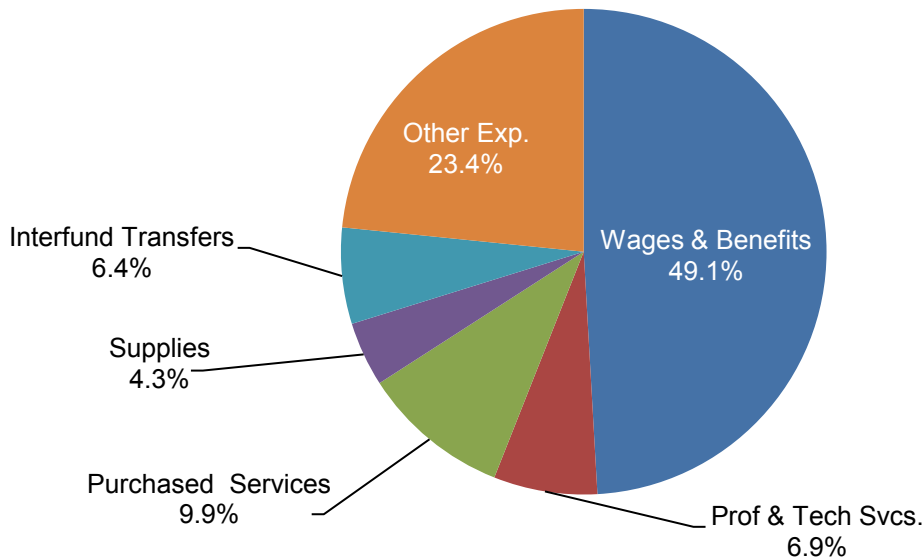
General Fund Revenues Budgetary Comparison					
	2017 Adopted Budget	2017 Amended Budget	2017 Actual	Amount Over/(Under) Amended	% Over/(Under) Amended
Taxes	\$31,207,207	\$31,207,207	\$31,082,446	(\$124,761)	(0.4%)
Charges for Services	5,835,910	5,835,910	5,458,565	(377,345)	(6.5%)
Intergovernmental	3,599,428	3,656,484	3,947,051	290,567	7.9%
Investment Income	2,600,460	2,600,460	988,055	(1,612,405)	(62.0%)
Contributions	924,625	924,625	644,366	(280,259)	(30.3%)
Interfund Transfers	800,000	850,000	850,000	0	0.0%
Other Revenue	700,948	775,980	762,750	(13,230)	(1.7%)
Totals	\$45,668,578	\$45,850,666	\$43,733,233	(\$2,117,433)	(4.6%)

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Total expenditures for the General Fund in 2017 (including interfund transfers to other funds) were \$52.4 million, a 4.3 percent increase over 2016. A large part was due to an increase in wages and benefits of \$0.9 million and increased property and sales tax distributions to the municipalities of \$1.2 million.

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 49.1 percent of total expenditures, while services provided for the County (professional and technical services, and purchased services) comprised 16.8 percent of the total. The following presents the total General Fund expenditures by classification:

General Fund Expenditures 2017	
Wages & Benefits	\$25,726,924
Professional and Technical Services	3,621,363
Purchased Services	5,213,154
Supplies	2,247,665
Interfund Transfers	3,374,874
Other Expenditures	12,212,598
Total	\$52,396,578



During 2017, there was a \$0.4 million (0.7 percent) increase in appropriations between the adopted and amended budgets for General Fund expenditures. The majority of the increase was in both professional and technical services of \$0.4 million and other expenditures of \$0.3 million offset by lower wages and benefits of \$0.4 million.

General Fund expenditures were 6.3 percent (\$3.5 million) below the amended budget in 2017, 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 included: 1. lower than budgeted wages and benefits primarily due to vacancy savings of \$2.1 million; 2. non-profit grant awards were under-spent by \$134 thousand; and 3. the Sheriff's office only spent 66 percent of the emergency management contingency returning \$272 thousand to fund balance.

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General Fund Expenditures Budgetary Comparison

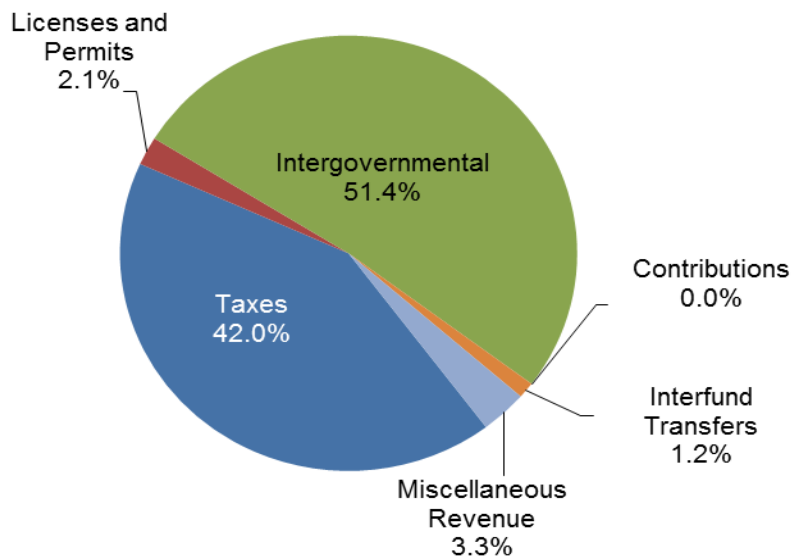
	2017 Adopted Budget	2017 Amended Budget	2017 Actual	Amount Over/(Under) Amended	% Over/ (Under) Amended
Wages & Benefits	\$27,727,920	\$27,298,892	\$25,726,924	(\$1,571,968)	(5.8%)
Professional & Technical Services	3,740,837	4,154,687	3,621,363	(533,324)	(12.8%)
Purchased Services	5,753,973	5,869,328	5,213,154	(656,174)	(11.2%)
Supplies	2,485,246	2,516,337	2,247,665	(268,672)	(10.7%)
Interfund Transfers	3,388,000	3,388,000	3,374,874	(13,126)	(0.4%)
Other Expenditures	12,427,109	12,704,592	12,212,598	(491,994)	(3.9%)
Totals	\$55,523,085	\$55,931,836	\$52,396,578	(\$3,535,258)	(6.3%)

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. Due to healthy fund balance levels in this fund, the 2017 mill levy was zeroed out. Thus, the fund balance decreased by \$3.5 million in 2017 and has \$29.0 million available for future spending at the year-end. In 2017, total revenues of \$7.0 million in this fund decreased by 44.0 percent over 2016 and total expenditures of \$10.5 million decreased by 20.2 percent over 2016.

**Road and Bridge Fund Revenues
2017**

Taxes	\$2,957,916
Licenses and Permits	148,347
Intergovernmental	3,610,939
Contributions	1,300
Interfund Transfers	83,875
Miscellaneous Revenue	232,093
Total	\$7,034,470

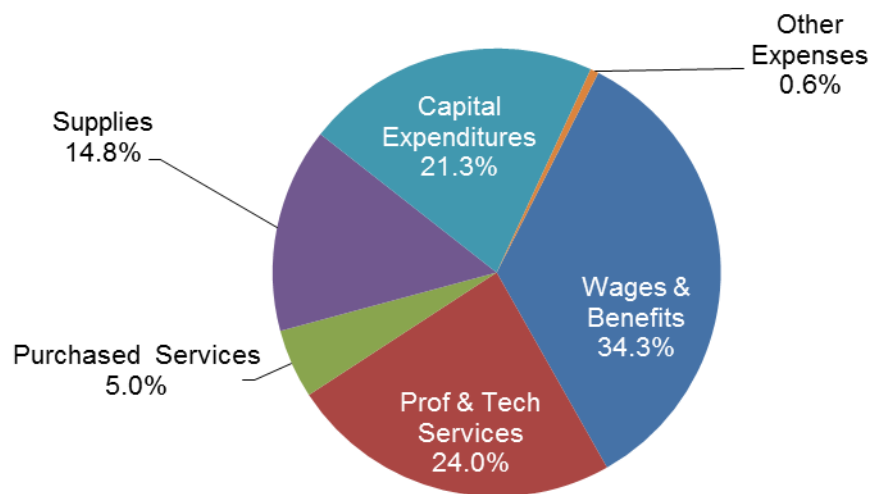


In 2017, the primary decrease in revenues were in property taxes of \$5.1 million and in Federal Mineral Severance of \$0.7 million with minimal revenue offsets.

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

Road and Bridge Fund Expenditures 2017	
Wages and benefits	\$3,603,043
Professional and technical services	2,519,724
Purchased services	525,543
Supplies	1,551,170
Capital expenditures	2,232,945
Other expenditures	70,242
Total	\$10,502,667



Human Services Fund

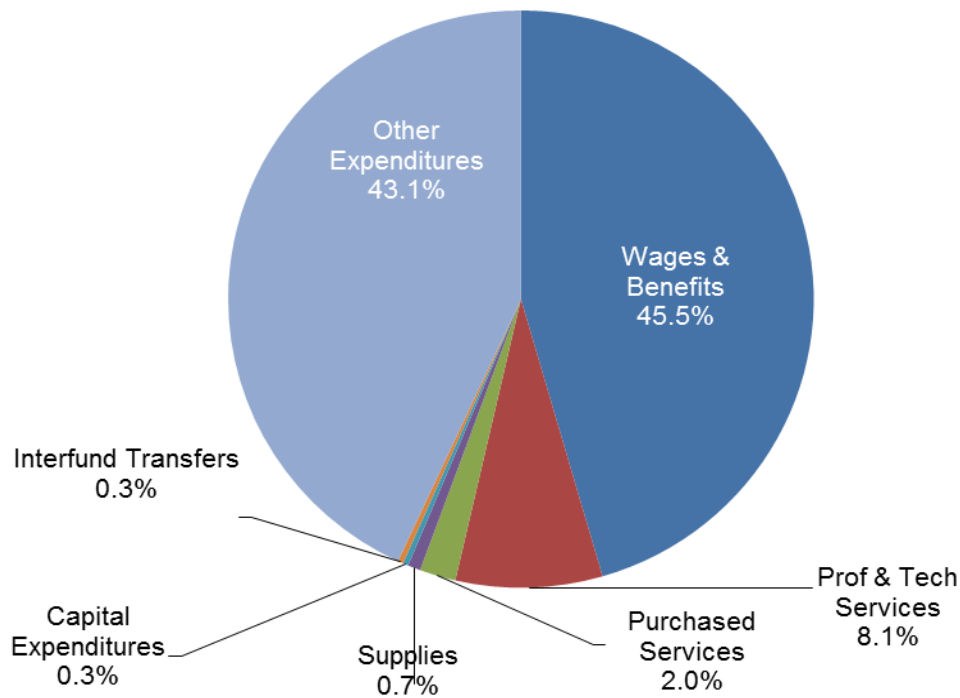
The Human Services Fund is used to account for a variety of State mandated social services including public assistance, child support, and family service programs. These services are provided by the County's Department of Human Services (DHS). In 2017, revenues in excess of expenditures caused the Human Services fund balance to grow 2.7 percent from \$18.2 million to \$18.7 million. When compared to 2016, total revenues decreased by 9.9 percent (\$2.1 million); property taxes decreased by 47.6 percent (\$2.0 million), and intergovernmental revenues decreased by 1.2 percent (\$0.2 million). The majority of revenues (85.5 percent) in this Fund are from intergovernmental sources.

Total expenditures decreased by 0.5 percent (\$131 thousand) compared with 2016. This was due to decreases in all expenses, by 6.9 percent (\$749 thousand), except for wages and benefits. They increased by 7.9 percent (\$618 thousand) due to annual merit increases and increases health insurance costs.

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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 2017	
Wages and benefits	\$8,465,360
Professional and technical services	1,509,588
Purchased services	365,877
Supplies	137,934
Capital expenditures	47,431
Interfund Transfers	50,000
Other expenditures	8,010,730
Total	\$18,586,920



Of the \$8.0 million categorized as other expenditures; \$1.6 million was spent on Child Welfare Block Grant programs; \$4.8 million on the Food Assistance Benefits program; \$0.7 million on the Old Age Pension program; and \$0.9 million on Child Care Assistance program.

Capital Expenditures Fund

The Capital Expenditures fund balance decreased by 21.3 percent from \$4.7 million in 2016 to \$3.7 million in 2017.

In 2017, revenues were \$5.0 million due to property taxes of \$4.1 million and proceeds received from the sale of the Henry building for \$0.6 million.

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Total capital expenditures were \$6.0 million, as follows:

Capital Expenditures Fund Expenditures 2017	
Land Improvements:	
- Rifle (behind Rifle Admin Bldg) 1327 Howard Ave Installed Parking Lot	\$ 206,228
- Rifle (CDOT Bldg) 1115 Park Avenue Parking Lot and Fuel Farm	335,385
- Fairgrounds 12th Street Corridor Redesign	752,162
- West of Rifle, Installed New Communications Tower at Anvil Points	684,227
Buildings:	
- Coroner Building Purchased at 1806 Medicine Bow Ct, Silt	396,130
- River Bridge Building Purchased at 504 21 st Street, GWS	878,873
- Fairgrounds Announcer's Booth with Press Box	88,329
Building Improvements:	
- GWS Jail Installed a Reznor Gas Fired Heating and Ventilation System	59,350
- Rifle DHS Relamp Lighting to LED Bulbs	22,270
- Fairgrounds Installed Radiant Heat to Indoor Arena	320,876
- Fairgrounds Renovated North Grandstands to be ADA Compliant	583,413
- Fairgrounds South Hall Remodel	374,701
- Rifle R&B Shop Remodel/CNG Upgrade (CIP)	320,703
Machinery and Equipment:	
- Coroner Purchased a Pola King Walk-In Cooler	18,105
- GWS BOCC Hearing Room Installed New Sound System	125,580
- Rifle BOCC Installed Audio Video System	17,198
- Fairgrounds Add Generator to Indoor Arena	67,187
Computer Hardware:	
- DA's Dell Powervault NX3230 Windows Storage Server	6,305
- Sheriff's Office Replace (2) Network Switches	31,121
- Sheriff's Office Key Card Reader Upgrade	128,424
- GWS IT Wireless Systems MERAKI Upgrade	54,811
- Rifle Criminal Justice Upgrade Facility Security System with Keyless Card Readers	31,121
- Annual Countywide Hardware Replacement (Computers)	113,279
Computer Software:	
- Finance New World Systems (NWS) Time Keeping and Leave Management Software	42,405
- IT Turbonomic Enterprise Operations Manager Software	16,610
- Fairgrounds Event Reservation/Registration Software	24,560
- Rifle Criminal Justice Facility and Security Software	8,000
- IT Annual Software License Upgrade	18,369
Furnishings:	
- County Attorney Furniture for Remodel	31,160
- GWS Procurement Furniture for Training Room and Cubicles for Front Office	13,781
- Rifle Admin Building Exercise Equipment	29,490
Miscellaneous Countywide Capital Expenditures:	150,906
TOTAL	\$5,951,059

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CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

As of December 31, 2017, the County's investment in capital assets (less accumulated depreciation) for governmental activities (including the Motor Pool Fund) was \$289.6 million. The investment in capital assets activities (less accumulated depreciation) for business-type activities was \$3.1 million.

In 2017, major capital expenditures included:

- Road & Bridge replaced the CR137 Canyon Creek bridge for \$776 thousand.
- The Airport had two minor capital improvement projects totaling \$242 thousand: an Airport light pole conversion to LEDs for \$145 thousand and the Airport house remodel from a garage to a command post for \$97 thousand.
- The replacement and relocation of the Anvil Points communications tower for \$684 thousand.
- The installation of a Reznor gas fired heating and ventilation system for \$59 thousand for the Sheriff's office jail; an upgrade to their key card reader for \$128 thousand; and the installation of two new network switches for \$31 thousand.
- In the Motor Pool Fund: IT purchased a 2017 Ford transit van for \$23 thousand; Vegetation Management purchased a 2017 F350 Ford truck with a sprayer for \$56 thousand; the Sheriff's Office replaced five vehicles totaling \$292 thousand; and Road & Bridge purchased two replacement 2017 RAM 3500 4x4 crew cab flat-bed trucks for \$70 thousand.
- The purchase of twelve pieces of heavy equipment in the Road & Bridge Fund totaling \$1.4 million includes: two 2018 Kenworth T800 tractor trucks for \$263 thousand; two 2018 International tandem dump trucks for \$397 thousand; two 2017 Kenworth T880 CNG dump trucks for \$577 thousand; two 2017 traffic control signal trailers for \$47 thousand; two 2018 gooseneck trailers for \$22 thousand; one 2018 Traileze slide axle equipment trailer for \$56 thousand; and one 2018 Traileze slide axel lowboy trailer for \$77 thousand.
- Landfill improvements included the purchase of three septic evaporation equipment units for \$98 thousand and the purchase of a 2017 Volvo EC300EL trackhoe for \$233 thousand.
- Fairgrounds improvements included renovating the north grandstands to be ADA compliant for \$583 thousand; remodeling the south hall for \$375 thousand; redesigning the 12th Street Corridor for \$752 thousand; installing radiant heat in the indoor arena for \$321 thousand; moving the fuel farm to 1115 Park Ave for \$335 thousand; installing a new announcer's booth with press box for \$88 thousand; adding a generator to the indoor arena for \$67 thousand; and purchasing an event reservation software for \$25 thousand.
- The multi-year Road and Bridge shop remodel project was complete in 2017 with an additional \$321 thousand spent for a grand total of \$852 thousand.
- The Coroner purchased their current residence for \$396 thousand. Additionally, the County purchased a second facility for the River Bridge Regional Center, a child advocacy center, for \$879 thousand.

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Overall, the County saw a decrease of 1.8 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	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Construction in progress	\$ 453,146	\$ 1,623,222	\$ -	\$ -	\$ 453,146	\$ 1,623,222
Land	16,169,671	16,177,723	300,000	300,000	16,469,671	16,477,723
Total non-depreciable assets	16,622,817	17,800,945	300,000	300,000	16,922,817	18,100,945
Depreciable assets:						
Land improvements	62,452,634	60,240,279	1,901,732	1,803,946	64,354,366	62,044,225
Buildings	60,967,335	61,017,402	768,258	768,258	61,735,593	61,785,660
Building improvements	11,349,022	8,942,581	17,800	17,800	11,366,822	8,960,381
Machinery and equipment	28,908,734	27,475,700	2,500,176	2,297,043	31,408,910	29,772,743
Intangibles	2,843,952	2,747,657	-	-	2,843,952	2,747,657
Infrastructure	291,408,019	290,407,752	-	-	291,408,019	290,407,752
Total depreciable assets	457,929,696	450,831,371	5,187,966	4,887,047	463,117,662	455,718,418
Less accumulated depreciation	184,998,788	173,720,332	2,423,239	2,127,962	187,422,027	175,848,294
Book value - depreciable assets	272,930,908	277,111,039	2,764,727	2,759,085	275,695,635	279,870,124
Percentage depreciated	40%	39%	47%	44%	40%	39%
Book value - all assets	\$ 289,553,725	\$ 294,911,984	\$ 3,064,727	\$ 3,059,085	\$ 292,618,452	\$ 297,971,069

At December 31, 2017, the depreciable capital assets for governmental activities were 40 percent depreciated. This compares with 39 percent at December 31, 2016. The County's business-type activities asset values were 47 percent depreciated by December 31, 2017, which compares to 44 percent at December 31, 2016. The County continued to replace its capital assets in 2017 at a consistent level, and accumulate another year's worth of depreciation on its capital assets.

Long-term Obligations

During 2017, the County has the following long-term obligations for landfill closure and post closure costs and compensated absences:

	Long-term Obligations					
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Landfill closure and postclosure care	\$ -	\$ -	\$ 1,410,730	\$ 1,346,615	\$ 1,410,730	\$ 1,346,615
Compensated absences	2,287,935	2,166,843	48,191	26,739	2,336,126	2,193,582
Total	\$ 2,287,935	\$ 2,166,843	\$ 1,458,921	\$ 1,373,354	\$ 3,746,856	\$ 3,540,197

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

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ECONOMIC OUTLOOK AND 2018 BUDGET

Garfield County's economy, largely dominated by agriculture, tourism, and natural resource development, continued to show signs of growth in 2017 in all sectors, except the energy industry. This trend is expected to continue in 2018 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 2018 due to both a lower price and production of natural gas in 2016, the year in which assessments are made for 2018 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 2018. The operating budget is balanced with revenues in excess of expenditures of more than \$286 thousand. The Board's policy called for the adoption of a balanced operating budget and total fund balances above \$100 million. The 2018 adopted budget meets both goals.

The 2018 adopted budget is \$88,582,419 in revenues and appropriates \$104,833,432 in expenditures. The difference of \$16,251,013 is taken from fund balances and will be used for discretionary grants and capital projects that support the Airport, Remote Communications, Fairgrounds and various infrastructure improvements, some of which were carried forward from 2017. Priorities for 2018 include replacement of two communication towers; construction of an Airport snow removal equipment facility; completion of an Airport fog seal runway and taxiway ramp; development of the Fairgrounds as a year round event center; road and bridge construction and maintenance projects including various asphalt paving projects; and discretionary grant funding for RFTA bus services, grants to non-profits and property tax back-fill grants to the municipalities within Garfield County.

Overall, the 2018 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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