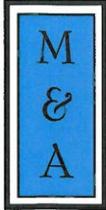




## **FINANCIAL SECTION**



# McMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## INDEPENDENT AUDITOR'S REPORT

### Board of County Commissioners Garfield County, Colorado

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, 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 grants. That report is an integral part of and audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis found in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison statements found in Section E are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Member: American Institute of Certified Public Accountants*

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*Board of County Commissioners  
Garfield County, Colorado*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining fund financial statements, individual non-major fund budgetary comparisons, 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 basic financial statements. Additionally, the Schedule of Expenditures of Federal Awards in Section H is presented for the purpose of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the County's basic financial statements. Such information, except for the introductory and statistical sections, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**

**June 15, 2011**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

Within this section of Garfield County's (the County) annual financial report, the County's management is pleased to provide this narrative discussion and analysis of the financial activities of the County for the calendar year ended December 31, 2010. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

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### FINANCIAL HIGHLIGHTS

- As of 12/31/2010, the County's total assets (\$471.0 million) exceeded its total liabilities (\$75.2 million) by \$395,759,079 (total net assets) for the calendar year reported. Total net assets increased by \$60,245,871 or 18.0% over 2009.
- Total net assets are comprised of the following:
  - (1) Capital assets including property and equipment, net of related debt and accumulated depreciation, totaled \$285,605,542.
  - (2) Net assets of \$3,998,570 are restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net assets of \$106,154,967 represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- Total governmental **revenues** in 2010 were \$154.4 million, which compares with 2009 total revenues of \$133.0 million. This represents a 16.0% increase in revenue. Of this increase, 28.2 million was from grant revenues received from the FAA.
- Total governmental **expenditures** in 2010 were \$127.0 million which compares with 2009 total expenditures of \$117.8 million. This represents a 7.7% increase in expenditures.
- The County's governmental funds reported total ending fund balance of \$104.6 million this year. This compares to the prior year ending fund balance of \$77.1 million showing an increase of \$27.4 million or 35.6% during 2010.
- At the end of the current calendar year, fund balance for the General Fund was \$25,673,175, or 56.3% of total General Fund expenditures. This compares to the prior year ending fund balance of \$18,242,620 showing an increase of \$7,430,555 or 40.7% during 2010.
- Overall, the County continues to maintain a strong financial position. We expect revenues to decline starting in 2011 for a few years until the Oil and Gas Industry recovers from the recession. Therefore, the County has established a Zero Based Approach towards hiring until the economic downturn reverses. We are directing discretionary expenditures toward:
  - Ø Infrastructure enhancements to address the backlog caused by the past growth and Oil and Gas activities which primarily includes roads and bridges;
  - Ø Studies to analyze the various impacts of growth, and possible opportunities for economic development; and
  - Ø Establishing a budget reserve for 2011 and beyond.

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

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- (1) Government-wide Financial Statements,
- (2) Fund Financial Statements, and
- (3) 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 first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the County's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets 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 would 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 second government-wide statement is the *Statement of Activities*, which reports how the County's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. 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 operations (landfill) and the County's motor pool.

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

### FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds ("major funds") rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The County has three kinds of funds:

**Governmental funds** are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the County's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Garfield County governmental funds are comprised of the General Fund, and 16 special revenue funds. The basic governmental fund financial statements are 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** are reported in the fund financial statements and generally report services for which the County charges customers a fee. The two County proprietary funds are the Solid Waste Fund (an enterprise fund) and the Motor Pool Fund (an internal services fund). These funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The basic proprietary fund financial statements are presented on pages C7 through C9 of this report.

**Fiduciary funds** account for funds held in a trustee or agency for another party or entity. These funds do not “belong” to the County; therefore, only balance sheet accounts (assets and liability) accounts are used (not expenditure or revenue accounts). The County has no trustee funds. The County agency fund information is presented on pages C10 and F18 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 data including information concerning the County's budget presentations. Budgetary comparison statements are included as “Required Supplementary Information” for the Major Funds: General Fund, the Road and Bridge Fund, the Human Services Fund, the Capital Expenditures Fund, the Oil and Gas Mitigation Fund, and the Airport Fund (pages E1 – E6). Budgetary comparison schedules for all other governmental funds (Non-Major Funds) can be found in the Supplementary Information section of this report (pages F1 through F15). The Proprietary Fund budgetary comparison schedules are on pages F16 and F17. These statements and schedules demonstrate compliance with the County’s adopted and final revised budget. As discussed, the County reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on pages F1 through F15 of this report.

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

The County implemented the new financial reporting model used in this report beginning with the calendar year ended December 31, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the County as a whole.

**Assets:** Total Assets for the County on December 31, 2010 were \$470,972,004 and Total Liabilities were \$75,212,925. The County's Net Assets at calendar year-end are \$395,759,079 with an 18.0% increase over 12/31/2009. The following provides a summary of the County's Net Assets (as presented on page C1):

SUMMARY OF NET ASSETS						
	Governmental Activities		Business-type Activities		TOTAL	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current assets	\$ 162,214,234	\$ 158,940,441	\$ 4,817,721	\$ 5,337,989	\$ 167,031,955	\$ 164,278,430
Restricted assets	1,715,949	1,715,960	-	-	1,715,949	1,715,960
Non-current assets	543,558	606,964	-	-	543,558	606,964
Capital assets	299,231,057	267,059,399	2,449,485	2,534,580	301,680,542	269,593,979
<b>Total Assets</b>	<b>463,704,798</b>	<b>428,322,764</b>	<b>7,267,206</b>	<b>7,872,569</b>	<b>470,972,004</b>	<b>436,195,333</b>
<b>Liabilities:</b>						
Current liabilities	57,447,971	82,069,821	118,942	232,172	57,566,913	82,301,993
Non-current liabilities	16,902,394	17,396,891	743,618	983,241	17,646,012	18,380,132
<b>Total Liabilities</b>	<b>74,350,365</b>	<b>99,466,712</b>	<b>862,560</b>	<b>1,215,413</b>	<b>75,212,925</b>	<b>100,682,125</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	283,156,057	250,489,399	2,449,485	2,534,580	285,605,542	253,023,979
Restricted	3,998,570	3,898,570	-	-	3,998,570	3,898,570
Unrestricted	102,199,806	74,468,083	3,955,161	4,122,576	106,154,967	78,590,659
<b>Total Net Assets</b>	<b>389,354,433</b>	<b>328,856,052</b>	<b>6,404,646</b>	<b>6,657,156</b>	<b>395,759,079</b>	<b>335,513,208</b>

The County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities (for this calculation "Due within one year" is included) and is an indication of the ability to pay current obligations (debt over the next 12 months). The current ratio for governmental activities is 3:1 and 41:1 for business-type activities. For the County overall, the current ratio is 3:1 (assets are three times liabilities). These ratios are very strong.

The County reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$60.5 million for governmental activities and decreased by \$0.3 million for business-type activities. The County's overall financial position improved during calendar year 2010 by \$60.2 million.

Note that approximately 72.7% of the governmental activities' net assets are invested in capital. 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. With business type activities, the County has spent approximately 38.3% of its net assets on capital. Capital assets in the business-type activities also generate revenues for this fund.

**Changes in Net Assets:** Governmental activities and business-type activities increased the County's net assets by \$60,245,871 or 18.0%. The following table provides a summary of the County's changes in net assets for governmental and business-type activities in 2010 and 2009:

SUMMARY OF CHANGES IN NET ASSETS						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program:						
Charges for services	\$ 7,122,764	\$ 6,525,273	\$ 1,308,440	\$ 1,363,718	\$ 8,431,204	\$ 7,888,991
Operating grants	25,110,324	24,081,281	7,862	45,110	25,118,186	24,126,391
Capital Grants & Contributions	31,779,071	27,499,105	-	-	31,779,071	27,499,105
General:						
Taxes	81,248,448	66,374,680	-	-	81,248,448	66,374,680
Other	805,113	1,564,116	-	-	805,113	1,564,116
<b>Total revenues</b>	<b>146,065,720</b>	<b>126,044,455</b>	<b>1,316,302</b>	<b>1,408,828</b>	<b>147,382,022</b>	<b>127,453,283</b>
<b>Program Expenses:</b>						
General government	21,528,329	17,605,504	-	-	21,528,329	17,605,504
Public safety	21,446,288	21,164,697	-	-	21,446,288	21,164,697
Public works	19,661,900	20,732,738	-	-	19,661,900	20,732,738
Health and welfare	20,864,969	19,260,828	-	-	20,864,969	19,260,828
Culture and recreation	1,275,899	1,294,917	-	-	1,275,899	1,294,917
Interest	764,954	859,356	-	-	764,954	859,356
Solid waste	-	-	1,593,812	1,879,185	1,593,812	1,879,185
<b>Total expenses</b>	<b>85,542,339</b>	<b>80,918,040</b>	<b>1,593,812</b>	<b>1,879,185</b>	<b>87,136,151</b>	<b>82,797,225</b>
<b>Excess (deficiency)</b>	<b>60,523,381</b>	<b>45,126,415</b>	<b>(277,510)</b>	<b>(470,357)</b>	<b>60,245,871</b>	<b>44,656,058</b>
<b>Transfers</b>	<b>(25,000)</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>60,498,381</b>	<b>45,126,415</b>	<b>(252,510)</b>	<b>(470,357)</b>	<b>60,245,871</b>	<b>44,656,058</b>
<b>Beginning net assets</b>	<b>328,856,052</b>	<b>283,729,637</b>	<b>6,657,156</b>	<b>7,127,513</b>	<b>335,513,208</b>	<b>290,857,150</b>
<b>Ending net assets</b>	<b>\$ 389,354,433</b>	<b>\$ 328,856,052</b>	<b>\$ 6,404,646</b>	<b>\$ 6,657,156</b>	<b>\$ 395,759,079</b>	<b>\$ 335,513,208</b>

**GOVERNMENTAL REVENUES**

The County is heavily reliant on intergovernmental revenue, property taxes, and sales taxes to support governmental operations and capital. Total governmental revenue for 2010 was \$154.4 million compared with \$133.0 million in 2009.

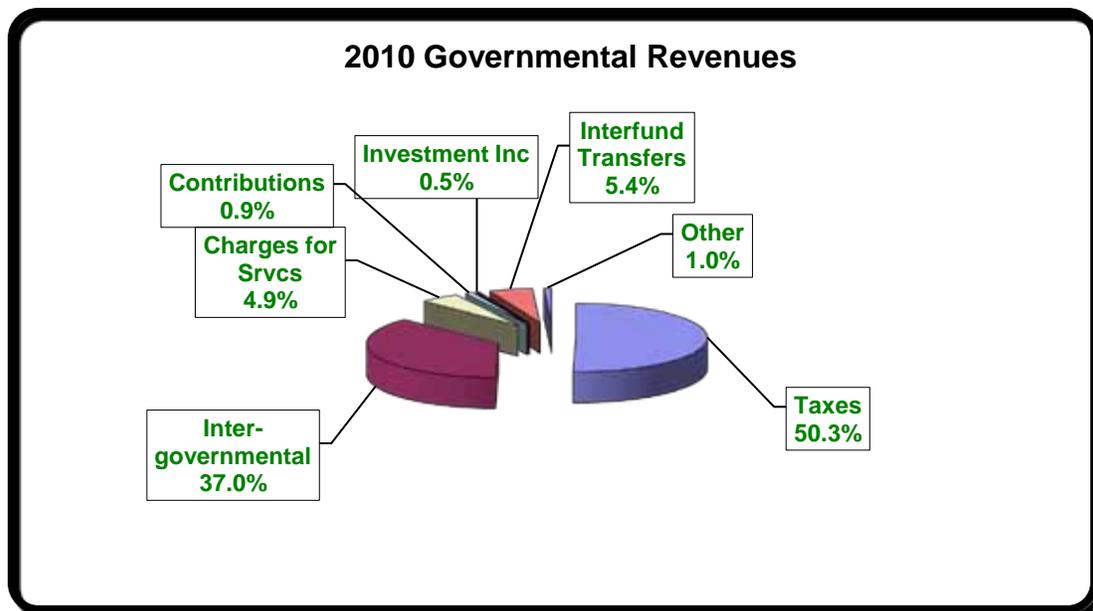
Property taxes are the largest revenue source with about \$71.0 million of revenues or 46.0% of the total. Sales Taxes are the fifth largest revenue source of governmental revenues with about \$4.1 million or 2.6% of the total.

Intergovernmental revenue provided 37.0% of the County's total governmental revenues. Of this revenue, \$16.0 million relates to human services programs, \$3.7 million relates to Oil and Gas severance taxes, and \$28.2 million relates to a grant received from the FAA.

Because of the County's healthy financial position, we have been able to earn \$0.8 million in interest earnings to support governmental activities. Also, note that program revenues cover 74.8% of governmental operating expenditures. This is a very high percentage and again relates to the social services grants and FAA contributing \$28.2 million towards the Airport runway realignment project. This means that the government's taxpayers and the County's other general governmental revenues fund 25.2% of the governmental activities. As a result, the general economy and the County businesses have a major impact on the County's revenue streams.

*Revenues by Source – Governmental Activities – year ended December 31, 2010.*

Taxes	\$77,695,901
Intergovernmental	57,167,499
Charges for Services	7,561,750
Contributions	1,450,810
Investment Income	805,117
Interfund Transfers	8,270,412
Other Revenue	<u>1,464,644</u>
<b>TOTAL</b>	<b><u>\$154,416,133</u></b>

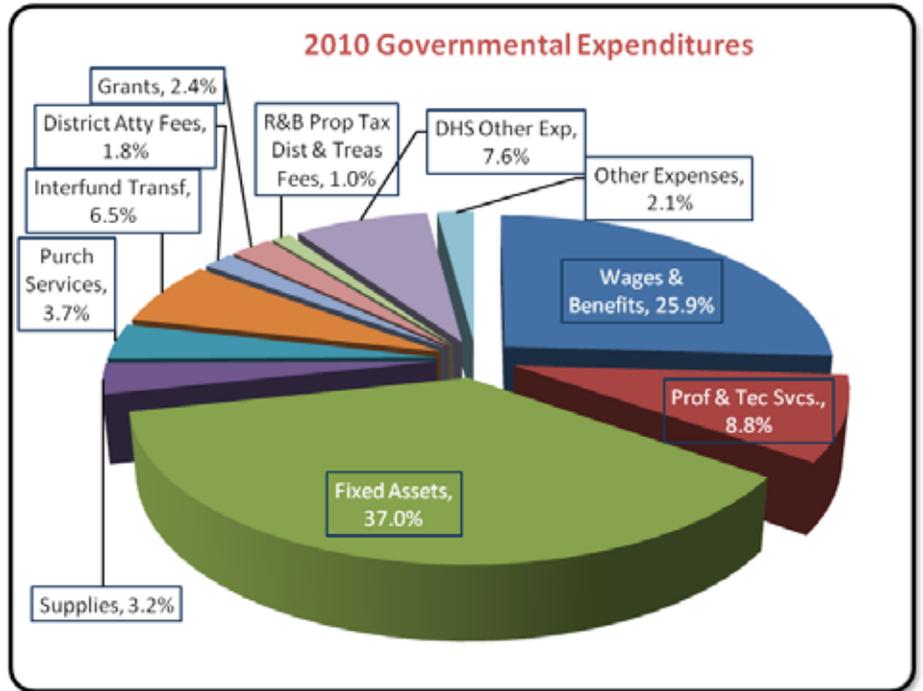


**GOVERNMENTAL EXPENDITURES**

**Total Governmental Expenditures by Classification**

Total governmental expenditures for 2010 were \$127.0 million compared with \$117.8 million in 2009. Expenditures for 2010 are broken down by classification as follows:

Wages & Benefits	\$32,905,043
Professional & Tec Svcs.	11,164,231
Fixed Assets	46,949,999
Supplies	4,003,542
Purchased Services	4,694,038
Interfund Transfers	8,295,412
District Atty Fees	2,223,065
Grants	3,071,447
R&B Prop Tax Dist & Treas Fees	1,388,659
DHS Other Expenditures	9,643,654
Other Expenditures	2,634,219
<b>TOTAL EXPENDITURES</b>	<b><u>\$126,973,309</u></b>



**Governmental Functional Expenses**

The general government, public safety, public works, and health and welfare functions make up most of the total governmental activities expenses (97.7%). On a percentage basis of these four functions, public safety brings in the smallest amount of program revenues with \$18.7 million paid for with taxpayer dollars.

This table presents the cost of each of the County's programs, including the net costs (total cost of service less revenues generated by the activities). The net costs illustrate the financial burden placed on the County's taxpayers by each of these functions.

Government-wide Expenses				
Function	Total Cost of Services	% of Total	Net Cost of Services	% of Total
General government	\$ 21,528,329	25.2%	\$ 14,110,233	65.5%
Public safety	21,446,288	25.1%	18,741,833	87.0%
Public works	19,661,900	23.0%	(15,505,462)	-72.0%
Health and welfare	20,864,969	24.4%	2,837,390	13.2%
Culture and recreation	1,275,899	1.5%	581,232	2.7%
Interest	764,954	0.8%	764,954	3.6%
<b>Total</b>	<b><u>\$85,542,339</u></b>		<b><u>\$ 21,530,180</u></b>	

Total net cost of services (\$21.5 million) is 25.2% of total costs of services (\$85.5 million). This means 25.2% of these services are paid for with taxpayer dollars and 74.8% are funded with charges/fees for services, grants and contributions (program revenues).

**BUSINESS-TYPE ACTIVITIES**  
**Revenues vs. Costs**

The only enterprise fund is the County's solid waste management program (landfill). Operating revenues were \$1,312,933 and operating expenses were \$1,593,812 (a negative variance of \$280,879). Due to the 2009 Five-Year Closure and Post-Closure Cost Estimate Update, the life of the landfill was extended from 2040 to 2062, which had a positive effect on the annual landfill closure and post-closure amortization accrual costs.

Revenues were primarily from tipping fees (97.5%), the remainder (0.3%) was from recycled goods, another (0.3%) is Grant Revenue for recycling, and (1.9%) for a transfer-in. Total expenditures were categorized as follows: 61.9% for wages and benefits and the remaining 38.1% are for operating costs. The Landfill's Fund Balance decrease is primarily due to less Oil and Gas activity caused by the economic recession.

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

The Governmental Funds with Garfield County are:

<u>Major:</u>	<u>Non-Major:</u>
General Fund	Fair Board Fund
Road and Bridge Fund	Conservation Trust Fund
Airport Fund	Emergency Reserve Fund
Oil and Gas Mitigation Fund	Search and Rescue Fund
Human Services Fund	Public Health Fund
Capital Expenditures Fund	Grant Fund
	Clerk and Recorder EFTF Fund
	Traffic Study Fund
	Livestock Auction Fund
	Commissary Fund
	Retirement Fund

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported total ending net assets of \$389.4 million. Of this year-end total, \$102,199,806 is unrestricted indicating availability for continuing County service requirements. Legally restricted fund balances (i.e., the reserved fund balances) primarily includes: \$2,283,434 committed to emergencies; and \$1,715,136 for COPS principal and interest payments.

The total ending net assets of governmental funds showed an increase of \$60,498,381 over 2009 or a 18.4% increase.

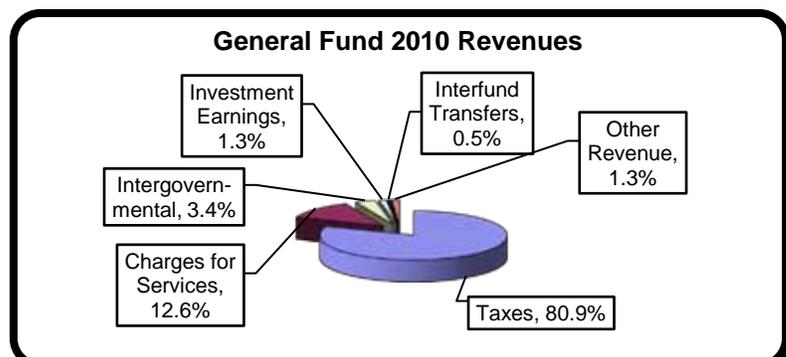
**MAJOR GOVERNMENTAL FUNDS**

**General Fund**

The **General Fund** is the County's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by over \$7.4 million, or 40.7%. Total revenues increased by 15.1% over 2009. This increase resulted mainly from Oil and Gas 2008 revenues ad valorem property taxes being paid two years in arrears.

Total **revenues** for the General Fund in 2010 were \$53.1 million. Taxes generated more than half this revenue, followed by charges and fees for services and intergovernmental revenue (revenues from other governments). The following represents total General Fund revenues by classification:

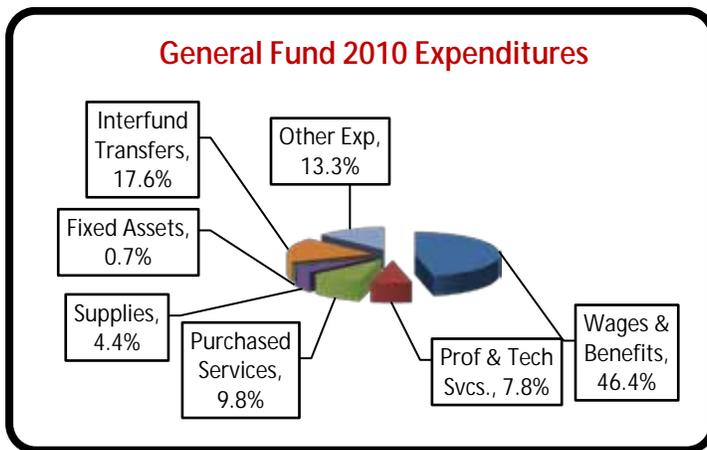
Taxes	\$42,914,396
Charges for Services	6,676,304
Intergovernmental	1,852,970
Investment Earnings	693,879
Interfund Transfers	250,000
Other Revenue	<u>682,965</u>
<b>TOTAL REVENUES</b>	<b><u>\$53,070,514</u></b>



Total **expenditures** for the General Fund in 2010 (including interfund transfers to other funds) were \$45.6 million, a 0.3% increase over 2009 due to increased costs of goods and services. From 2009 to 2010, the functional costs in this fund changed by these amounts:

General government:	\$33,305 (0.2%) increase
Public safety:	\$506,314 (2.6%) increase
Health and welfare:	(\$1,588,754) decrease due to transferring Public Health from General Fund to Special Revenue Fund

This fund contains a total of 18 Departments and Elected Official offices. Wages and Benefits made up 46.4% of total expenditures while services provided for the County (professional, technical and purchased services) comprised 17.6% of the total. The following presents the total General Fund expenditures by classification:



Wages & Benefits	\$21,181,502
Prof & Tech Svcs.	3,540,275
Purchased Svcs.	4,481,446
Supplies	2,014,137
Fixed Assets	325,981
Interfund Transfers	8,045,412
Other Expenses	<u>6,051,206</u>
<b>TOTAL</b>	
<b>EXPENDITURES</b>	<u><b>\$45,639,959</b></u>

**General Fund Budgetary Highlights**

The General Fund revenues were 0.93% over what was budgeted:

**REVENUES**

	2010 Adopted Budget	2010 Amended Budget	2010 Actuals	Over/(Under)	% Over/(Under)
Taxes	42,384,589	42,879,272	42,914,396	35,124	0.08%
Charges for Services	5,302,172	5,302,172	6,676,304	1,374,132	25.92%
Intergovernmental	2,585,767	2,243,051	1,852,970	(390,081)	-17.39%
Investment Income	1,507,550	1,507,550	693,879	(813,671)	-53.97%
Interfund Transfers	150,000	150,000	250,000	100,000	66.67%
Other Revenue	490,432	500,432	682,965	182,533	36.48%
<b>Totals</b>	<b>52,420,510</b>	<b>52,582,477</b>	<b>53,070,514</b>	<b>488,037</b>	<b>0.93%</b>

On the expenditure side, the General Fund came in at 10.67% under the budgeted amount as shown below:

**EXPENDITURES**

	2010 Adopted Budget	2010 Amended Budget	2010 Actuals	Over/(Under)	% Over/(Under)
Wages & Benefits	23,424,306	23,568,806	21,181,502	(2,387,304)	-10.13%
Professional & Technical Services	4,865,361	5,373,682	3,540,275	(1,833,407)	-34.12%
Purchased Services	5,486,386	5,521,348	4,481,446	(1,039,901)	-18.83%
Supplies	2,382,698	2,669,232	2,014,137	(655,094)	-24.54%
Property & Fixed Assets	565,554	549,554	325,981	(223,573)	-40.68%
Interfund Transfers	3,640,000	3,765,000	8,045,412	4,280,412	113.69%
Other Expenditures	10,347,191	9,641,833	6,051,206	(3,590,627)	-37.24%
<b>Totals</b>	<b>50,711,496</b>	<b>51,089,454</b>	<b>45,639,959</b>	<b>(5,449,495)</b>	<b>-10.67%</b>

During the year, there was a \$378 thousand increase in appropriations between the original adopted budget and the amended budget. The total increase was 0.75% between the original and amended budget with no major factors affecting the increase.

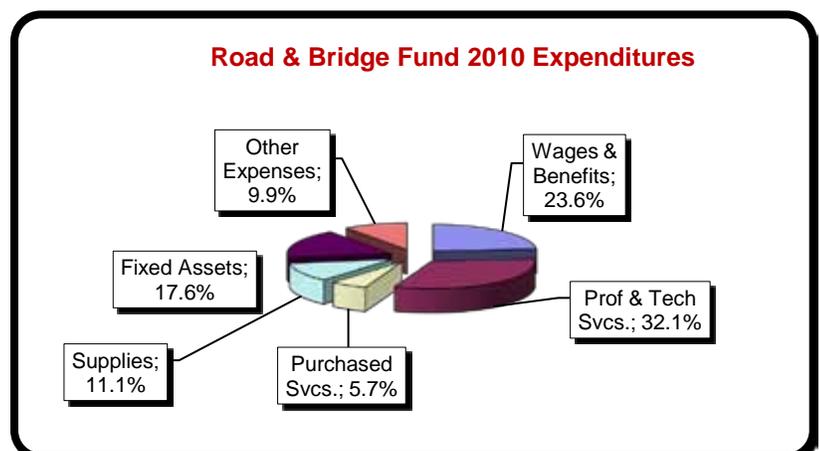
Actual expenditures were \$5.4 million under budget, which is in line with the normal trend the County has experienced in previous years. Key components influencing this under budget situation included: a grant for the Carbondale Affordable Housing project that was not dispersed since the project was aborted (\$1.0 million); a grant for City of Rifle – Rifle Energy Park was postponed to 2011 (\$1.5 million); Sheriff’s Office SCAAP grant funds weren’t spent in 2010 and carried forward to 2011 (\$0.3 million); there were no incidents that could be expensed from the sheriff’s office fire contingency (\$0.5 million); and professional services in the Community Corrections department was under budget (\$0.8 million). The remaining amount under budget is comprised of a multitude of smaller cost savings in many departments and offices. The Interfund Transfers were over budget mostly due to the Airport Runway Realignment project needing more funds than anticipated (\$4.3 million).

**Road and Bridge Fund**

The **Road and Bridge** Fund performs construction, maintenance and snow removal for all County roads and bridges. The fund balance increased by \$8.9 million in 2010 and has an overall strong fund balance of \$22.2 million to be used for future road and bridge construction and maintenance. Total revenues in this fund (\$23.2 million) decreased by 33.7% over 2009 and total expenditures (\$14.3 million) decreased by 60.7% over 2009. In 2010, the County was significantly lower in both revenues and expenditures compared to 2009. This was due to the \$20 million Road and Bridge reconstruction project of 10-miles of County Road 204 for Chevron for their Oil and Gas operations north of DeBeque, Colorado.

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

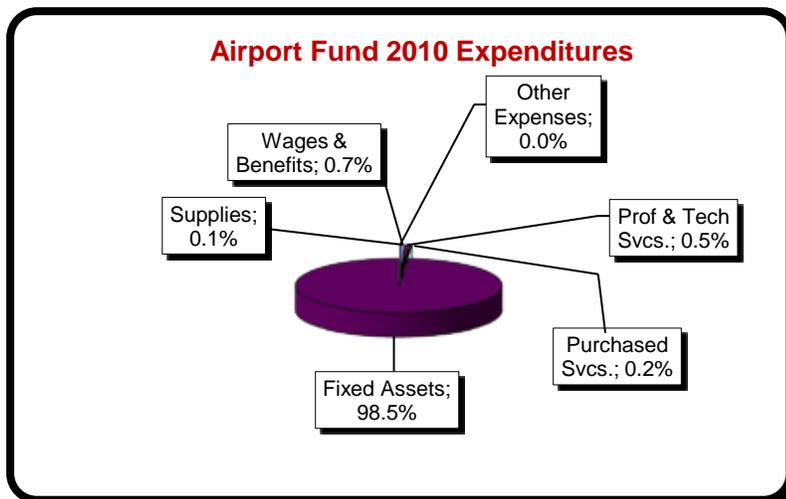
Wages & Benefits	\$3,367,270
Prof & Tech Svcs.	4,572,011
Purchased Svcs.	810,967
Supplies	1,578,847
Fixed Assets	2,506,326
Other Expenditures	1,415,708
<b>TOTAL EXPENDITURES</b>	<b>\$14,251,129</b>



**Airport Fund**

The **Airport** Fund was established to account for Airport functions at the County Airport in Rifle, Colorado. In 2003, the Garfield County Regional Airport (Airport) and Federal Aviation Administration (FAA) prepared an Airport Master Plan examining long-term airport facility needs. During this time, it was determined that several design components failed the safety standards most notably the runway gradient and lack of adequate runway safety areas. In 2008, the FAA, the County and the State Aeronautics Division embarked on 3-year project to reconstruct and realign the Airport's runway for \$42 million. The FAA funded 95% of the project. Besides the Runway Realignment project mentioned above, the Airport spent another \$7.5 million on a new administrative building; upgraded existing wastewater and sanitary sewer system; east area infrastructure and taxi lane; enlarged the aircraft parking ramp; constructed a small general aviation aircraft parking area and other airport improvements not funded by FAA matching funds. All these Airport projects were substantially completed in November, 2010.

All expenditures in the Airport are a Public Works function. Expenditures by classification were as follows:

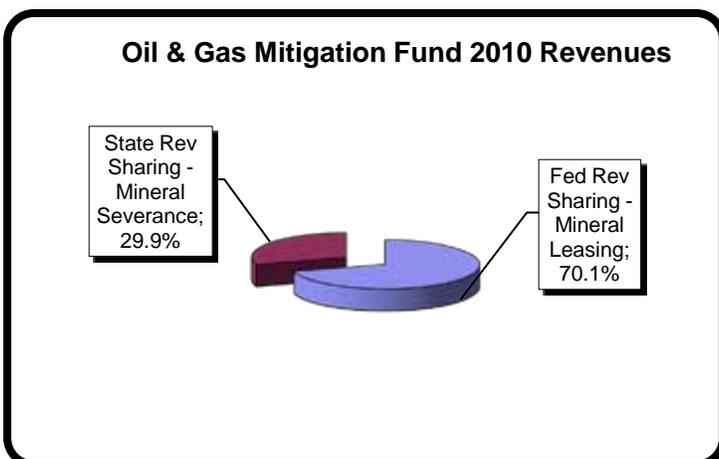


Wages & Benefits	\$231,562
Prof & Tech Svcs.	173,855
Purchased Svcs.	79,159
Supplies	55,224
Fixed Assets	34,959,314
Other Expenses	558
<b>TOTAL</b>	<b>35,499,672</b>
<b>EXPENDITURES</b>	<b>\$35,499,672</b>

**Oil and Gas Mitigation Fund**

The **Oil and Gas Mitigation** Fund was established by the BOCC in 2006 for the purpose of the receipt and expenditure of specifically designated monies to be used to mitigate adverse property, social and environmental impacts of oil and gas related activities. The fund balance increased by \$3.7 million in 2010 and has a strong fund balance of \$21.2 million to be used for future oil and gas related activities. Total revenues in this fund (\$3.7 million) decreased by 68.2% over 2009. In 2010, no expenditures occurred for oil and gas related activities.

Revenues by classification were as follows:



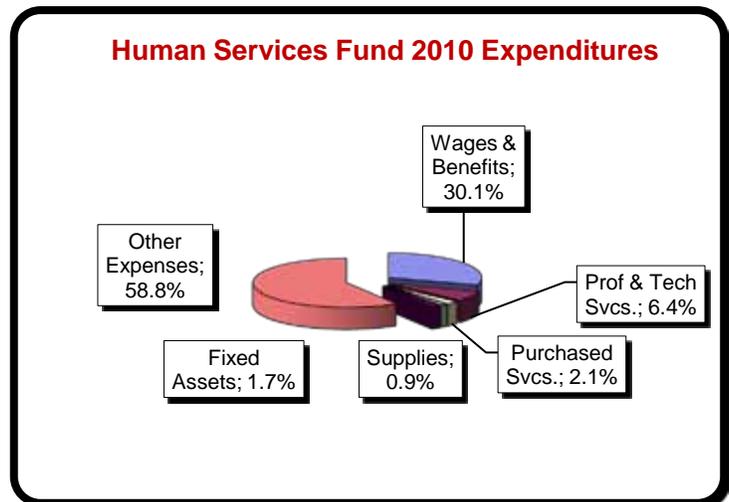
Fed Rev Sharing - Mineral Leasing	\$2,591,713
State Rev Sharing - Mineral Severance	1,105,388
<b>TOTAL REVENUES</b>	<b>\$3,697,101</b>

**Human Services Fund**

The Human Services Fund (DHS) provides and coordinates a variety of State mandated social services including public assistance, child support and family service programs. This fund balance grew from \$4.8 million in 2009 to \$6.4 million in 2010. Total revenues increased by \$3.7 million and total expenditures increased by \$1.7 million compared with 2009. A large portion of this increase occurred in the Food Benefits Assistance program (\$2.3 million) due to Oil and Gas downturn.

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

Wages & Benefits	\$5,309,069
Prof & Tech Svcs.	1,126,021
Purchased Svcs.	371,935
Supplies	162,520
Fixed Assets	308,785
Other Expenses	<u>10,388,491</u>
<b>TOTAL</b>	
<b>EXPENDITURES</b>	<u><u>\$17,666,821</u></u>



\*Of the \$10.4 million for *Other Expenses*, \$1.6 million was related to the Child Welfare Block Grant, \$6.7 million for Food Benefits Assistance, \$560 thousand for Child Care Assistance, and \$770 thousand for the Old Age Pension program.

**Capital Expenditures Fund**

The Capital Expenditures Fund Balance increased from \$16.9 million in 2009 to \$22.4 million in 2010, or a 33.1% increase. The increase represents the need to build a strong Capital Expenditure Fund Balance in order to acquire or construct new buildings and capital projects that are a result of oil and gas impacts, and overall growth of the County.

Total **revenues** in this fund were \$14,675,941. Included in this total are \$11.7 million dollars from Property Taxes and \$2.2 million from intergovernmental grants. The remaining revenue was primarily from investment earnings.

Total **expenditures** were \$9,103,587. Major capital expenditures during 2010 included the following:

Land: Property Purchase in GWS for Future Parking Lot	\$501,167
New Buildings:	
CIP: S.O. Annex Building in Rifle	\$2,180,864
CIP: H.S. Annex Building in Rifle	\$1,611,989
CIP: MFHC Annex Building in Rifle (CDBG Pass Through)	\$427,500
Other Building and Land Improvements	\$526,891
Infrastructure:	
CIP: W. Parachute Interchange - Engineering	\$118,468
CIP: LOVA Bike Trail Phase #2	\$671,314
Computer Hardware:	
S.O. Annex Building in Rifle Computer Equipment	\$420,897
VOIP in GWS and part of Rifle	\$382,731
Add'l Computer Equipment	\$109,537
Computer Software:	
Assessor & Treasurer's Tyler (Eagle) Software Upgrade	\$69,629
Other Equipment and Furnishings for S.O. Annex Building in Rifle	\$527,822
Vehicles	\$84,122
Service and Treasurer Fees	\$252,707
Certificate of Participation Principal and Interest Payments	<u>\$1,217,949</u>
<b>TOTAL</b>	<u><u>\$9,103,587</u></u>

**CAPITAL ASSETS AND LONG-TERM LEASES**

**Capital Assets**

The County's investment in capital assets, net of accumulated depreciation, for Governmental (i.e., including the motor pool fund) and Business-type activities as of December 31, 2010, was \$299,231,057 and \$2,449,485 respectively. In 2010, Governmental activities major capital included Final Phase of the Airport Runway Reconstruction for \$34.3 million of a three-year project for \$42 million; and completed construction on Sheriff and Human Services Annex buildings in Rifle for \$2.2 and \$1.6 million, respectively. Business-type activities showed a 3.4% decrease primarily due to slower economy and less need for cell construction. The overall increase was 11.9% for the County as a whole. See "Note 3D. Capital Assets" (pages D9 and D10) for additional information about changes in capital assets during the calendar year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	CAPITAL ASSETS					
	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Non-depreciable assets:</b>						
Construction in progress	\$ 3,595,448	\$ 34,544,609	\$ -	\$ 62,627	\$ 3,595,448	\$ 34,607,236
Land	11,375,247	9,436,470	300,000	300,000	11,675,247	9,736,470
<b>Total non-depreciable assets</b>	<b>\$ 14,970,695</b>	<b>\$ 43,981,079</b>	<b>\$ 300,000</b>	<b>\$ 362,627</b>	<b>\$ 15,270,695</b>	<b>\$ 44,343,706</b>
<b>Depreciable assets:</b>						
Land improvements	49,921,155	9,303,735	1,152,128	1,152,128	51,073,283	10,455,863
Buildings	53,615,244	47,538,346	768,258	771,158	54,383,502	48,309,504
Building improvements	3,415,120	3,118,839	20,388	20,388	3,435,508	3,139,227
Machinery and equipment	22,474,633	20,116,973	1,991,040	1,512,723	24,465,673	21,629,696
Infrastructure	272,771,216	258,684,170	-	-	272,771,216	258,684,170
<b>Total depreciable assets</b>	<b>402,197,368</b>	<b>338,762,063</b>	<b>3,931,814</b>	<b>3,456,397</b>	<b>406,129,182</b>	<b>342,218,460</b>
<b>Less accumulated depreciation</b>	<b>117,937,006</b>	<b>115,683,743</b>	<b>1,782,329</b>	<b>1,284,444</b>	<b>119,719,335</b>	<b>116,968,187</b>
<b>Book value - depreciable assets</b>	<b>284,260,362</b>	<b>223,078,320</b>	<b>2,149,485</b>	<b>2,171,953</b>	<b>286,409,847</b>	<b>225,250,273</b>
<b>Percentage depreciated</b>	<b>29%</b>	<b>34%</b>	<b>45%</b>	<b>37%</b>	<b>29%</b>	<b>34%</b>
<b>Book value - all assets</b>	<b>\$ 299,231,057</b>	<b>\$267,059,399</b>	<b>\$ 2,449,485</b>	<b>\$ 2,534,580</b>	<b>\$ 301,680,542</b>	<b>\$269,593,979</b>

At December 31, 2010, the depreciable capital assets for governmental activities were 29% depreciated. This compares with 34% at December 31, 2009. With the County's Business-type activities, 45% of the asset values were depreciated by December 31, 2010 compared to 37% at December 31, 2009. During the calendar year 2010, the County continues to replace its capital assets at a constant level and has accumulated another year's worth of depreciation on those capital assets.

**Long-term Leases (Certificates of Deposit)**

During 2010, the County retired \$495,000 in certificates of participation.

	<b>Outstanding Borrowings</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Certificates of participation	\$ 16,075,000	\$ 16,570,000	\$ -	\$ -	\$ 16,075,000	\$ 16,570,000
Landfill closure and postclosure care	-	-	722,454	955,157	722,454	955,157
Compensated absences	1,789,859	1,762,521	28,219	37,446	1,818,078	1,799,967
<b>Total</b>	<b>\$ 17,864,859</b>	<b>\$ 18,332,521</b>	<b>\$ 750,673</b>	<b>\$ 992,603</b>	<b>\$ 18,615,532</b>	<b>\$ 19,325,124</b>

See "Note 3G. Long-term Debt" (pages D12 and D13) for additional information about the County's long-term debt. We discuss the landfill closure and post-closure care liability in Note 3F. (page D12).

**2011 BUDGET CONSIDERATIONS**

The following factors could have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 budget.

- Garfield County had been experiencing staggering growth but due to the recession and the drop in demand for Natural Gas, the County is currently experiencing a slight decline in growth. Because of this decline, the County has taken a Zero Based Approach to personnel, with operations and capital expenditure costs being re-evaluated by priority to delay any major fund balance withdrawals.
- Road and Bridge anticipates doing some catch-up road maintenance due to the temporary decline in gas drilling in the County for \$7.6 million in 2011. The Road and Bridge capital budget of \$7.6 million includes a bridge replacement for \$1.5 million, an intersection reconstruction for \$1.5 million and road realignment for another \$1.5 million. Other capital items are a Bike Trail in Battlement Mesa for \$610,000 and \$730,000 of heavy equipment purchases.
- In 2011, the capital fund has budgeted expenditures for \$7.3 million that includes \$2.5 million of a \$15 million project for a West Parachute Interchange to be completed in 2012. GWS Jail has in their budget a new Central Control Board for \$800,000 and Energy Improvements for \$201,000. GWS Courthouse has budgeted Energy Improvements of \$587,000 and Generators for \$400,000. GWS Administration has budgeted additional parking lot for \$350,000.
- Construction of the new Elected Officials building in Glenwood Springs has been postponed until 2014 due to the economic times. This building will house the elected officials, and they will no longer reside in the courthouse. The courts are growing, and they need the extra space in the Glenwood Springs courthouse.
- In 2011, the Solid Waste Disposal Fund has budgeted to do Methane Monitoring and Mitigation at the landfill for \$215,000.
- The 2011 Certificates of Participation principal and interest payments will be approximately \$1.2 million.
- On the operating side, the budget has twenty-six less positions through attrition, which will generate \$1.8 million in lower wage and benefit costs to the County.

- In 2011, we are contributing \$650,000 to support the RFTA transit service between Rifle and Glenwood Springs. That contribution represents the County's fair share of the costs associated with the service.
- In the area of human service contributions, Garfield County will direct \$469,164 to various human service organizations in the area. This is down by a total of \$35,336 from last year.
- The Airport Runway Realignment Upgrade 3-year project was substantially completed in November 2010 for a total cost of \$42 million of which \$40 million was covered by FAA. In 2011, the Airport has another \$1 million in final costs to the project that will be covered at 95% by FAA. This project has put Garfield County's Airport on the map as a significant general aviation jet center that will create an economic engine and will augment the economic vitality that currently exists in the western part of the County.
- In 2006, a new special revenue fund named "Oil and Gas Mitigation Fund" was set-up to deal with the impacts of a future downturn in oil and gas activities in the County. In 2011, we will continue the process of systematically setting aside funds to deal with the current downturn the County is faced with by adding \$2.5 million budget to the already collected (since 2006) revenues of \$21.2 million.

It is important to note that this is a very aggressive budget resulting in the accomplishment of a number of important initiatives. However, we are not compromising the financial health of the County to accomplish these projects. In fact, this is the healthiest the County has ever been and our auditors characterize the financial status of the County as outstanding. For 2011, we will end the year with approximately \$100 million in the fund balances for the various county operating and capital funds. This is more than triple what the County had ten years ago.

Some people argue that healthy fund balances are not necessary. However, there are three very compelling reasons for a healthy County balance sheet. First, it assures stable levels of services to our customers. Second, it assures stable employment for our staff. Finally, it assures that we do not have to go back to the taxpayers for tax increases or fee increases.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the County's finances, comply with finance-related laws and regulations, and demonstrate the County's commitment to public accountability. If you have questions about this report or would like to request additional information please contact:

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