

INTRODUCTORY SECTION



FINANCE DEPARTMENT
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June 4, 2019

To the Citizens and Board of County Commissioners of Garfield County:

State law requires Garfield County (County) to publish a complete set of financial statements prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

Pursuant to those requirements we hereby present the Comprehensive Annual Financial Report (CAFR) of Garfield County, Colorado for the fiscal year ended December 31, 2018. This report was prepared by the Finance Department of Garfield County. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data is accurate in all material respects and presented in a manner designed to set forth fairly the financial activity of the various funds. All disclosures necessary for the reader to gain the maximum understanding of the County's financial affairs have been included.

This report is the result of the cooperative effort between the Finance Department and McMahan and Associates, L.L.C., our independent auditors. The independent auditor's report has been included in the financial section of this report on pages B1, B2 and B3. In their opinion, the financial statements were presented fairly in all material respects.

Garfield County is also required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act of 1996 and the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including the schedule of expenditures of federal awards, the independent auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants is included in the single audit section located after the Statistical Section.

GAAP requires management provide a narrative introduction, overview, and an analysis to accompany the basic financial statements. This narrative is in the form of the Management's Discussion and Analysis (MD&A) and can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF GARFIELD COUNTY

Geography

Garfield County is located approximately 158 miles west of Denver and 88 miles east of Grand Junction and stretches from the foothills of the Colorado Rocky Mountains to the east to the high desert plateaus to the west. It encompasses 2,958 square miles and has an estimated population of 60,135 in 2018. Approximately two thirds of the land is publicly owned, controlled primarily by the U.S. Forest Service and the U.S. Bureau of Land Management. The County seat is Glenwood Springs.

Operating Structure

Incorporated February 10, 1883, Garfield County is a statutory county, defined as a service arm of the State, and derives its elected official structure and its powers from the State through enabling legislation. The three-member Board of County Commissioners serves as the legislative, policy-making and administrative body governing the unincorporated area of Garfield County. Commissioners are elected at large from one of three geographical districts and serve staggered four-year terms. In addition to having the power to levy taxes, the authority to represent the County, the responsibility for the care of County property, and the management of its affairs, the Board has the exclusive responsibility and power to adopt the annual budget for operation of County government, including all offices, boards, commissions, and other spending agencies funded in whole or in part by County appropriations.

Services

Garfield County provides the full range of services contemplated by State statute including, but not limited to, assessment and property tax administration; recording of vital documents and automobile registration; sheriff patrol and jail administration; court facilities; land use planning and building inspections; road maintenance and construction; welfare and public health services; a solid waste landfill disposal facility; general aviation airport operations; fairgrounds; and environmental health protection.

Component Units

The County, for financial reporting purposes, includes all funds of the primary government, as well as all of its component units. Component units are legally separate entities, which the primary government must disclose in its financial statements. Blended component units are, from an accounting perspective, part of the primary government's operation and are included as part of the primary government. Garfield County has one blended component unit: Travelers Highland Public Improvement District.

Budget Process

The annual budget serves as the foundation for the County's financial planning and control. All activities, departments, and funds of the County are prepared in compliance with State statute and generally accepted accounting principles. Supplemental appropriations are approved by the Board of County Commissioners as needed throughout the year. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of County Commissioners. Expenditures may not legally exceed appropriations at the fund or elected official level. Detailed line item records provide management the capability to monitor budgets for all areas. Budgetary control is exercised through the use of system controls, which restrict payments exceeding the budget.

Internal Control

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) The cost of a control should not exceed the benefits likely to be derived, and
- (2) The valuation of costs and benefits requires estimates and judgments by management.

LOCAL ECONOMY

Garfield County's economy, largely dominated by agriculture, tourism, and natural resource development, continued to show signs of growth in 2018 in all industry sectors. In 2018, unemployment rates increased slightly over the prior year but are still at their lowest level since the Great Recession. The volume and number of real estate transactions increased by 15% and 23% over 2017 while the average single family home prices increased 7%. As the housing market continues to grow, Garfield County continues to experience a drop in the number of foreclosures with 2018 recording 41 and thus bringing the foreclosure rate to its lowest level since 2000.

Oil and gas production is down, however, property tax revenues are expected to increase in 2019 due to increased natural gas prices in 2017. Property tax assessments for 2019 oil and gas related revenues are based off 2017 production and price. Nearly 20% of all Garfield County revenue is derived from property taxes on oil and gas production.

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.

LONG-TERM FINANCIAL PLANNING

As mentioned previously, the financial health of Garfield County is significantly dependent on volatile natural resource development. Approximately 37% of the County's total revenue is related to property tax, and half of that property tax revenue is associated with the energy industry. Because of this and other factors, Garfield County has built up a healthy fund balance to ensure stable levels of service to Garfield County citizens, stable employment and benefits for its employees, and a strong assurance it will not need to ask the taxpayers for tax increases to pay for the growing needs of the County during downturns in our local economy.

In order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain a sound bond rating, the County has determined it will maintain an unassigned fund balance in the General Fund plus the Oil and Gas Mitigation Fund of one third of the County's total General Fund expenditures. The County's unassigned fund balance in the General Fund is 51% of regular General Fund operating revenues, which falls above the policy guidelines set by the Board of County Commissioners for budgetary and planning purposes in addition to the Government Finance Officers Association recommended best practices (no less than five to fifteen percent of regular General Fund operating revenues, or no less than one to two months of regular General Fund operating expenditures). Due to the volatile economy driven by the oil and gas industry, Garfield County strives to maintain an unassigned fund balance in these Funds in excess of these recommendations.

Looking forward, the County sees a need for constant re-evaluation of its projects and programs. These are revisited, re-evaluated, and prioritized during the annual strategic planning process and in preparation for the budget. The County emphasizes continual improvement of work processes, and prudent stewardship of public resources, to ensure the County is providing the best services possible at the lowest possible cost. We also counsel prudence and restraint

regarding multiyear capital projects because a sustained reduction in natural gas production could put a significant strain on the county's reserves.

RELEVANT FINANCIAL POLICIES

Garfield County has a comprehensive set of financial policies. In 2018, there were no changes to policies that would directly affect the County's financial or budget situation.

MAJOR INITIATIVES

In 2018, Garfield County continued to focus on the strategic priorities identified by the Board of County Commissioners. Highlights included:

- Continue to execute the 10-year Master Plan for the Garfield County Airport including the completion of a snow removal equipment facility, UAV test facility, fog sealed runway and taxiway ramp;
- Improve the County's road and bridge system through construction, asphalt projects and utilization of the department's maintenance capabilities with nearly 30 miles of paved asphalt and two bridge/arch culvert projects;
- Realize the vision of maximizing the Fairgrounds as a year-round events center with capital investments including a covered area for equipment, LED lighting for the outdoor arena, and replacement of the sound system;
- Further develop the County's landfill as an enterprise fund by advancing capital projects including the purchase of a grinder and used roller, market the PCS Treatment Facility, and increase additional capacity for septage; and
- Upgrade and maintain the motor pool fleet and heavy equipment with the purchase of a dozer, one loader, one trackhoe, two plow trucks, eight sheriff vehicles and four fleet vehicles.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Garfield County, Colorado for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This is the tenth consecutive year that Garfield County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, Garfield County also received the GFOA's Distinguished Budget Presentation Award for its budget document for the period beginning January 1, 2018. This is the ninth time Garfield County received this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document is judged to be proficient in several categories, including a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of the Garfield County Finance Department. In addition, as a staff we are grateful for the assistance we receive from our independent auditors, McMahan and Associates, L.L.C.

In closing, we wish to acknowledge the leadership of the Board of County Commissioners and the cooperation of each of the County's elected officials and departments as we work together to conduct the County's financial operations. The Board supports prudent fiscal management and stewardship in a responsible and progressive manner, and the strong financial condition of Garfield County can be attributed to its positive leadership.

Respectfully submitted,



Theresa Wagenman
Finance Director



Kevin Batchelder
County Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Garfield County
Colorado**

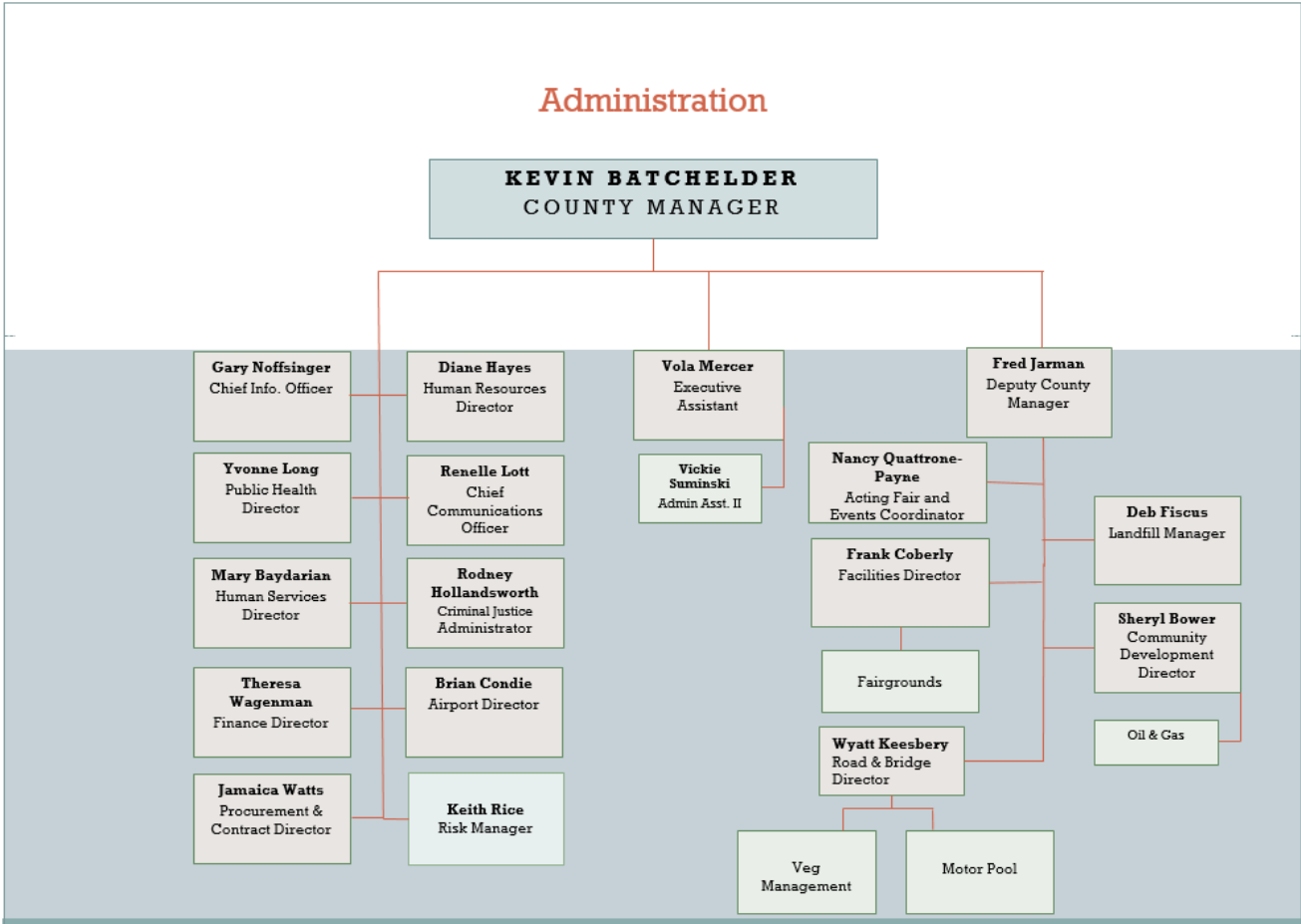
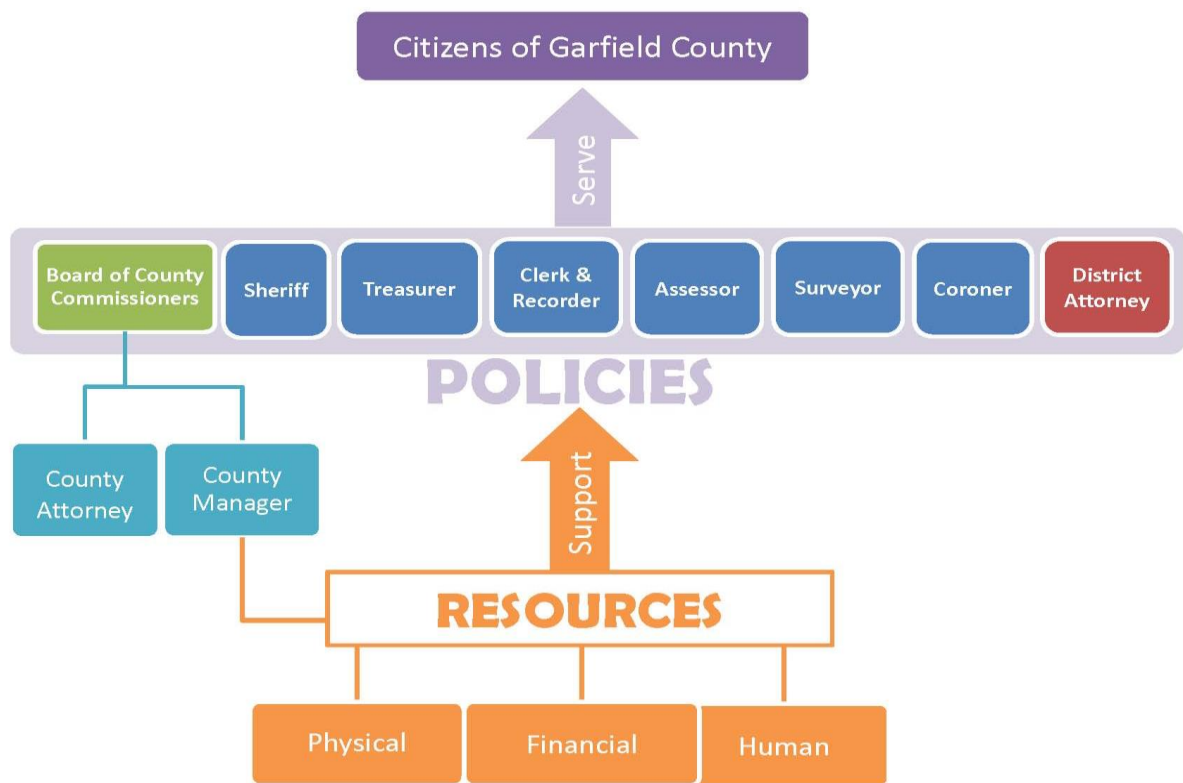
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

Garfield County Organization Chart - 2018



ELECTED OFFICIALS

Commissioner, District # 1	Tom Jankovsky
Commissioner, District # 2	John Martin
Commissioner, District # 3	Mike Samson
County Assessor	Jim Yellico
County Clerk	Jean Alberico
County Coroner	Robert Glassmire
County Sheriff	Lou Vallario
County Surveyor	Scott Aibner
County Treasurer/Public Trustee	Karla Bagley

APPOINTED BY BOARD OF COUNTY COMMISSIONERS

County Attorney	Tari Williams
County Manager	Kevin Batchelder
Deputy County Manager	Fred Jarman

ADMINISTRATION MANAGEMENT TEAM

Airport	Brian Condie
Criminal Justice Services	Rodney Hollandsworth
Communications	Renelle Lott
Community Development	Sheryl Bower
Road & Bridge	Wyatt Keesbery
Facilities	Frank Coberly
Fair & Events	Nancy Quattrone-Payne
Finance	Theresa Wagenman
Information Technology	Gary Noffsinger
Procurement	Jamaica Watts
Human Services	Mary Elliott Baydarian
Public Health	Yvonne Long
Human Resources	Diane Hayes
Risk Management	Keith Rice
Solid Waste	Deb Fiscus

BOARD OF COUNTY COMMISSIONERS



Tom Jankovsky

John Martin

Mike Samson

The **board of county commissioners** is a group of three elected officials which acts as the executive of the local government, levies local taxes, and is charged with the administration of county governmental services such as courts, public health oversight, building code enforcement, and public works such as road maintenance.