

BASIC FINANCIAL STATEMENTS

Garfield County, Colorado
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 104,162,236	\$ 5,296,967	\$ 109,459,203
Due from other governments	866,362	-	866,362
Accounts, taxes, and other receivables	34,441,899	127,507	34,569,406
Prepays	65,000	-	65,000
Inventories	291,897	5,015	296,912
Internal balances	(21,801)	21,801	-
Capital assets:			
Capital assets not being depreciated	18,814,984	426,646	19,241,630
Capital assets - depreciable, cost	460,988,567	5,290,214	466,278,781
Accumulated depreciation and amortization	(196,278,285)	(2,270,020)	(198,548,305)
Total Assets	423,330,859	8,898,130	432,228,989
Liabilities			
Accounts payable	2,987,667	77,496	3,065,163
Accrued expenses	2,182,543	31,572	2,214,115
Unearned revenue	256,111	-	256,111
Noncurrent liabilities:			
Due within one year:			
Accrued compensated absences	603,866	14,053	617,919
Due in more than one year:			
Accrued compensated absences	1,811,598	42,159	1,853,757
Landfill closure and postclosure obligations	-	1,414,472	1,414,472
Total Liabilities	7,841,785	1,579,752	9,421,537
Deferred Inflow of Resources			
Property tax revenue	32,489,764	-	32,489,764
Total Deferred Inflow of Resources	32,489,764	-	32,489,764
Net Position			
Net investment in capital assets	283,525,266	3,446,840	286,972,106
Restricted for:			
Public health	2,966,438	-	2,966,438
Road and bridge	24,483,423	-	24,483,423
Human services	16,518,151	-	16,518,151
Conservation trust	123,806	-	123,806
Emergency reserve	3,483,290	-	3,483,290
Grants	5,000	-	5,000
Capital projects	6,480,742	-	6,480,742
Unrestricted	45,413,194	3,871,538	49,284,732
Total Net Position	\$ 382,999,310	\$ 7,318,378	\$ 390,317,688

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

Garfield County, Colorado
Statement of Activities
For the Year Ended December 31, 2018

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 26,146,983	\$ 3,974,527	\$ 1,471,314	\$ 702,798	\$ (19,998,344)	\$ -	\$ (19,998,344)
Public safety	22,794,187	411,349	560,744	-	(21,822,094)	-	(21,822,094)
Public works	24,999,257	1,403,063	7,760,230	716,365	(15,119,599)	-	(15,119,599)
Health and welfare	22,071,607	400,062	17,486,605	-	(4,184,940)	-	(4,184,940)
Culture and recreation	3,073,737	847,216	353,054	-	(1,873,467)	-	(1,873,467)
Total Governmental Activities	99,085,771	7,036,217	27,631,947	1,419,163	(62,998,444)	-	(62,998,444)
Business-type Activities:							
Solid waste	1,619,149	1,482,381	2,482	-	-	(134,286)	(134,286)
Total	\$ 100,704,920	\$ 8,518,598	\$ 27,634,429	\$ 1,419,163	(62,998,444)	(134,286)	(63,132,730)
General Revenues:							
Property taxes					29,762,147	-	29,762,147
Sales taxes					11,337,745	-	11,337,745
Specific ownership taxes					2,254,587	-	2,254,587
Severance taxes					824,385	-	824,385
Other taxes					157,571	-	157,571
Interest income					2,453,335	-	2,453,335
Investment earnings (loss)					(627,305)	-	(627,305)
Unrealized gain (loss) on investments					305,061	-	305,061
Gain on sale of capital assets					156,063	(34,458)	121,605
Transfers					(42,381)	42,381	-
Total General Revenues and Transfers					46,581,208	7,923	46,589,131
Change in Net Position					(16,417,236)	(126,363)	(16,543,599)
Net Position Beginning of Year					399,416,546	7,444,741	406,861,287
Net Position End of Year					\$ 382,999,310	\$ 7,318,378	\$ 390,317,688

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

Garfield County, Colorado
Balance Sheet
Governmental Funds
December 31, 2018

	General	Road and Bridge	Human Services	Capital Expenditures	Total Non-major Funds	Total Governmental Funds
Assets						
Cash and investments, unrestricted	\$ 32,538,525	\$ 24,554,534	\$ 16,718,944	\$ 6,983,752	\$ 18,341,898	\$ 99,137,653
Accounts receivable	31,212,983	12,435	868,826	2,026,071	319,151	34,439,466
Due from other governments	282,261	519,817	-	-	64,284	866,362
Prepays	65,000	-	-	-	-	65,000
Due from other funds	405,530	89,180	-	7,871	33,347	535,928
Inventories	-	223,478	-	-	-	223,478
Total Assets	\$ 64,504,299	\$ 25,399,444	\$ 17,587,770	\$ 9,017,694	\$ 18,758,680	\$ 135,267,887
Liabilities						
Accounts payable	\$ 1,388,244	\$ 272,609	\$ 180,633	\$ 515,281	\$ 611,559	\$ 2,968,326
Accrued expenditures	1,158,102	194,947	457,529	22,100	330,152	2,162,830
Unearned revenue	-	-	85,721	-	170,390	256,111
Due to other funds	312,960	224,987	116,162	-	34,199	688,308
Total Liabilities	2,859,306	692,543	840,045	537,381	1,146,300	6,075,575
Deferred Inflow of Resources						
Property tax revenue	30,466,711	-	-	1,999,571	23,482	32,489,764
Total Deferred Inflow of Resources	30,466,711	-	-	1,999,571	23,482	32,489,764
Fund Balances						
Non-spendable	65,000	223,478	-	-	-	288,478
Spendable:						
Restricted	3,483,290	24,483,423	16,518,151	6,480,742	3,095,244	54,060,850
Committed	1,256,738	-	-	-	14,493,654	15,750,392
Assigned	-	-	229,574	-	-	229,574
Unassigned	26,373,254	-	-	-	-	26,373,254
Total Fund Balances	31,178,282	24,706,901	16,747,725	6,480,742	17,588,898	96,702,548
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 64,504,299	\$ 25,399,444	\$ 17,587,770	\$ 9,017,694	\$ 18,758,680	\$ 135,267,887

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

Garfield County, Colorado
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

Total Governmental Fund Balances	\$ 96,702,548
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities (excluding the Motor Pool Fund) are not financial resources and therefore not reported in the funds. However, in the Statement of Net Position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense:	
Cost of capital assets	\$ 473,090,263
Less accumulated depreciation	<u>(191,190,461)</u>
	281,899,802
Interfund receivables and payables between governmental funds are reported on the fund Balance Sheet but eliminated on the government-wide Statement of Net Position:	
Interfund receivables	\$ 688,308
Interfund payables	<u>(688,308)</u>
	-
An internal service fund is used by management to charge the costs of the motor pool to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	
	<u>\$ 6,784,616</u>
	6,784,616
Liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds but are reported in the government-wide Statement of Net Position:	
Compensated absences	<u>\$ (2,387,656)</u>
	<u>(2,387,656)</u>
Net Position of Governmental Activities	<u>\$ 382,999,310</u>

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

Garfield County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Capital Expenditures</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 33,877,547	\$ 3,356,891	\$ 956	\$ 4,332,876	\$ 1,943,780	\$ 43,512,050
Licenses and permits	7,440	141,803	-	-	-	149,243
Intergovernmental	3,970,224	4,115,829	15,968,871	795,364	2,403,626	27,253,914
Charges for services	5,715,878	-	72	-	1,563,479	7,279,429
Fines and forfeitures	113,925	-	14,765	-	39,709	168,399
Interest income	2,452,937	-	2	-	393	2,453,332
Investment earnings (loss)	(627,305)	-	-	-	-	(627,305)
Unrealized gain (loss) on investments	305,061	-	-	-	-	305,061
Contributions	852,758	15,866	1,300	-	55,000	924,924
Miscellaneous	804,446	246,582	88,045	23,994	136,974	1,300,041
Total Revenues	<u>47,472,911</u>	<u>7,876,971</u>	<u>16,074,011</u>	<u>5,152,234</u>	<u>6,142,961</u>	<u>82,719,088</u>
Expenditures						
Current						
General government	24,828,748	-	-	80,080	490,920	25,399,748
Public safety	20,776,736	-	-	-	543,749	21,320,485
Public works	2,371,847	10,627,056	-	-	1,114,327	14,113,230
Health and welfare	601,400	-	17,957,752	-	3,502,945	22,062,097
Culture and recreation	2,143,191	-	-	-	520,678	2,663,869
Capital Outlay	<u>353,772</u>	<u>1,769,597</u>	<u>56,590</u>	<u>2,333,275</u>	<u>3,005,382</u>	<u>7,518,616</u>
Total Expenditures	<u>51,075,694</u>	<u>12,396,653</u>	<u>18,014,342</u>	<u>2,413,355</u>	<u>9,178,001</u>	<u>93,078,045</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,602,783)</u>	<u>(4,519,682)</u>	<u>(1,940,331)</u>	<u>2,738,879</u>	<u>(3,035,040)</u>	<u>(10,358,957)</u>
Other Financing Sources (Uses)						
Transfers in	1,394,923	232,394	-	-	1,967,768	3,595,085
Transfers out	(3,310,148)	-	-	-	(327,318)	(3,637,466)
Total Other Financing Sources (Uses)	<u>(1,915,225)</u>	<u>232,394</u>	<u>-</u>	<u>-</u>	<u>1,640,450</u>	<u>(42,381)</u>
Net Change in Fund Balances	<u>(5,518,008)</u>	<u>(4,287,288)</u>	<u>(1,940,331)</u>	<u>2,738,879</u>	<u>(1,394,590)</u>	<u>(10,401,338)</u>
Fund Balances Beginning of Year	<u>36,696,290</u>	<u>28,994,189</u>	<u>18,688,056</u>	<u>3,741,863</u>	<u>18,983,488</u>	<u>107,103,886</u>
Fund Balances End of Year	<u>\$ 31,178,282</u>	<u>\$ 24,706,901</u>	<u>\$ 16,747,725</u>	<u>\$ 6,480,742</u>	<u>\$ 17,588,898</u>	<u>\$ 96,702,548</u>

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

Garfield County, Colorado
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2018

Net Changes In Fund Balances - Total Governmental Funds	\$ (10,401,338)	
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**Amounts reported for governmental activities in the
Statement of Activities are different because:**

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

Depreciation expense	\$ (12,305,553)	
Capital outlay	<u>6,306,376</u>	(5,999,177)

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

	<u>\$ (22,299)</u>	(22,299)
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Elimination of transfers between governmental funds:

Transfers in	\$ 3,595,085	
Transfers out	<u>(3,595,085)</u>	-

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

	<u>\$ 131,811</u>	131,811
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Compensated absences reported in the Statement of Activities
do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds.
This represents the change in compensated absences during the year.

	<u>\$ (126,233)</u>	<u>(126,233)</u>
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Change In Net Position of Governmental Activities		<u><u>\$ (16,417,236)</u></u>
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Garfield County, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Assets		
Current Assets		
Cash and investments	\$ 5,296,967	\$ 5,024,585
Accounts receivables	127,507	2,432
Due from other funds	57,551	137,811
Inventories	5,015	68,419
Total Current Assets	5,487,040	5,233,247
Non-current Assets		
Capital Assets:		
Construction in progress	126,646	-
Intangible assets	68,712	102,435
Land	300,000	-
Land improvements	1,833,020	-
Buildings	768,258	-
Improvements	17,800	-
Machinery and equipment	2,602,424	6,610,850
Accumulated depreciation and amortization	(2,270,020)	(5,087,825)
Total Non-current Assets	3,446,840	1,625,460
Total Assets	8,933,880	6,858,707
Liabilities		
Current Liabilities		
Accounts payable	77,496	27,037
Accrued expenses	31,572	12,014
Due to other funds	35,750	7,232
Non-current liabilities due within one year:		
Accrued compensated absences	14,053	8,342
Total Current Liabilities	158,871	54,625
Non-current Liabilities		
Accrued compensated absences	42,159	19,466
Closure and postclosure obligations	1,414,472	-
Total Non-current Liabilities	1,456,631	19,466
Total Liabilities	1,615,502	74,091
Net Position		
Net investment in capital assets	3,446,840	1,625,460
Unrestricted	3,871,538	5,159,156
Total Net Position	\$ 7,318,378	\$ 6,784,616

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

Garfield County, Colorado
Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 1,482,381	\$ 1,642,629
Other	2,482	22,788
Total Operating Revenues	<u>1,484,863</u>	<u>1,665,417</u>
Operating Expenses		
Personnel	750,848	262,318
Purchased services	365,179	198,433
Materials and supplies	167,851	433,654
Depreciation	321,934	653,326
Other	3,742	-
Capital expense	9,595	-
Total Operating Expenses	<u>1,619,149</u>	<u>1,547,731</u>
Operating Income (Loss)	(134,286)	117,686
Non-operating Revenues		
Gain (loss) on sale of capital assets	<u>(34,458)</u>	<u>14,125</u>
Income Before Capital Contributions and Transfers In	(168,744)	131,811
Transfers in	<u>42,381</u>	<u>-</u>
Change in Net Position	(126,363)	131,811
Net Position Beginning of Year	<u>7,444,741</u>	<u>6,652,805</u>
Net Position End of Year	<u><u>\$ 7,318,378</u></u>	<u><u>\$ 6,784,616</u></u>

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

Garfield County, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,514,838	\$ -
Receipts from interfund charges for motor pool services	-	1,701,025
Cash received from other sources	2,482	22,788
Cash payments for personnel services	(742,825)	(261,022)
Cash payments to other funds for services provided	(21,474)	-
Cash payments for goods and services	(441,410)	(604,378)
Net Cash Provided by Operating Activities	311,611	858,413
Cash Flows from Noncapital Financing Activities		
Transfers in	42,381	-
Transfers (out)	-	-
Net Cash (Used in) Noncapital Financing Activities	42,381	-
Cash Flows from Capital and Related Financing Activities		
Proceeds from the sale of capital assets	95,000	14,125
Payments for capital acquisitions	(833,505)	(646,339)
Net Cash (Used in) Capital and Related Financing Activities	(738,505)	(632,214)
Net Increase (Decrease) in Cash and Cash Equivalents	(384,513)	226,199
Cash and Cash Equivalents Beginning of Year	5,681,480	4,798,386
Cash and Cash Equivalents End of Year	\$ 5,296,967	\$ 5,024,585
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (134,286)	\$ 117,686
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation	321,934	653,326
(Increase) decrease in accounts receivable	32,457	58,399
(Increase) decrease in inventory	3,042	21,903
(Increase) decrease in due from other funds	34,145	(533)
Increase (decrease) in accounts payable	22,756	5,363
Increase (decrease) in due to other funds	34,816	5,232
Accrued expenses	(15,016)	(4,259)
Compensated absences payable	8,021	1,296
Landfill closure and postclosure care	3,742	-
Net Cash Provided by Operating Activities	\$ 311,611	\$ 858,413

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

Garfield County, Colorado
Statement of Assets and Liabilities
Agency Funds
December 31, 2018

	2018
Assets	
Cash and investments	\$ 4,011,528
Total Assets	\$ 4,011,528
Liabilities	
Due to others	\$ 645,529
Due to other governments	3,365,999
Total Liabilities	\$ 4,011,528

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

NOTES TO FINANCIAL STATEMENTS

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018

Note 1 - Summary of Significant Accounting Policies

1A. Reporting Entity

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

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

As required by GAAP, these financial statements present Garfield County, Colorado (the primary government) and its component unit, an entity that is a legally separate organization that must be included in the financial report of the primary government. When a component unit functions as an integral part of the primary government, its data is blended with that of the primary government.

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

Travelers Highland Public Improvement District – The Travelers Highland Public Improvement District (the "PID") was established in December 2009 for the purpose of infrastructure improvements located at County Road 300 and State Highway 6&24. The boundaries of the PID are within the County but costs relating to infrastructure within the PID are borne by the PID's citizens through a separate mill levy. Although the PID is a separate legal entity, for financial reporting purposes, it is part of the County and is included in the Travelers Highlands PID Fund as a blended component unit. The County's Board sits as *ex officio* as the PID Board and the County's management (below the governing body level) manages the activities of the component unit in the same manner as it manages its own activities. Therefore, it is blended based on the criteria that the primary government and the component unit have met the criteria of having substantially the same governing body and operational responsibility.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees, fines, and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements. The County's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. All other revenue items are considered to be measurable and available only when cash is received by the County.

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

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

Special Revenue Funds

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

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

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

Capital Projects Funds

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

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

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

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

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

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

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

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

1C. Cash, Cash Equivalents, and Investments

Except for departmental cash drawers, cash held for third parties (i.e., DHS Child Welfare), and cash held by separate legal entities which are included in the County reporting entity, all cash is deposited with the County Treasurer. The Treasurer invests this cash to achieve the best possible return on the investments. Cash, cash equivalents, and investments are accounted for as cash and investments in all funds. Interest revenue is allocated to funds as designated by the Board of County Commissioners.

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

Investments include amounts invested in securities and are stated at fair market value based on quoted market prices or net asset value.

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

1D. Receivables

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

1E. Interfund Balances

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

1F. Consumable Inventories

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

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

1G. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as non-spendable as this amount is not available for general appropriation.

1H. Capital Assets

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

1H. Capital Assets (continued)

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

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

1I. Compensated Absences

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

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

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1J. Accrued Liabilities and Long-term Obligations

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

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

1K. Fund Balance and Net Position

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

1K. Fund Balance and Net Position (continued)

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

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

1L. Operating Revenues and Expenses

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

1M. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, from grants or outside contributions of resources restricted to capital acquisition and construction, or from contributions with the governmental activities funds.

1N. Interfund Activity

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

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

1O. Estimates

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

1P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The County doesn't have any items that qualify for reporting in this category at December 31, 2018.

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

Note 2 – Stewardship, Compliance and Accountability

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

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

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the individual fund level. Any change in total to a fund requires approval of the Board of County Commissioners. The County approved changes to budgeted appropriations as necessary throughout the year for the year ended December 31, 2018. For the year ended December 31, 2018, the Retirement Fund exceeded appropriations by \$4,963.

All unexpended annual appropriations lapse at year-end.

Note 3 – Detailed Notes on All Funds

3A. Deposits and Investments

The County's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the County's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the County's demand deposits was \$9,428,484 at year end.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3A. Deposits and Investments (continued)

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

	Standard & Poors Rating	Carrying Amounts	Less than one year	One to five years
<i>Deposits:</i>				
Cash on hand	<i>Not Rated</i>	\$ 5,810	\$ 5,810	\$ -
Checking and savings	<i>Not Rated</i>	9,417,752	9,417,752	-
Savings	<i>Not Rated</i>	4,922	4,922	-
<i>Investments:</i>				
Money market	<i>Not Rated</i>	51,384	51,384	-
Pools	<i>AAAm</i>	9,505,247	9,505,247	-
Corporate bonds	<i>AA+/AA-</i>	10,295,295	-	10,295,295
Agencies	<i>AA+</i>	34,466,910	9,979,787	24,487,123
Treasuries	<i>AA+</i>	49,723,411	17,735,319	31,988,092
Total		<u>\$ 113,470,731</u>		

The Investment Pool represents investments in COLOTRUST, which is a 2a7-like pool. The fair value of the pool is determined by the pool's net asset value. The County has no regulatory oversight for the pool. At December 31, 2018, the County's investments in COLOTRUST were 8.4% of the County's investment portfolio.

Fair Value of Investments

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3A. Deposits and Investments (continued)

At December 31, 2018 the County had the following recurring measurements:

Investments Measured at Fair Value	Total	Level 1	Level 2	Level 3
US Treasuries	\$ 49,723,411	\$ 49,723,411	\$ -	\$ -
US Agencies	34,466,910	34,466,910	-	-
Corporate Bonds	10,295,295	10,295,295	-	-
	<u>94,485,616</u>	<u>94,485,616</u>	<u>-</u>	<u>-</u>
Investments Measured at Net Asset Value				
Colotrust	9,505,247			
Money Market Mutual Fund	51,384			
	<u>9,556,631</u>			
 Total Investments	 <u>\$ 104,042,247</u>			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using the following approaches:

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

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

Credit Risk. County investment policy limits investments to those authorized by State statutes as listed in Note 1C. The County's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The County diversifies its investments by security type and institution. Financial institutions holding County funds must provide the County a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. At December 31, 2018, the County's investments in Fannie Mae, Freddie Mac, Federal Home Loan Bank, United States Treasuries, and Corporate Bonds were 6.6%, 5.3%, 15.8%, 43.8%, and 9.1% of the County's investment portfolio, respectively.

At December 31, 2018, unrealized gains or (losses) were \$305,061, which reflects changes in the fair market value of investments from 2017 to 2018.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3B. Receivables

Receivables at December 31, 2018, consisted of taxes, interest, accounts, and intergovernmental receivables arising from grants. Receivables are net of an allowance for uncollectibles. The allowance for uncollectibles at December 31, 2018 was \$32,238.

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

The County had the following receivables at year end:

	Governmental Funds				Nonmajor Governmental Funds
	General Fund	Road and Bridge	Human Services	Capital Expenditures	
Accounts	\$ 681,080	\$ 6,070	\$ 520,226	\$ 26,500	\$ 295,669
Taxes	30,466,710	6,365	-	1,999,571	23,482
Other	65,193	-	378,600	-	2,238
Due from other governments	282,261	519,817	-	-	64,284
Gross receivables	31,495,244	532,252	898,826	2,026,071	385,673
Less: Allowance for uncollectibles	-	-	(30,000)	-	(2,238)
Total	<u>\$ 31,495,244</u>	<u>\$ 532,252</u>	<u>\$ 868,826</u>	<u>\$ 2,026,071</u>	<u>\$ 383,435</u>

	Proprietary Funds	
	Solid Waste Disposal	Motor Pool
Accounts	\$ 127,507	\$ 2,432
Gross receivables	127,507	2,432
Less: Allowance for uncollectibles	-	-
Total	<u>\$ 127,507</u>	<u>\$ 2,432</u>

3C. Property Taxes

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3D. Capital Assets

Governmental Activities capital asset activity for the year ended December 31, 2018 follows:

	Balance 1/1/18	Additions	Deductions	Balance 12/31/18
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 453,146	\$ 3,002,665	\$ (810,498)	\$ 2,645,313
Land	16,169,671	-	-	16,169,671
Total assets not being depreciated	<u>16,622,817</u>	<u>3,002,665</u>	<u>(810,498)</u>	<u>18,814,984</u>
Depreciable capital assets:				
Land improvements	62,452,634	314,630	-	62,767,264
Buildings	60,967,335	-	-	60,967,335
Building improvements	11,349,022	447,680	-	11,796,702
Machinery and equipment	28,908,734	3,361,163	(1,701,677)	30,568,220
Intangibles	2,843,952	158,154	-	3,002,106
Infrastructure	291,408,019	478,921	-	291,886,940
Total depreciable capital assets	<u>457,929,696</u>	<u>4,760,548</u>	<u>(1,701,677)</u>	<u>460,988,567</u>
Total capital assets	<u>474,552,513</u>	<u>7,763,213</u>	<u>(2,512,175)</u>	<u>479,803,551</u>
Accumulated depreciation and amortization:				
Land improvements	(13,128,671)	(2,004,698)	-	(15,133,369)
Buildings	(19,505,210)	(1,120,543)	-	(20,625,753)
Building improvements	(3,587,137)	(622,948)	-	(4,210,085)
Machinery and equipment	(19,224,815)	(2,599,077)	1,679,378	(20,144,514)
Intangibles	(1,778,041)	(229,864)	-	(2,007,905)
Infrastructure	(127,774,914)	(6,381,745)	-	(134,156,659)
Total accumulated depreciation & amortization	<u>(184,998,788)</u>	<u>(12,958,875)</u>	<u>1,679,378</u>	<u>(196,278,285)</u>
Governmental activities capital assets, net	<u>\$ 289,553,725</u>	<u>\$ (5,195,662)</u>	<u>\$ (832,797)</u>	<u>\$ 283,525,266</u>

Governmental Activities depreciation and amortization expense and capital outlay expenditures are classified by function follows:

	Depreciation Expense	Capital Outlay
General government	\$ 470,400	\$ 1,491,542
Public safety	1,423,260	587,509
Public works	10,441,727	4,815,524
Culture and recreation	409,730	558,559
Health and welfare	213,758	65,482
Total	<u>\$ 12,958,875</u>	<u>\$ 7,518,616</u>

Differences between capital outlay expenditures and capital asset additions relate to expenditures that are less than the County's \$5,000 capitalization threshold.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3D. Capital Assets (continued)

Business-type Activities capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Additions	Deductions	Balance 12/31/18
Business-type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 126,646	\$ -	\$ 126,646
Land	300,000	-	-	300,000
Total assets not being depreciated	300,000	126,646	-	426,646
Depreciable capital assets:				
Land improvements	1,901,732	-	-	1,901,732
Buildings	768,258	-	-	768,258
Building improvements	17,800	-	-	17,800
Machinery and equipment	2,500,176	706,859	(604,611)	2,602,424
Total depreciable capital assets	5,187,966	706,859	(604,611)	5,290,214
Total capital assets	5,487,966	833,505	(604,611)	5,716,860
Accumulated depreciation:				
Land improvements	(276,485)	(115,277)	-	(391,762)
Buildings	(395,148)	(36,304)	-	(431,452)
Building improvements	(8,950)	(1,386)	-	(10,336)
Machinery and equipment	(1,742,656)	(168,967)	475,153	(1,436,470)
Total accumulated depreciation	(2,423,239)	(321,934)	475,153	(2,270,020)
Business-type activities capital assets, net	\$ 3,064,727	\$ 511,571	\$ (129,458)	\$ 3,446,840

At December 31, 2018, the County had \$20,090,030 of fully depreciated capital assets.

3E. Interfund Balances and Transfers

Interfund balances at December 31, 2018, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The County expects to repay all interfund balances within one year.

	Due From	Due To
General fund	\$ 405,530	\$ 312,960
Road and bridge fund	89,180	224,987
Human services fund	-	116,162
Capital expenditures fund	7,871	-
Nonmajor governmental funds	33,347	34,199
Solid waste fund	57,551	35,750
Motor pool fund	137,811	7,232
Total	\$ 731,290	\$ 731,290

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3E. Interfund Balances and Transfers (continued)

Interfund transfers for the year ended December 31, 2018, consisted of the following:

	Transfer In	Transfer (Out)
General fund	\$ 1,394,923	\$ (3,310,148)
Road and bridge fund	232,394	-
Nonmajor governmental funds	1,967,768	(327,318)
Solid waste fund	42,381	-
Total	<u>\$ 3,637,466</u>	<u>\$ (3,637,466)</u>

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

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

3F. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the County to place final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each Balance Sheet date. Total closure and postclosure care costs are currently estimated to be \$2,303,700, with closure costs estimated to be \$1,616,664 and postclosure care cost estimated to be \$687,036. The \$1,414,472 reported as landfill closure and postclosure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 61.4% of the capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$889,228 as the remaining estimated capacity is filled. These amounts are based on estimates of what it would cost to perform all closure and postclosure care in 2018. The County expects to close the landfill in the year 2040. Actual cost may be higher due to inflation, changes in technology, or changes in applicable laws or regulations.

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3G. Long-term Obligations

Changes in the County's long-term obligations consisted of the following for the year ended December 31, 2018:

	Outstanding 1/1/18	Additions	Reductions	Outstanding 12/31/18	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 2,287,935	\$ 813,910	\$ (686,381)	\$ 2,415,464	\$ 603,866
Total Governmental Activities	<u>\$ 2,287,935</u>	<u>\$ 813,910</u>	<u>\$ (686,381)</u>	<u>\$ 2,415,464</u>	<u>\$ 603,866</u>
Business-type Activities:					
Landfill closure & postclosure	\$ 1,410,730	\$ 3,742	\$ -	\$ 1,414,472	\$ -
Compensated absences	48,191	22,478	(14,457)	56,212	14,053
Total Business-type Activities	<u>\$ 1,458,921</u>	<u>\$ 26,220</u>	<u>\$ (14,457)</u>	<u>\$ 1,470,684</u>	<u>\$ 14,053</u>

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

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

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The County did not issue any conduit debt obligations or private activity bonds during the year ended December 31, 2018.

3H. Retirement Plans

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3H. Retirement Plans (continued)

There are no unfunded past service liabilities. All full-time or part-time employees (employment status of working at least 30 hours per week for a continuous period of six months or more) are required to participate in the 401(a) retirement plan. The County and the employee are required to contribute 5% of employee compensation, excluding items defined in the CCOERA Plan Document (such as overtime) until the employee's tenth anniversary of employment with the County, after which the contribution from each increases to 6%. The County's contribution for each employee, including earnings thereon allocated to the employee's account, vest at the rate of 20% for each year (five year vesting schedule) of participation in the plan. County contributions and earnings forfeited by employees who leave employment before fully vesting are returned to Garfield County. The County allows 401a loans, but distributions are not available to employees until termination, retirement, or death.

During 2018, there were 529 total participants. The County and employees made the required contribution amounting to \$1,517,903 each.

Defined Contribution Plan 457: The County offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 that is administered by CCOERA. The plan is available to all full-time or part-time employees (employment status of working at least 30 hours per week for a continuous period of six months or more) and permits them to defer a portion of their salary until future years. Contributions to the plan can be made before-tax or after-tax (i.e. Roth). However, the total contributions are limited to the annual IRS retirement plan limits or 100% of net pay, whichever is less. The County allows 457b loans, but distributions are only available for qualified unforeseeable emergencies, separation of service, retirement, or death. There are no provisions for in-service withdrawals and Roth assets are not eligible for emergency withdrawals. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries. Plan investment purchases are determined by the plan participant and therefore, the plan's investment concentration varies between participants. In 2018, there were 107 total participants.

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

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

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3I. Fund Balance Disclosure

The County classifies governmental fund balances as follows:

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

Spendable Fund Balance:

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through adoption of a formal Resolution, the highest level of decision making authority which is the Board of County Commissioners. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (i.e. the adoption of another resolution to remove or revise the limitation).

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assigned fund balance represents amounts constrained by the County's intent to use them for a specific purpose. The authority to assign has been delegated to the Board of County Commissioners or its management designee (i.e. County Manager). An intended use of any amount may also be expressed by the Board and recorded in the minutes of a Board meeting.

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

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

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

3I. Fund Balance Disclosure (continued)

As of December 31, 2018, fund balances are composed of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds	Description
Non-spendable:				
Inventories	\$ -	\$ 223,478	\$ 223,478	
Prepays	65,000	-	65,000	
Restricted:				
Public health	-	2,966,438	2,966,438	Legislative Restriction
Road and bridge	-	24,483,423	24,483,423	Legislative Restriction
Human services	-	16,518,151	16,518,151	Legislative Restriction
Conservation trust	-	123,806	123,806	Legislative Restriction
Emergency reserve	3,483,290	-	3,483,290	Legislative Restriction
Grants	-	5,000	5,000	Federal and State Grant Restriction
Other capital projects	-	6,480,742	6,480,742	Legislative Restriction
Committed:				
Airport	-	1,094,697	1,094,697	BOCC Resolution
Community events	1,178,590	-	1,178,590	BOCC Resolution
Clerk and recorder EFTF	-	44,675	44,675	BOCC Resolution
Traffic study	-	239,080	239,080	Traffic Impact Fees Resolution
Livestock auction	41,893	-	41,893	BOCC Resolution
Commissary	36,255	-	36,255	BOCC Resolution
Retirement	-	3,713,945	3,713,945	BOCC Resolution
Oil and gas mitigation	-	9,302,517	9,302,517	BOCC Resolution
Traveler's highland PID	-	98,740	98,740	BOCC Resolution
Assigned:				
Human services	-	229,574	229,574	TANF Participation and Fraud Recovery
Unassigned	26,373,254	-	26,373,254	
Total Fund Balances	<u>\$ 31,178,282</u>	<u>\$ 65,524,266</u>	<u>\$ 96,702,548</u>	

Note 4 - Other Notes

4A. Risk Management

The County participates in two risk management pools.

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

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

4A. Risk Management (continued)

Colorado Counties Casualty and Property Pool - The County is exposed to various risks of loss related to casualty and property losses. The County has joined together with other counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool ("CAPP"), a public entity risk pool currently operating as a common risk management and insurance program for member counties.

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

4B. Contingent Liabilities

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

The County was a defendant in several lawsuits at December 31, 2018. In the opinion of County management, the outcome of these contingencies will not have a material effect on the financial position of the County.

4C. TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of the amendment. However, the County has made certain interpretations of the amendment's language in order to determine its compliance. The County placed a question on the November 1994 ballot that would permit the County to keep and spend state grants, all sales tax and property tax revenues without limiting in any year the amount of other revenues that may be collected. The ballot question was approved by the County's voters.

One of the requirements of TABOR is for emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue (excluding bonded debt service). The County has restricted a portion of its December 31, 2018 year end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$3,483,290.

Garfield County, Colorado
Notes to the Basic Financial Statements
December 31, 2018
(Continued)

4D. Construction Commitments

The County had the following contractual commitments at year end:

Fund	Project	Vendor	Contract Commitment	Completed	Retainage	Remaining
GF	Federal Lands Policy Coordination	Budd Falen Law Offices	\$ 60,000	\$ (5,107)	\$ -	\$ 54,893
DHS	Senior Meal Service Program	City of Rifle	105,000	(44,617)	-	60,383
R&B	Battlement Mesa Drainage	River City Consultants, Inc	149,507	(50,936)	-	98,571
CF	Renovate Coroner Building	Phoenix Industries	124,958	-	-	124,958
DHS	Prep Professional Services	Family Visitor	155,000	(26,302)	-	128,698
Air	Snow Removal Equipment Facility	CMC Group	1,649,738	(1,365,562)	(145,542)	138,634
DHS	Go2Work Programs	Colorado Mountain College	250,561	(107,756)	-	142,805
R&B	2018 Chipseal Projects	United Companies	871,600	(550,239)	(27,633)	293,728
Total			\$ 3,366,364	\$ (2,150,519)	\$ (173,175)	\$ 1,042,670