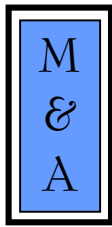


FINANCIAL SECTION



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, 2018, 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, 2018, 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 3, 2019 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.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C.".

**McMahan and Associates, L.L.C.
June 3, 2019**

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

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, 2018. 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, 2018, the County's total assets were \$432.2 million, and total liabilities and deferred inflow of resources were \$41.9 million. The total net position was therefore \$390.3 million, a decrease of 4.1 percent (\$16.6 million) under 2017.
- Total net position comprises the following:
 - (1) Investment in capital assets including property and equipment, net of related debt (if any) and accumulated depreciation and amortization, of \$287.0 million
 - (2) Restricted net position of \$54.1 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 \$49.3 million, which represents the portion available to maintain the County's continuing obligations to its citizens and creditors.
- Total governmental fund revenues (including transfers in) in 2018 were \$86.3 million, a 4.0 percent (\$3.3 million) increase compared to 2017.
- Total governmental fund expenditures (including transfers out) in 2018 were \$96.7 million, a 1.2 percent (\$1.2 million) decrease compared to 2017.
- As of December 31, 2018, the County's governmental funds reported combined ending fund balances of \$96.7 million. This compares to the prior year ending fund balances of \$107.1 million, a decrease of 9.7 percent (\$10.4 million) during 2018. Approximately \$26.4 million (27.3 percent) is unassigned fund balance.
- At the end of 2018, fund balance for the General Fund was \$31.2 million, amounting to 57.4 percent of total General Fund expenditures. This compares to the prior year ending fund balance of \$36.7 million with a decrease of 15.0 percent (\$5.5 million) during 2018.

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

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, 2018

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, 2018

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, 2018 were \$432.2 million, total liabilities were \$9.4 million, and deferred inflows of resources were \$32.5 million. The County's net position is therefore \$390.3 million, a decrease of 4.1 percent compared to December 31, 2017. The following provides a summary of the County's net position (as presented on page C1):

SUMMARY OF NET POSITION (\$)						
Assets: Current assets Capital assets Total Assets Liabilities: Current liabilities Non-current liabilities Total Liabilities Total Deferred Inflow of Resources Net Position: Inv. in capital assets Restricted Unrestricted Total Net Position	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	\$139,805,593	\$150,055,295	\$5,451,290	\$5,940,263	\$145,256,883	\$155,995,558
	283,525,266	289,553,725	3,446,840	3,064,727	286,972,106	292,618,452
	423,330,859	439,609,020	8,898,130	9,004,990	432,228,989	448,614,010
	6,030,187	8,670,152	123,121	113,376	6,153,308	8,783,528
	1,811,598	1,715,951	1,456,631	1,446,873	3,268,229	3,162,824
	7,841,785	10,386,103	1,579,752	1,560,249	9,421,537	11,946,352
32,489,764	29,806,371	-	-	32,489,764	29,806,371	
283,525,266	289,553,725	3,446,840	3,064,727	286,972,106	292,618,452	
54,060,850	57,814,262	-	-	54,060,850	57,814,262	
45,413,194	52,048,559	3,871,538	4,380,014	49,284,732	56,428,573	
\$382,999,310	\$399,416,546	\$7,318,378	\$7,444,741	\$390,317,688	\$406,861,287	

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 50:1 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 \$16.4 million for governmental activities and decreased by \$126 thousand for business-type activities. The County's overall total net position decreased during 2018 by \$16.6 million. The loss in net position is primarily due to capital expenditures above revenues received in 2018.

As of December 31, 2018, the County's governmental activities reported a combined ending net position of \$383.0 million, a decrease of 4.1 percent (\$16.4 million) compared to the prior year. Of this, 11.9 percent (\$45.4 million) is unrestricted and constitutes available funds for spending in the coming year at the County's discretion. Legally restricted net position includes \$24.5 million restricted to road and bridge, \$16.5 million restricted to human services, \$6.5 million restricted to capital projects, \$3.0 million restricted to public health, \$3.5 million restricted to emergency reserve, \$124 thousand conservation trust and \$5 thousand to grants.

Approximately 74.0 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, 46.6 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, 2018

Summary of Changes in Net Position

Governmental activities and business-type activities decreased the County's net position by \$16.6 million or 4.1 percent.

The following table provides a summary of the County's changes in net position for governmental and business-type activities in 2018 and 2017:

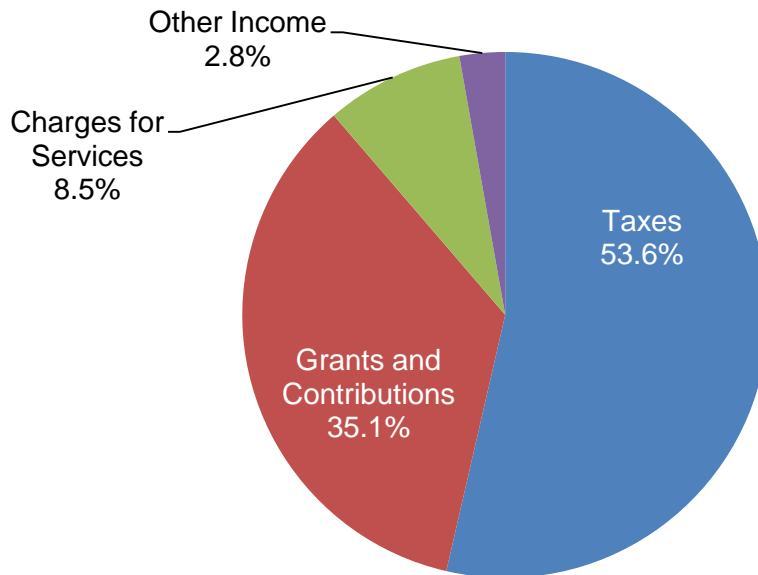
SUMMARY OF CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program:						
Charges for services	\$ 7,036,217	\$ 6,254,511	\$1,482,381	\$1,692,481	\$ 8,518,598	\$ 7,946,992
Operating grants	27,631,947	27,498,668	2,482	41	27,634,429	27,498,709
Capital grants and contributions	1,419,163	621,252	-	-	1,419,163	621,252
General:						
Taxes	44,336,435	43,399,022	-	-	44,336,435	43,399,022
Other	2,287,154	541,581	(34,458)	-	2,252,696	541,581
Total Revenues	82,710,916	78,315,034	1,450,405	1,692,522	84,161,321	80,007,556
Program Expenses:						
General government	26,146,983	28,133,188	-	-	26,146,983	28,133,188
Public safety	22,794,187	22,756,808	-	-	22,794,187	22,756,808
Public works	24,999,257	22,447,525	-	-	24,999,257	22,447,525
Health and welfare	22,071,607	22,600,413	-	-	22,071,607	22,600,413
Culture and recreation	3,073,737	2,305,715	-	-	3,073,737	2,305,715
Interest	-	-	-	-	-	-
Solid waste	-	-	1,619,149	1,741,184	1,619,149	1,741,184
Total Expenses	99,085,771	98,243,649	1,619,149	1,741,184	100,704,920	99,984,833
Excess (Deficiency)	(16,374,855)	(19,928,615)	(168,744)	(48,662)	(16,543,599)	(19,977,277)
Transfers	(42,381)	(74,874)	42,381	74,874	-	-
Change in Net Position	(16,417,236)	(20,003,489)	(126,363)	26,212	(16,543,599)	(19,977,277)
Beginning Net Position	399,416,546	419,420,035	7,444,741	7,418,529	406,861,287	426,838,564
Ending Net Position	\$382,999,310	\$399,416,546	\$7,318,378	\$7,444,741	\$390,317,688	\$406,861,287

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

Total governmental revenues for 2018 were \$82.7 million (excluding transfers in) compared to \$78.3 million in 2017, an increase of 5.6 percent. The source of revenues is as follows:

Governmental Revenues by Source 2018	
Taxes	\$44,336,435
Grants and Contributions	29,051,110
Charges for Services	7,036,217
Other Income	2,287,154
Total	\$82,710,916



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 \$29.8 million accounting for 36.0 percent of total revenues. Sales taxes of \$11.3 million represents 13.7 percent of revenues.

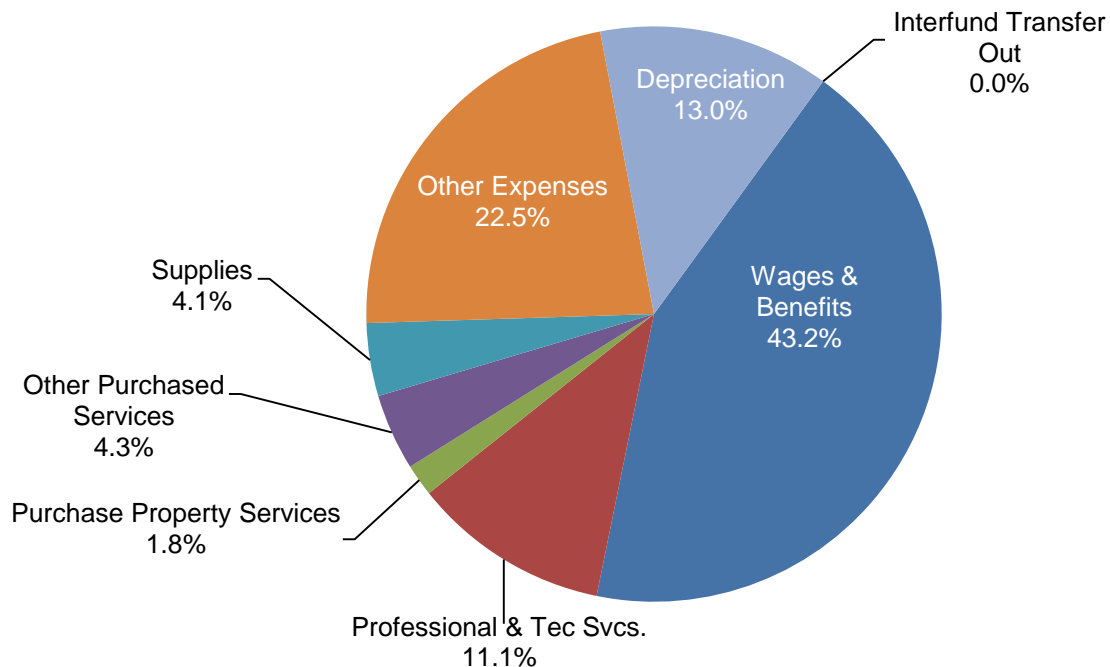
Intergovernmental revenues included in grants and contributions of \$29.1 million represents 35.1 percent of the County's total governmental revenues. This includes \$16.0 million from the State for Human Services programs; \$4.1 million from the State Highway Users Tax Fund for road and bridge purposes; \$3.2 million from the Payment in Lieu of Taxes (PILT); \$0.8 million in federal mineral severance taxes; and \$5.0 million of other various items.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

GOVERNMENTAL EXPENSES

Total governmental expenses for 2018 were \$99.1 million compared with \$98.3 million in 2017, an increase of 0.8 percent. Expenses by classification are as follows:

Governmental Expenses by Classification 2018	
Wages and Benefits	\$42,834,579
Professional and Technical Services	10,961,052
Purchase Property Services	1,745,901
Other Purchased Services	4,220,081
Supplies	4,026,517
Other Expenses	22,338,766
Depreciation	12,958,875
Sub-Total	99,085,771
Interfund Transfer Out	42,381
Total	\$99,128,152



Other expenses of \$22.3 million included DHS other expenses of \$7.5 million; sales tax distribution to Garfield County's municipalities of \$5.9 million; BOCC approved grants of \$4.1 million; District Attorney Fees of \$2.3 million; and other various items totaling \$2.5 million.

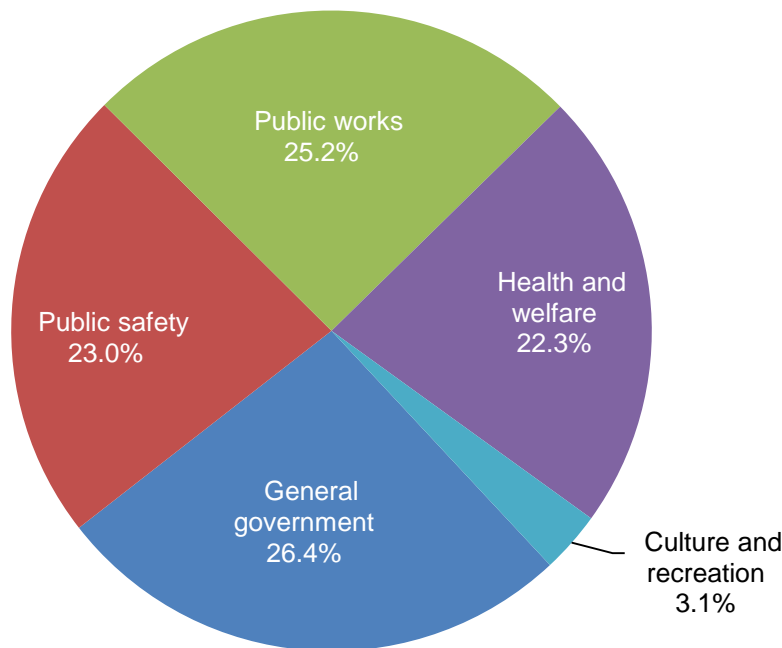
Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

GOVERNMENT-WIDE – GOVERNMENTAL ACTIVITIES – FUNCTION/PROGRAM ANALYSIS

Program revenues such as charges for services, operating and capital grants and contributions, cover 36.4 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 63.6 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 2018	
General government	\$26,146,983
Public safety	22,794,187
Public works	24,999,257
Health and welfare	22,071,607
Culture and recreation	3,073,737
Total	\$ 99,085,771

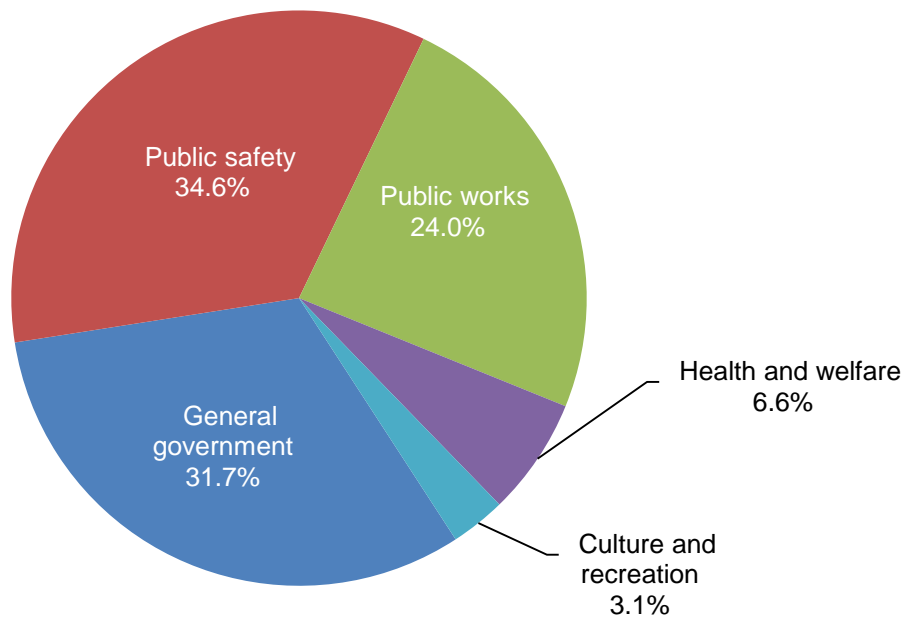


The general government, public safety, public works, and health and welfare functions account for 96.9 percent of governmental activities expenses.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

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.

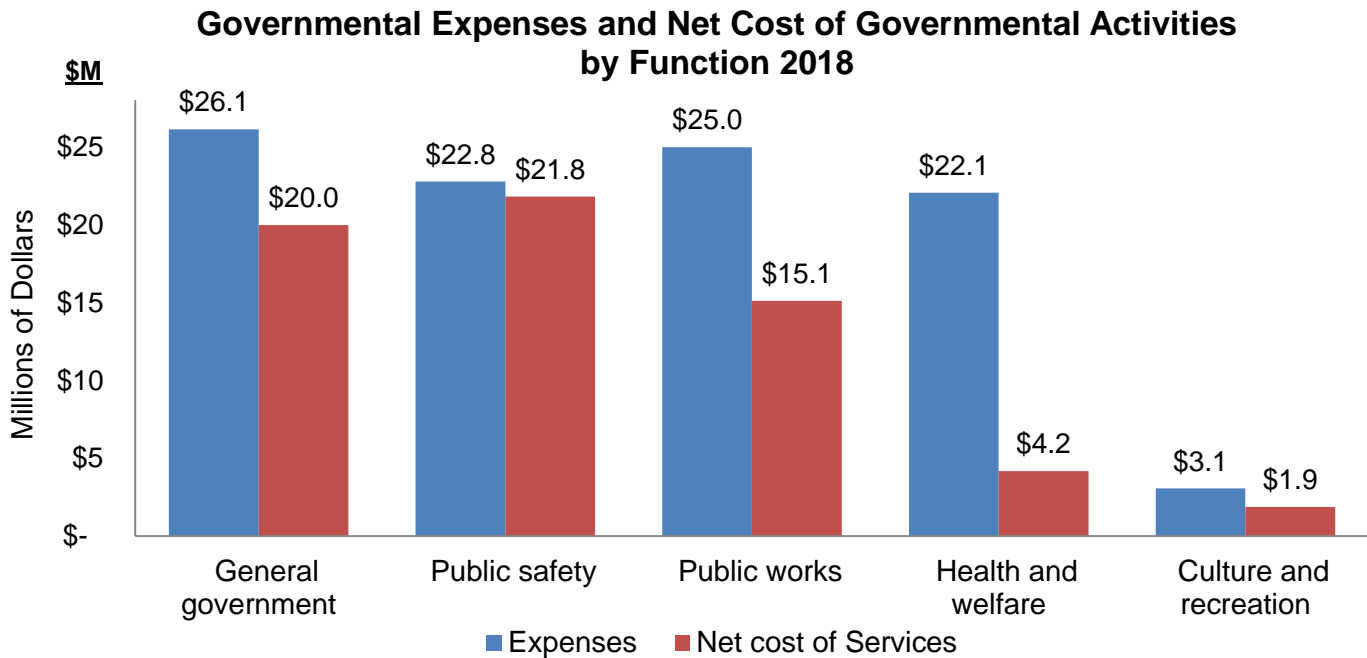
Net Cost of Governmental Activities by Function/Program 2018	
General government	\$ 19,998,344
Public safety	21,822,094
Public works	15,119,599
Health and welfare	4,184,940
Culture and recreation	1,873,467
Total	\$ 62,998,444



Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

Total net cost of governmental activities of \$63.0 million is 63.6 percent of the total cost of governmental activities of \$99.1 million. This means 63.6 percent of governmental activities are paid for with taxpayer dollars and 36.4 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:



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 2018, the fund accounted for a decrease in the County's net position of \$126 thousand primarily due to lower charges for services collected compared to 2017.

Operating revenues of the fund were \$1.5 million and operating expenses were \$1.6 million. At 97.1 percent, charges for services (tipping fees) accounted for the majority of revenues. Other revenues included an interfund transfer of \$42 thousand from the General Fund for cost reimbursement.

Wages and benefits accounted for 58.5 percent of expenses and the remaining 41.5 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 \$82.7 million in 2018, an increase of 4.7 percent over the prior year. Taxes, primarily property tax, increased by 1.6 percent (\$0.7 million) and intergovernmental increased by 4.6 percent (\$1.2 million) partially due to receiving \$658 thousand from the FAA for a Multi Task Snow Removal Truck. Investment Income increased by 90.9 percent (\$1.0 million). Modest increases and decreases took place in other revenue sources.

In 2018, expenditures for governmental funds totaled \$93.1 million, a decrease of 1.4 percent (\$1.3 million). A 9.3 percent decrease (\$2.6 million) took place in General Government, mostly due to a 2017 property tax abatement of \$3.2 million that significantly affected 2017 expenditures. Public Safety was similar in cost to 2017 with no significant increases or decreases. Public Works has a 19.5 percent increase (\$2.3 million) which reflects (\$2.1 million) more investment in road and bridge asphalt projects in 2018. Culture and recreation increased 35.0 percent (\$0.7 million) resulting from increased activity at the County Fairgrounds in 2018. Capital Outlay decreased 13.8 percent (\$1.2 million) compared to 2017.

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

General Fund

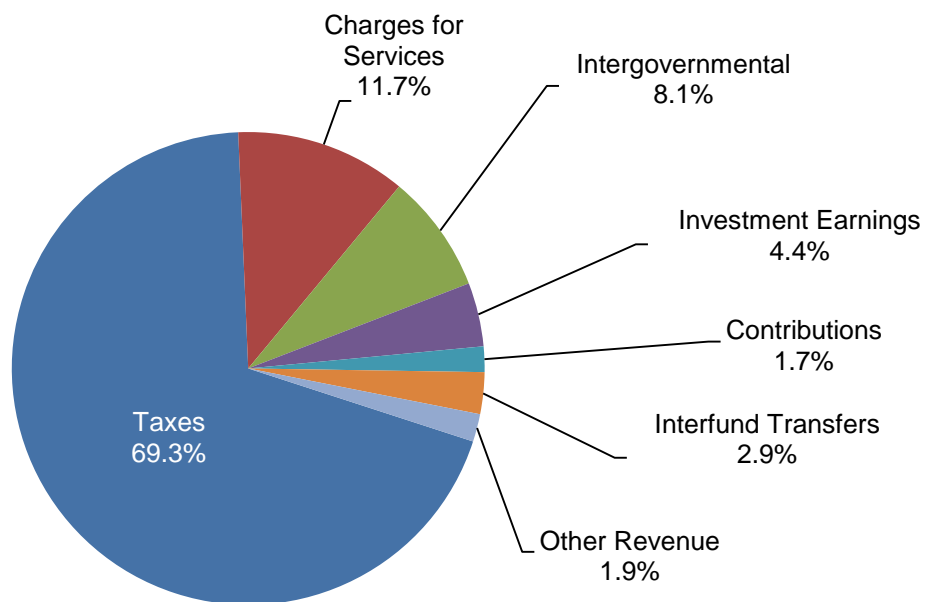
The General Fund is the primary operating fund for the County and the largest source of day-to-day service delivery.

The General Fund's fund balance decreased by 15.0 percent (\$5.5 million) in 2018 to \$31.2 million. Unassigned fund balance constitutes 84.6 percent (\$26.4 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 51.6 percent of total General Fund expenditures and total fund balance represents 61.0 percent of expenditures.

In 2018, total revenues for the General Fund were \$48.9 million (including interfund transfers in from other funds), an increase of 11.7 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 2018, which was similar to the prior year:

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2018

General Fund Revenues 2018	
Taxes	\$33,877,547
Charges for Services	5,715,878
Intergovernmental	3,970,224
Investment Earnings	2,130,693
Contributions	852,758
Interfund Transfers	1,394,923
Other Revenue	925,811
Total	\$48,867,834



General Fund revenues were 1.9 percent over the amended budget in 2018. Property tax revenues were \$1.9 million higher than last year due to increased ad valorem taxes from oil and gas industry. Investment Income was higher by \$1.1 million over 2017 due to higher returns on the county's investments.

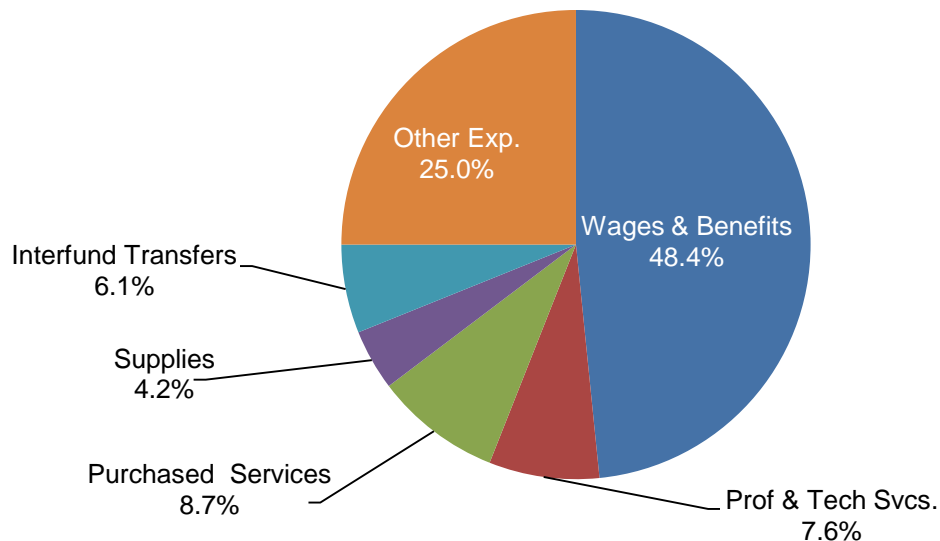
General Fund Revenues Budgetary Comparison					
	2018 Adopted Budget	2018 Amended Budget	2018 Actual	Amount Over/(Under) Amended	% Over/(Under) Amended
Taxes	\$33,113,393	\$33,113,393	\$33,877,547	\$764,154	2.3%
Charges for Services	5,989,950	6,107,950	5,562,799	(545,151)	(8.9%)
Intergovernmental	3,541,875	3,541,875	3,970,224	428,349	12.1%
Investment Income	1,900,460	1,900,460	2,283,771	383,311	20.2%
Contributions	937,500	960,500	852,758	(107,742)	(11.2%)
Interfund Transfers In	800,000	895,000	894,924	(76)	0.0%
Other Revenue	1,147,391	1,455,737	1,425,811	(29,926)	(2.1%)
Totals	\$47,430,569	\$47,974,915	\$48,867,834	\$892,919	1.9%

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Total expenditures for the General Fund in 2018 (including interfund transfers to other funds) were \$54.4 million, a 3.8 percent increase over 2017. A large part was due to an increase in other expenditures of \$1.3 million and increased wages and benefits for \$0.6 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 48.4 percent of total expenditures, while services provided for the County (professional and technical services, and purchased services) comprised 16.3 percent of the total. The following presents the total General Fund expenditures by classification:

General Fund Expenditures 2018	
Wages & Benefits	\$26,347,786
Professional and Technical Services	4,121,008
Purchased Services	4,754,789
Supplies	2,310,082
Interfund Transfers	3,310,148
Other Expenditures	13,542,029
Total	\$54,385,842



During 2018, there was a \$1.0 million (1.8 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 \$0.5 million and other expenditures of \$0.4 million.

General Fund expenditures were 3.4 percent (\$1.9 million) below the amended budget in 2018, 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 \$0.5 million; 2. A hiring lag/vacancy savings adjustment of \$1.1 million as shown on page E1; 3. property insurance was under-spent by \$120 thousand; and 4. the Sheriff's office only spent 7 percent of the emergency management contingency returning \$465 thousand to fund balance.

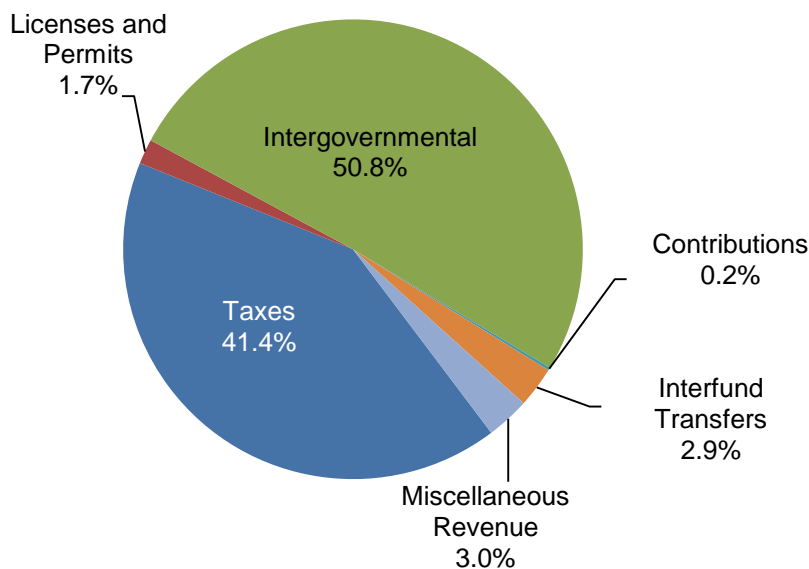
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General Fund Expenditures Budgetary Comparison					
	2018 Adopted Budget	2018 Amended Budget	2018 Actual	Amount Over/(Under) Amended	% Over/ (Under) Amended
Wages & Benefits	\$26,839,454	\$26,849,689	\$26,347,786	(\$501,903)	(1.9%)
Professional & Tech Svcs	4,268,508	4,810,241	4,121,008	(689,233)	(14.3%)
Purchased Services	5,322,722	5,295,022	4,754,789	(540,233)	(10.2%)
Supplies	2,394,116	2,478,150	2,310,082	(168,068)	(6.8%)
Interfund Transfers Out	3,353,535	3,353,535	3,310,148	(43,387)	(1.3%)
Other Expenditures	13,097,701	13,505,377	13,542,029	36,652	0.3%
Totals	\$55,276,036	\$56,292,014	\$54,385,842	(\$1,906,172)	(3.4%)

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 & 2018 mill levy was zeroed out. Thus, the fund balance decreased by \$4.3 million in 2018 and has \$24.7 million available for future spending at the year-end. In 2018, total revenues of \$8.1 million in this fund increased by 15.7 percent over 2017 and total expenditures of \$12.4 million increased by 18.1 percent over 2017.

Road and Bridge Fund Revenues 2018	
Taxes	\$3,356,891
Licenses and Permits	141,803
Intergovernmental	4,115,829
Contributions	15,866
Interfund Transfers	232,394
Miscellaneous Revenue	246,582
Total	\$8,109,365

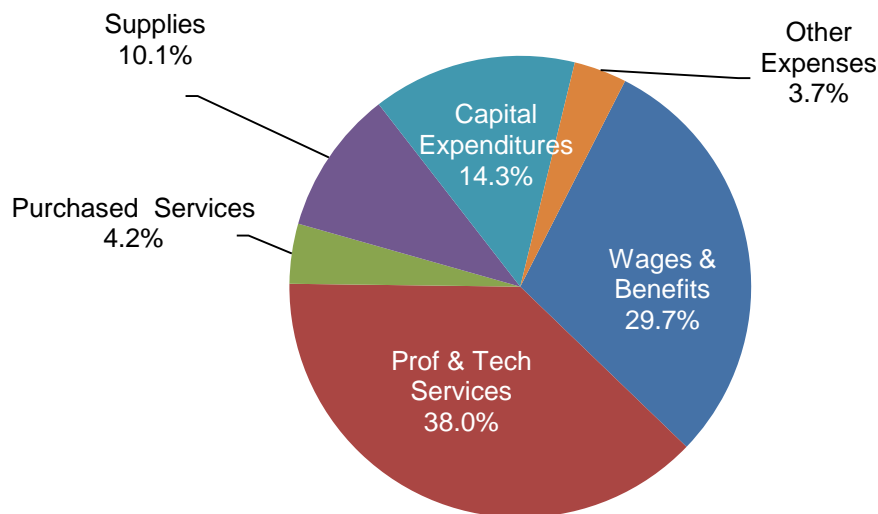


In 2018, the primary increase in revenues were in sales taxes of \$0.4 million and in State Highway Users Tax Fund (HUTF) of \$0.5 million with minimal revenue offsets.

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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 2018	
Wages and benefits	\$3,682,132
Professional and technical services	4,711,642
Purchased services	517,149
Supplies	1,253,620
Capital expenditures	1,769,597
Other expenditures	462,513
Total	\$12,396,653



Human Services Fund

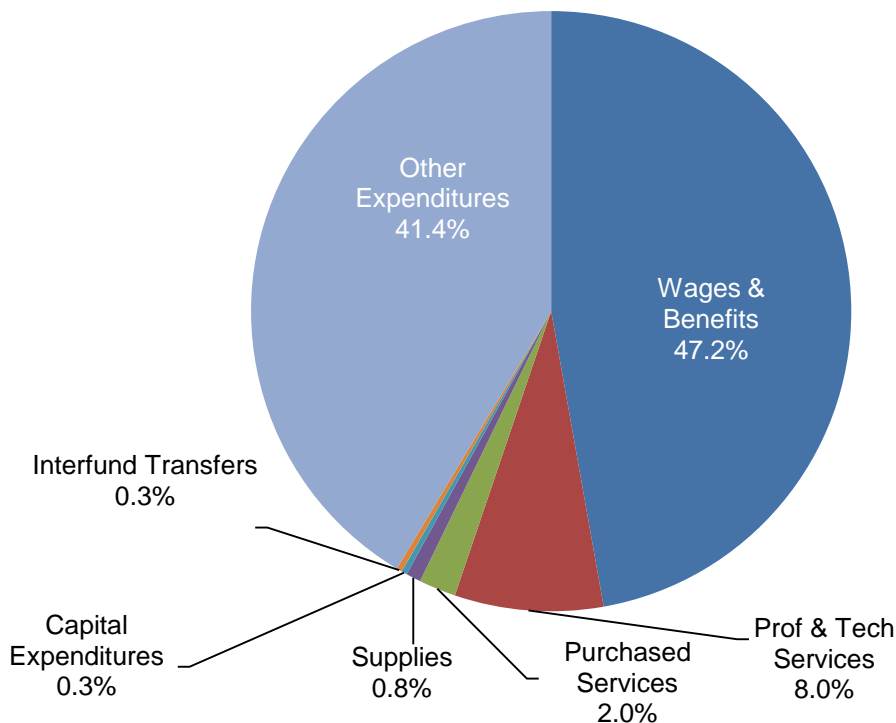
The Human Services Fund is used to account for a variety of State mandated social services including public assistance, child support, and family service programs. These services are provided by the County's Department of Human Services (DHS). In 2018, expenditures in excess of revenues caused the Human Services fund balance to decline 10.7 percent from \$18.7 million to \$16.7 million. When compared to 2017, total revenues decreased by 15.3 percent (\$2.9 million); property taxes decreased by 100 percent (\$2.4 million) due to no mill levy in 2018, and intergovernmental revenues decreased by 1.9 percent (\$0.3 million). The majority of revenues (99.3 percent) in this Fund are from intergovernmental sources.

Total expenditures decreased by 3.1 percent (\$573 thousand) compared with 2017. This was due to decreases in most expenses, by 6.0 percent (\$607 thousand), except for wages and benefits. They increased by 0.4 percent (\$35 thousand) due to annual merit increases and increases in 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 2018	
Wages and benefits	\$8,500,232
Professional and technical services	1,436,210
Purchased services	356,931
Supplies	138,788
Capital expenditures	56,590
Interfund Transfers	50,000
Other expenditures	7,475,591
Total	\$18,014,342



Of the \$7.5 million categorized as other expenditures; \$1.4 million was spent on Child Welfare Block Grant programs; \$4.5 million on the Food Assistance Benefits program; \$0.6 million on the Old Age Pension program; and \$1.0 million on Child Care Assistance program.

Capital Expenditures Fund

The Capital Expenditures fund balance increased by 73.0 percent from \$3.7 million in 2017 to \$6.5 million in 2018.

In 2018, revenues were \$5.2 million due to property taxes of \$4.0 million, mineral severance taxes of \$0.8 million and specific ownership taxes of \$0.3 million.

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Total capital expenditures were \$2.4 million, as follows:

Capital Expenditures Fund Expenditures 2018

Land Improvements:

- GWS Sheriff's Office (SO) Parking Lot Redesigned & Pavement Replaced	\$ 62,484
- Fairgrounds Installed LED Lighting for Outdoor Arena	145,414
- Fairgrounds Added Directional Signage	22,550
- GWS Sheriff's Office Courthouse Sidewalk Snowmelt	56,855
- Remote Communications Replace Lookout Mtn Communications Tower	442,000
- Remote Communications Broadband Wireless Improvements Project	15,000

Building Improvements:

- GWS Admin Building Replaced/Installed (2) Trane RTU HVAC Units	174,627
- Coroner's Garage Being Renovated into a Work-Space	26,288
- Fairgrounds Added (2) Announcer Booths to Indoor Arena	50,849
- Fairgrounds Installed LED Lighting Indoor Arena and Offices	24,733
- Fairgrounds Installed Card/Badge Access	17,051
- Fairgrounds Replaced Indoor Arena and Event Hall Overhead Doors	7,204
- Facilities Management Installed LED Lighting GWS Courthouse	26,858
- IT Installed Data Center Clean Agent Fire Systems	10,028
- GWS Public Health Renovated Mountain View Restroom	27,150
- Rifle HHS Building Floor Remodel with New Carpet	95,977
- River Bridge II HVAC Replacement	24,910
- Sheriff's Office Jail Remodel	45,892
- Rifle Facilities Management Stucco Maintenance Building	22,576

Machinery and Equipment:

- Clerk & Recorder Purchased OCE Plotwave 345 Scanner and Printer	16,155
- Sheriff's Office IT Replaced Network Switches and Storage at Rifle Annex	49,179
- Fairgrounds Installed Security Camera Upgrade	55,468
- Fairgrounds Engineered, Designed and Installed New Sound System	203,665
- C&R Security Camera Upgrade for Elections/Vital Records/Office Security	28,707
- Communications Purchased New Video Equipment	14,290
- Sheriff's Office Installed Jail Security Upgrades Mostly Cameras	25,537
- SO Purchased (10) APX4000 Handheld Radios and Accessories	35,387

Rolling Stock:

- Facilities Bought 2018 CanAm Outlander ATV and Plow for Sidewalks	8,064
- SO Acquired a Trailer and Side by Side ATV for EM Back Country Uses	31,898

Computer Hardware:

- IT Updated Cisco Unity VOIP Systems	31,206
- IT Input Switch Replacement Two Data Centers in Both Admin Bldgs	157,425
- IT Purchased Two Nimble HF20 SAN Appliances	115,130
- IT Voice Gateway Replaced Phone Routers Countywide	34,876
- Annual Countywide Hardware Replacement (Computers)	16,799

Computer Software:

- Finance (NWS) Time Keeping and Leave Management Software	15,985
- SO Acquired Brazos Eticketing Module from Tyler Technologies	99,763

Furnishings:

- Fairgrounds Purchased Event Tables and Chairs for Event Halls	22,507
- County Attorney Purchased Furniture for Remodel	15,634
- Rifle IT Purchased Office Furniture and Cubicles	16,452

Miscellaneous Countywide Capital Expenditures:	120,782
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TOTAL	\$2,413,355
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CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

As of December 31, 2018, the County's investment in capital assets (less accumulated depreciation) for governmental activities (including the Motor Pool Fund) was \$283.5 million. The investment in capital assets activities (less accumulated depreciation) for business-type activities was \$3.5 million.

In 2018, major capital expenditures included:

- Road & Bridge (R&B) constructed (3) culverts in-house: CR207 Carr Creek for \$126 thousand; Fairgrounds Arch for \$50 thousand; and CR117 Four Mile Creek for \$12 thousand. R&B entered into an IGA with the Town of Carbondale for paving CR101 Snowmass Drive for \$353 thousand. There were (3) Battlement Mesa Drainage projects being engineered for \$51 thousand to be carry-forward to 2019.
- The Airport purchased a Multi Task Snow Removal Truck for \$748 thousand and began construction on a new Snow Removal Equipment Facility for \$1.6 million that was completed in March 2019 for a total of \$1.9 million. Runway, taxiway and ramps were fog sealed for \$461 thousand. Airport purchased a 2003 Snow Plow through the DIA Surplus Auction for \$20 thousand.
- Remote Communications purchased a Lookout Mountain Communications Tower for \$442 thousand to be erected in the summer of 2019.
- The Sheriff's Office acquired and installed Brazos Eticketing Software Module from Tyler Technologies for \$100 thousand.
- In 2018, Information Technology department replaced the Network Switches in the Glenwood Springs Administration building and in the two data centers in Rifle and Glenwood Springs for \$157 thousand and purchased two Countywide Data Storage devices – one for Rifle and the other one for Glenwood Springs for \$115 thousand.
- In the Motor Pool Fund: Criminal Justice Services purchased a 2018 Chevy Suburban for \$45 thousand; Coroner purchased a 2018 F150 Ford longbed with topper pick-up truck for \$33 thousand; the Sheriff's Office replaced eight vehicles with Chevy Tahoes with upfitting (lighting, accessory and warning systems) totaling \$460 thousand; and Road & Bridge purchased two replacements, a 2018 RAM 3500 and a 2018 RAM 350 pick-up trucks for \$98 thousand.
- The purchase of seven pieces of heavy equipment in the Road & Bridge Fund totaling \$1.1 million includes: two 2018 International Tandem Dump/Plow Trucks for \$422 thousand; a 2018 John Deere Dozer for \$223 thousand; a 2018 John Deere Trackhoe for \$165 thousand; a 2018 John Deere 4WD Loader for \$195 thousand; a 2015 Bomag Roller for \$80 thousand and a 2018 Vacuum Tank for Hook Truck for \$37 thousand.
- Landfill purchased a 2018 Komptech Dual Shaft Shredder for \$616 thousand; a 2015 Bomag Roller for \$83 thousand; and with the help of R&B the landfill began working on a new large septic pond for \$127 thousand, to be completed within the first half of 2019.
- Fairgrounds improvements included an Arch Culvert over to the Facility's Maintenance Building for \$50 thousand constructed by R&B; installed a New Sound System through-out the Fairgrounds property for \$204 thousand; put up LED Lighting in the Outdoor Arena for \$145 thousand; installed two Announcer Booths in the Indoor Arena for \$51 thousand; installed LED Lighting in the Indoor Arena and Offices for \$25 thousand and installed Security Camera Upgrade for \$55 thousand.
- The Coroner's construction in progress was for Architectural Engineering to remodel the Coroner's Garage into a work-space for \$26 thousand, to be completed in 2019 for a total of \$151 thousand.

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Overall, the County saw a decrease of 1.9 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	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets:						
Construction in progress	\$ 2,645,313	\$ 453,146	\$ 126,646	\$ -	\$ 2,771,959	\$ 453,146
Land	16,169,671	16,169,671	300,000	300,000	16,469,671	16,469,671
Total non-depreciable assets	18,814,984	16,622,817	426,646	300,000	19,241,630	16,922,817
Depreciable assets:						
Land improvements	62,767,264	62,452,634	1,901,732	1,901,732	64,668,996	64,354,366
Buildings	60,967,335	60,967,335	768,258	768,258	61,735,593	61,735,593
Building improvements	11,796,702	11,349,022	17,800	17,800	11,814,502	11,366,822
Machinery and equipment	30,568,220	28,908,734	2,602,424	2,500,176	33,170,644	31,408,910
Intangibles	3,002,106	2,843,952	-	-	3,002,106	2,843,952
Infrastructure	291,886,940	291,408,019	-	-	291,886,940	291,408,019
Total depreciable assets	460,988,567	457,929,696	5,290,214	5,187,966	466,278,781	463,117,662
Less accumulated depreciation	196,278,285	184,998,788	2,270,020	2,423,239	198,548,305	187,422,027
Book value - depreciable assets	264,710,282	272,930,908	3,020,194	2,764,727	267,730,476	275,695,635
Percentage depreciated	43%	40%	43%	47%	43%	40%
Book value - all assets	\$ 283,525,266	\$ 289,553,725	\$ 3,446,840	\$ 3,064,727	\$ 286,972,106	\$ 292,618,452

At December 31, 2018, the depreciable capital assets for governmental activities were 43 percent depreciated. This compares with 40 percent at December 31, 2017. The County's business-type activities asset values were 43 percent depreciated by December 31, 2018, which compares to 47 percent at December 31, 2017. The County continued to replace its capital assets in 2018 at a consistent level, and accumulated another year's worth of depreciation on its capital assets.

Long-term Obligations

During 2018, 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	
	2018	2017	2018	2017	2018	2017
Landfill closure and postclosure care	\$ -	\$ -	\$ 1,414,472	\$ 1,410,730	\$ 1,414,472	\$ 1,410,730
Compensated absences	2,415,464	2,287,935	56,212	48,191	2,471,676	2,336,126
Total	\$ 2,415,464	\$ 2,287,935	\$ 1,470,684	\$ 1,458,921	\$ 3,886,148	\$ 3,746,856

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

ECONOMIC OUTLOOK AND 2019 BUDGET

Garfield County's economy, largely dominated by agriculture, tourism, and natural resource development, continued to show signs of improvement in 2018 in all industry sectors. These trends are expected to continue in 2019 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 increase in 2019 due to increases in the price of natural gas in 2017, the year in which assessments are made for 2019 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 2019. The operating budget is balanced with revenues in excess of expenditures of more than \$13 thousand. The Board's policy called for the adoption of a balanced operating budget and total fund balances near \$100 million. The 2019 adopted budget achieved both goals.

The 2019 budget adopted \$89,583,728 in revenues and appropriated \$101,952,394 in expenditures. The difference of \$12,368,666 was 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 2018. Priorities for 2019 include the Clerk & Recorder's new clear ballot voting system; heat exchanger removal and replacement at the Glenwood Spring jail; safe fencing for the Glenwood Springs jail's second tier PODS; relocation and construction of a new scale house to support the County's landfill operations; continued 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 2019 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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