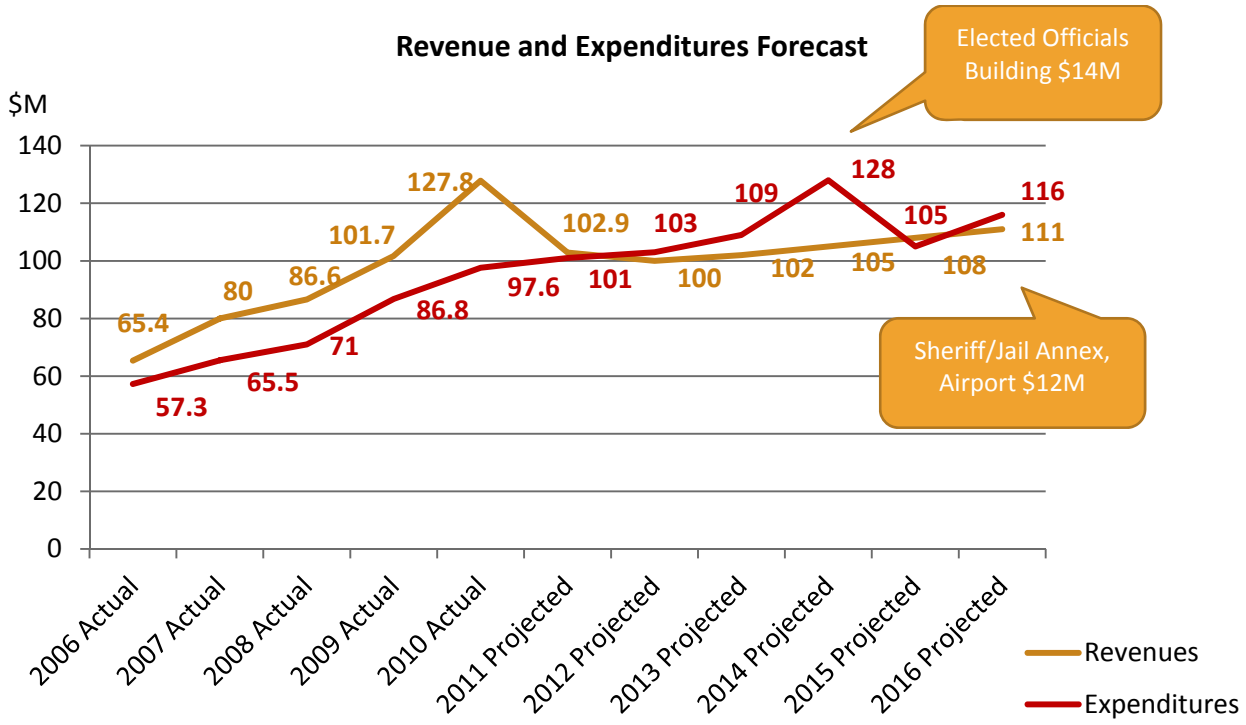
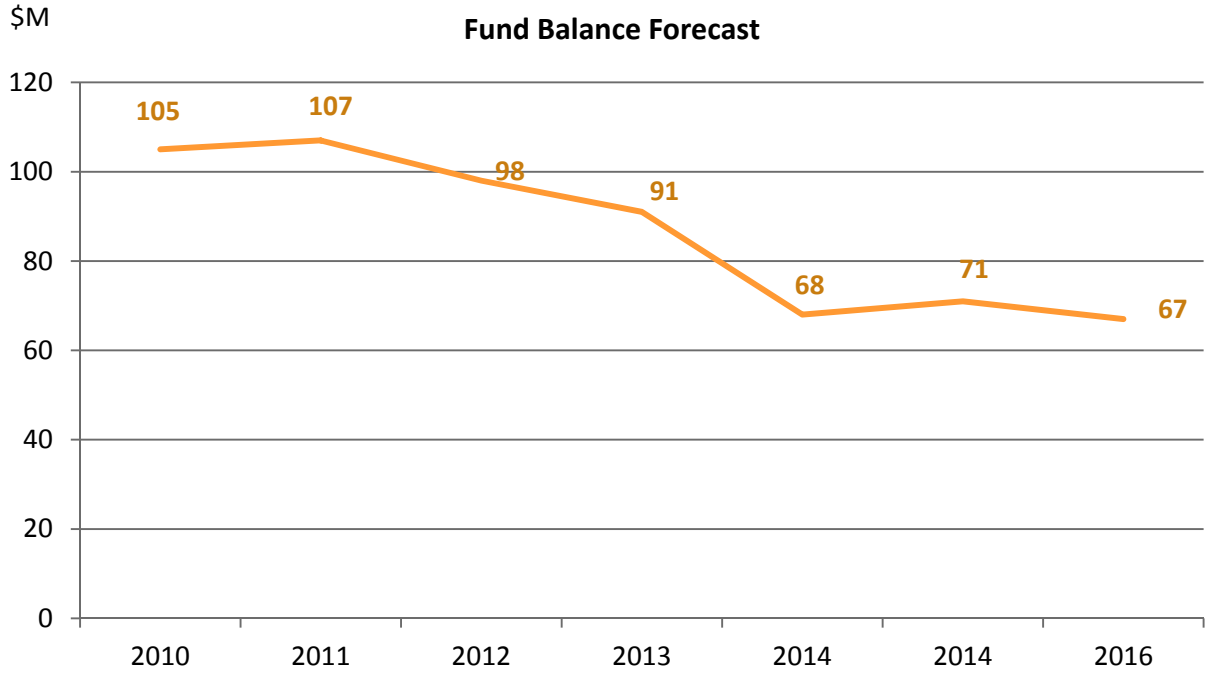
Budget Forecast

Using the Five Year Plan and 2011 year-end projections, a budget projection to 2016 is created (net of interfund transfers). This provides a context in which decisions about the 2012 budget can be made.



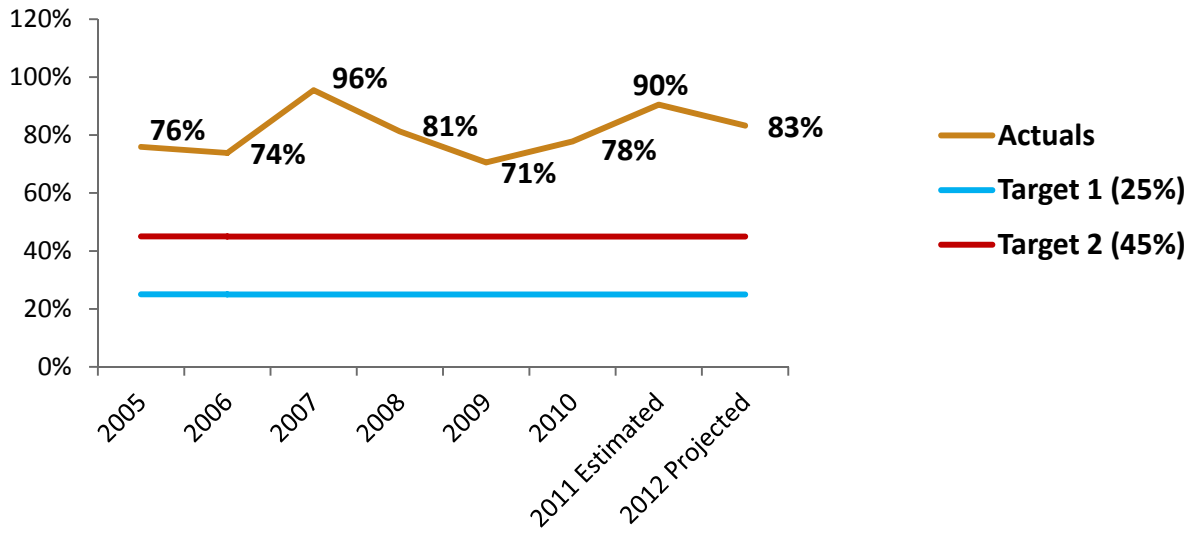


Financial Performance Measures

As part of its long-term financial planning policies the budget is prepared and analyzed using several financial performance measures.

Fund Balance to Total Expenditures Ratio

This ratio measures the County's ability to meet annual expenditures with end-of-year (EOY) fund balance. A preferred trend of 25% to 45% will help insulate the County from unforeseen economic downturns and provide funds for large scale purchases without the need for borrowing. The formula used is EOY Fund Balance/Total Expenditures (net of interfund transfers).



Fund Balance to General Fund Expenditures Ratio

As outlined in the Long-term Financial Planning section of this document, the County is required to maintain an unassigned fund balance in its General Fund plus its Oil and Gas Mitigation Fund of at least one third of the County's total general fund expenditures. At the end of 2011 the unassigned fund balance in these two funds is projected to be 108% of the County's total general fund projected expenditures for 2012. At the end of 2012 it is projected to be at 118%.

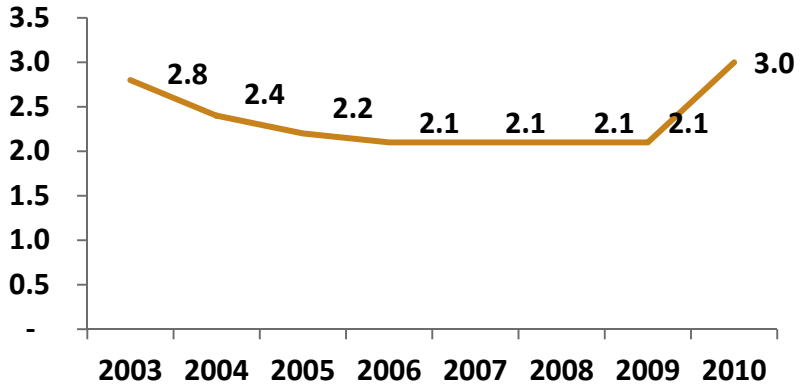
Fund Balance to General Fund Revenues Ratio

The County's financial policy guidelines also require it to maintain an unassigned fund balance in the general fund in excess of between 5 and 15 percent of total General Fund revenues. At the beginning of 2012 the County's unassigned fund balance in the General Fund is projected at 60% of regular general fund operating revenues. The General Fund had an excess of revenues over expenditures of approximately $27.4 million in 2010 and had an ending fund balance of approximately $25.6 million. In 2011 the General Fund balance is projected to increase to over $28 million and should provide the County with more than sufficient working capital to meet the 2012 goals and objectives

Current Ratio

The current ratio measures the County's ability to pay back its short-term liabilities (debts and payables) with its short term assets (cash and receivables). Although the target for this ratio is commonly 2:1, in an

environment where industries are cyclical as is the case in Garfield County, the goal is to maintain a higher current ratio. Garfield County's current ratio is 3:1 indicating a very strong position.



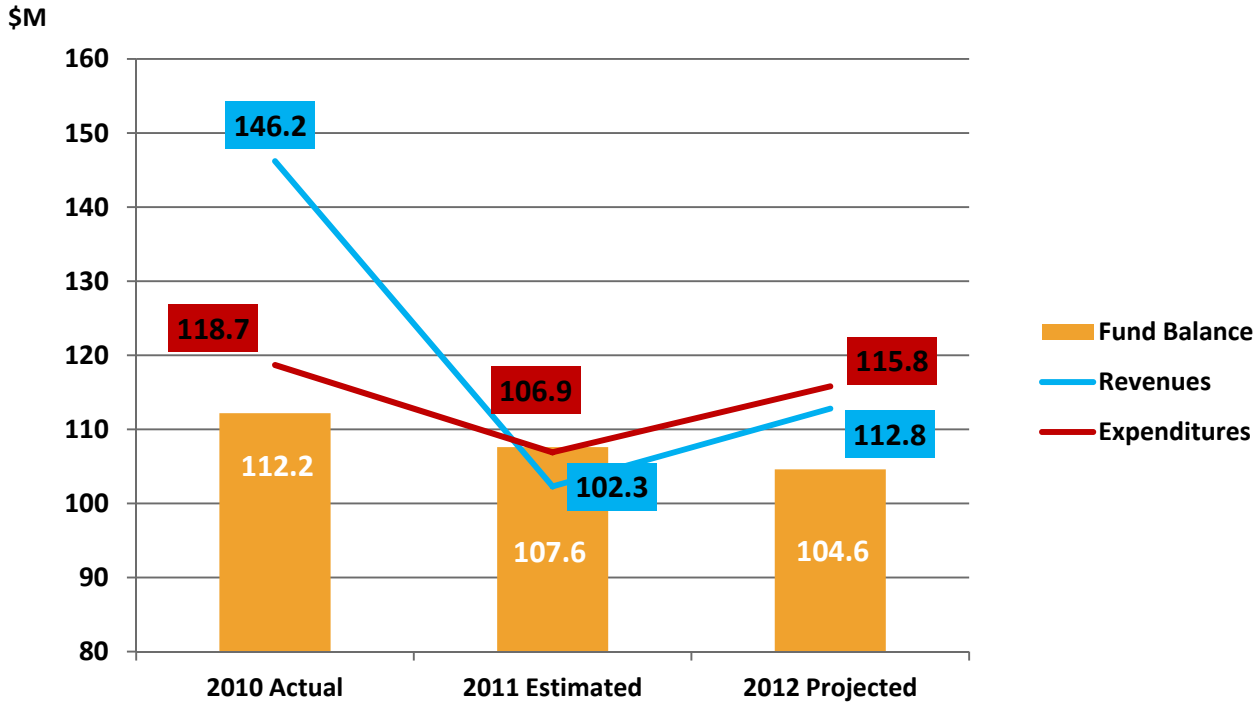
Clearly these measurements show that the County's financial state is very healthy and meets its financial policy guidelines.

Budget Message/Summary

The 2011 budget was prepared in one of the most challenging years in Garfield County history. A significant decline in revenues meant the County took aggressive steps to close the gap between revenues and expenditures. In 2012 revenues are expected to stabilize and although the economic environment continues to be challenging and recovery is forecast to remain sluggish at best, the 2012 budget will continue to meet the needs of the County, while maintaining its financial health. The budget contains sufficient resources to continue current levels of operations, enhances services as needed, maintains and replaces current capital assets as needed, utilizes all current forms of revenue generation available to the County, and contains an emergency reserve equal to at last three percent of fiscal year spending excluding bond service, as required by State Constitution.

The 2012 budget estimates $112.8 million in revenues (net of interfund transfers) and expenditures of $115.8 million (net of interfund transfers). Shortfalls between revenue and expenditures exist as a result of sales tax refunds (see below for detail) which affect both revenues and expenditures. However, with adjustments made to cover these extraordinary items from fund balance, the County will have a balanced budget in 2012.

The 2012 budgeted expenditures have increased approximately $10.5 million or 10% over the 2011 Adopted Budget. This increase is more than accounted for by an infrastructure project of $12.3 million, $12 million of which is paid through intergovernmental grants. Fund balance is projected to decrease by 3% to $104.6 million.

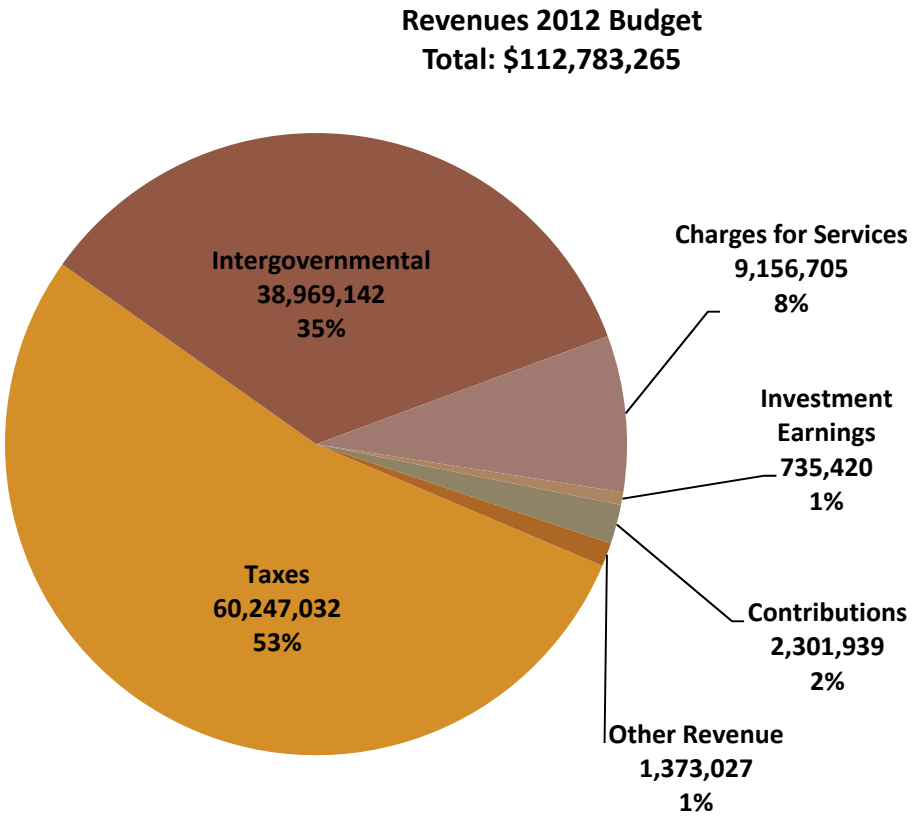


Overall the 2012 budget enables the County to continue to maintain a strong financial position and meets its key financial performance measures – the ratio of expenses to fund balance is above 80% and labor and fringe costs remain below a target of 33%.

Revenues

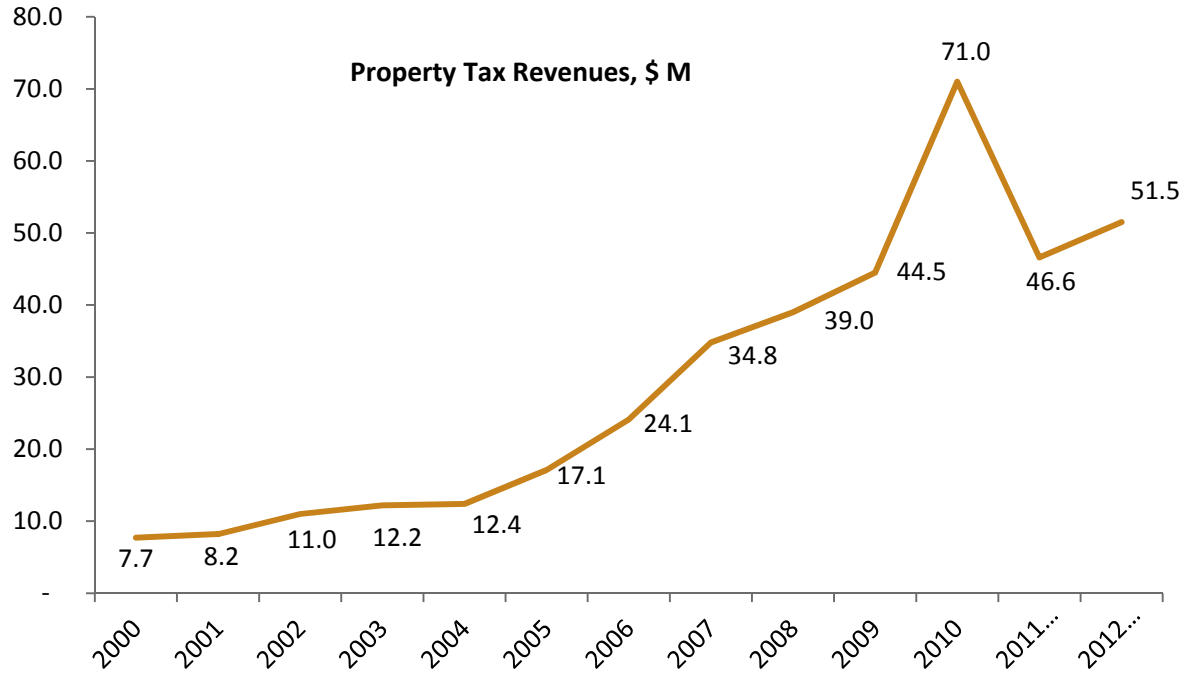
Overall revenues have stabilized after a significant decline of $44.5 million between 2010 and 2011. Total revenues in 2012 are estimated at $112,783,265 (net of interfund transfers). 46% of County revenues are from property tax and 35% is received from intergovernmental sources in the form of grants for infrastructure projects, the airport, the Sheriff's Office, the Department of Human Services and Public Health. Total County revenues budgeted for 2012, by classification are as follows:

SOURCES OF REVENUE	2010 Actual	2011 Projected	2012 Budget	2012 %
Taxes	77,695,900	59,823,821	60,247,032	53%
Intergovernmental	56,838,733	28,943,805	38,969,142	35%
Charges for Services	10,438,144	8,642,117	9,156,705	8%
Investment Earnings	876,775	1,175,015	735,420	1%
Contributions	1,992,937	2,252,779	2,301,939	2%
Other Revenue	9,911,362	5,527,042	1,373,027	1%
REVENUE TOTAL	**157,753,850**	**106,364,579**	**115,283,265**	**100%**



Property Tax Revenues

In 2012 property tax revenues will grow 10% due to increased oil and gas activity. However, home and business values continue to be depressed.



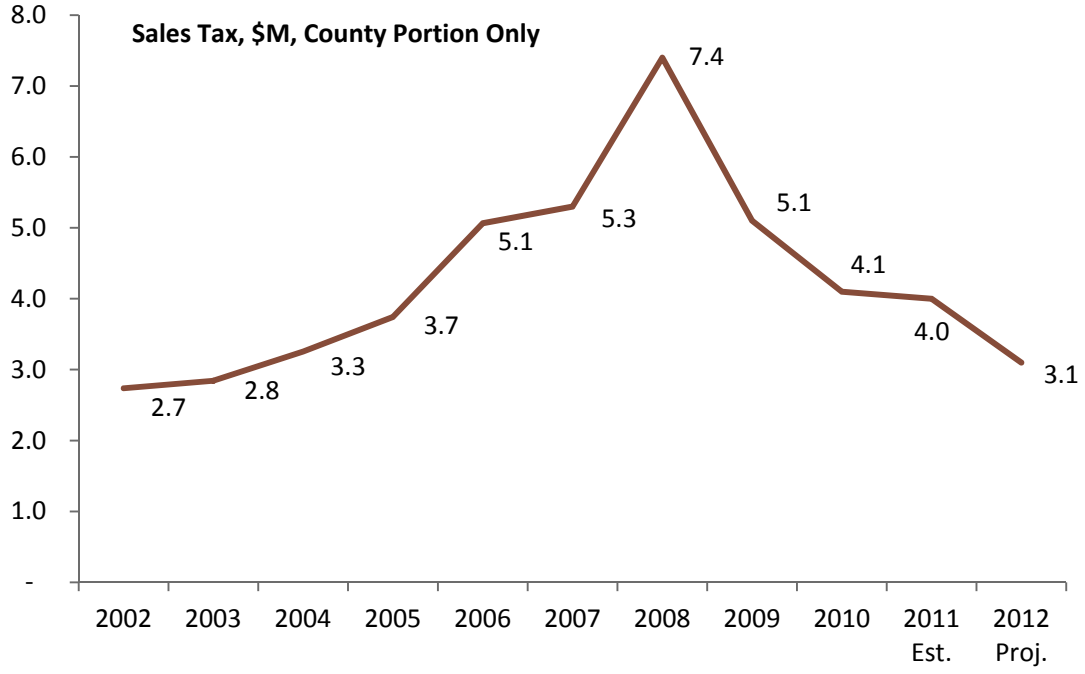
The total mill levy for the County in 2012 is 13.655 and is allocated among various County funds as follows:

- General Fund – 9.797 ($36,824,032)
- Road and Bridge Fund – 2.528 ($9,500,000)
- Human Services Fund – 0.532 ($2,000,000)
- Retirement Fund – 0.133 ($500,000)
- Capital Expenditures Fund – 0.665 ($2,500,000)

Sales Tax Revenues

Overall sales tax revenues have stabilized with total sales tax collections in 2012 forecast to remain at the same level as 2011. However revenues will be negatively impacted by sales tax refunds. In 2011 the Colorado Department of Revenue (DOR) informed the BOCC, through the Treasurer, that the 1% sales tax collected on "frac'ing materials" from certain oil and gas companies ("Tax Payers") from April 2002 through July 2005 would be refunded to Tax Payers by the DOR in accordance with the Colorado Court of Appeals case, Noble Energy, Inc. v. DOR, 232 P.3d 293 (Colo. App 2010). The estimated amount of refunds is approximately $3.9 million over the time period July 1, 2011 to June 30, 2012 with $1.4 million in 2011 and $2.5 million in 2012. These refunds will be deducted by DOR prior to receipt of sales tax by Garfield County. These refunds account for a reduction of 28% in forecasted sales tax revenues.

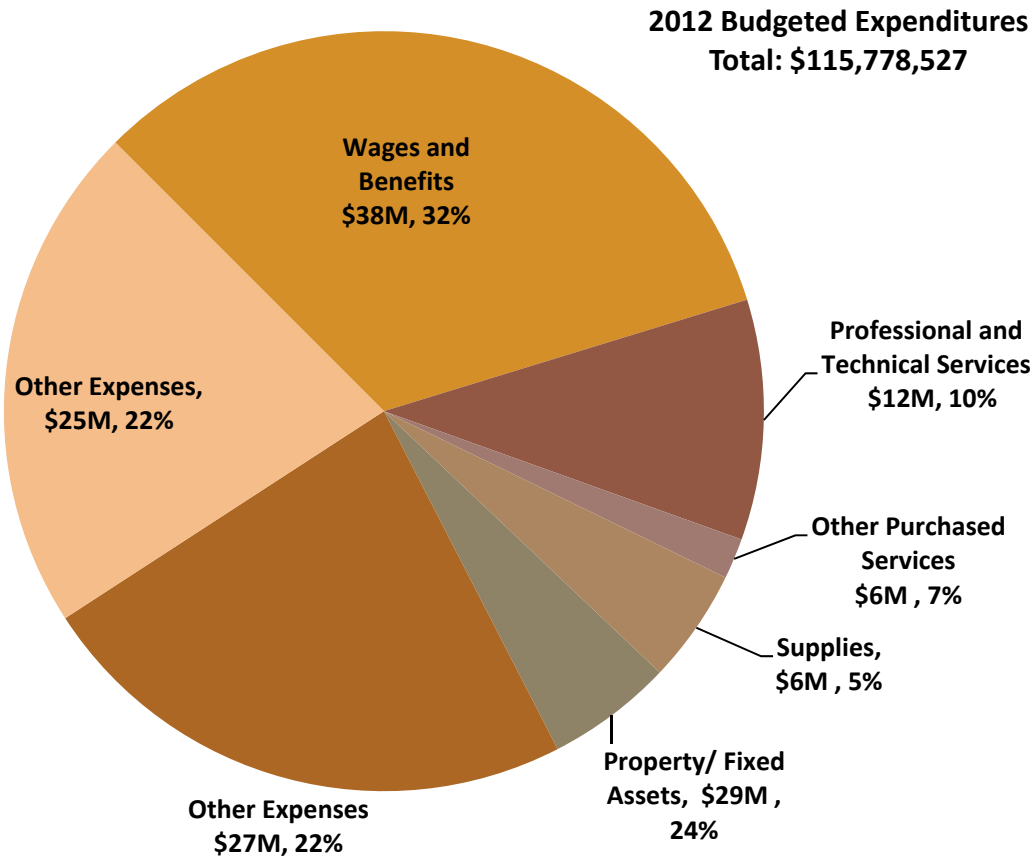
Furthermore the 2011 and 2012 budgets will have General Fund expenditures of approximately $1.04 million to compensate other Sales Tax Recipients in Garfield County such as Garfield County municipalities, the Library District, and the Communications Authority. In June 2011 the BOCC deemed it to be in the public interest to assist these Sales Tax Recipients who will be negatively affected by the sales tax refunds by reimbursing their sales tax refund amounts from the Garfield County General Fund balance.



Expenditures

Overall 2012 budgeted expenditures are $115,778,527 (net of interfund transfers), an increase of 8% above the 2011 Amended Budget.

USES OF FUNDS/EXPENDITURES	2010 Actual	2011 Projected	2012 Budget	2012 %
Salaries and Wages	23,402,432	26,173,779	25,853,943	22%
Employee Benefits	10,422,672	12,406,211	11,958,607	10%
Prof. and Technical Services	10,086,087	12,581,384	11,806,434	10%
Purchased Property Services	1,456,113	2,488,801	2,326,537	2%
Other Purchased Services	4,765,967	5,638,388	5,607,345	5%
Supplies	4,566,781	6,345,913	6,172,281	5%
Property/Fixed Assets	46,377,798	20,572,644	27,064,240	23%
Other Expenses	29,070,638	31,282,160	24,989,140	22%
EXPENDITURE TOTAL	**130,148,488**	**117,489,280**	**115,778,527**	**100%**

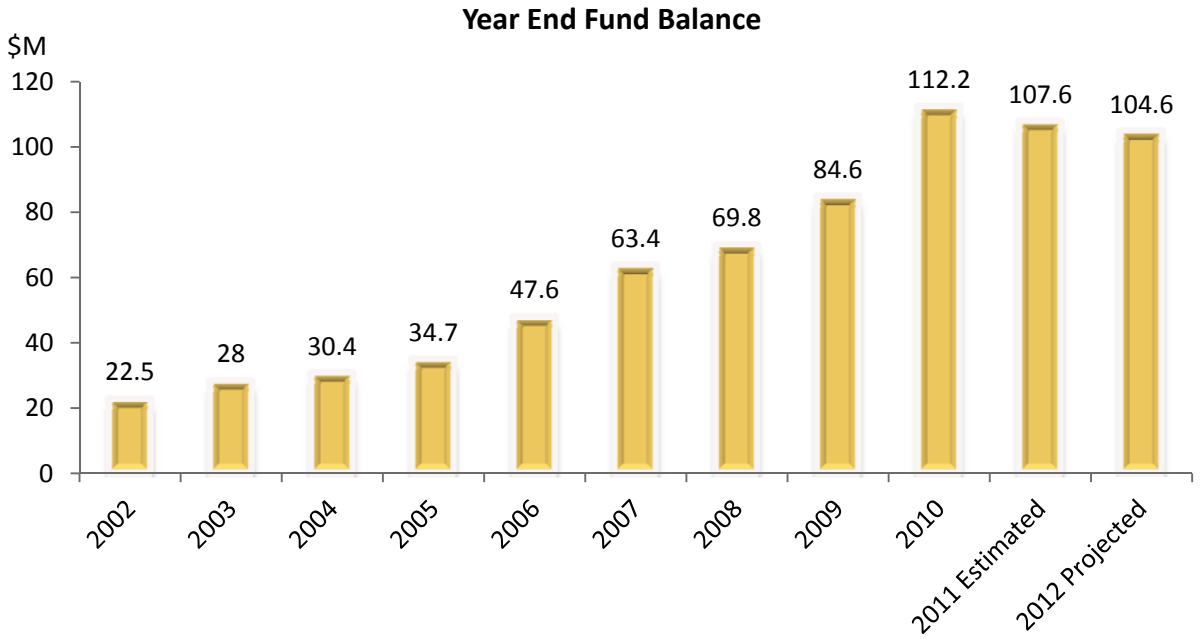


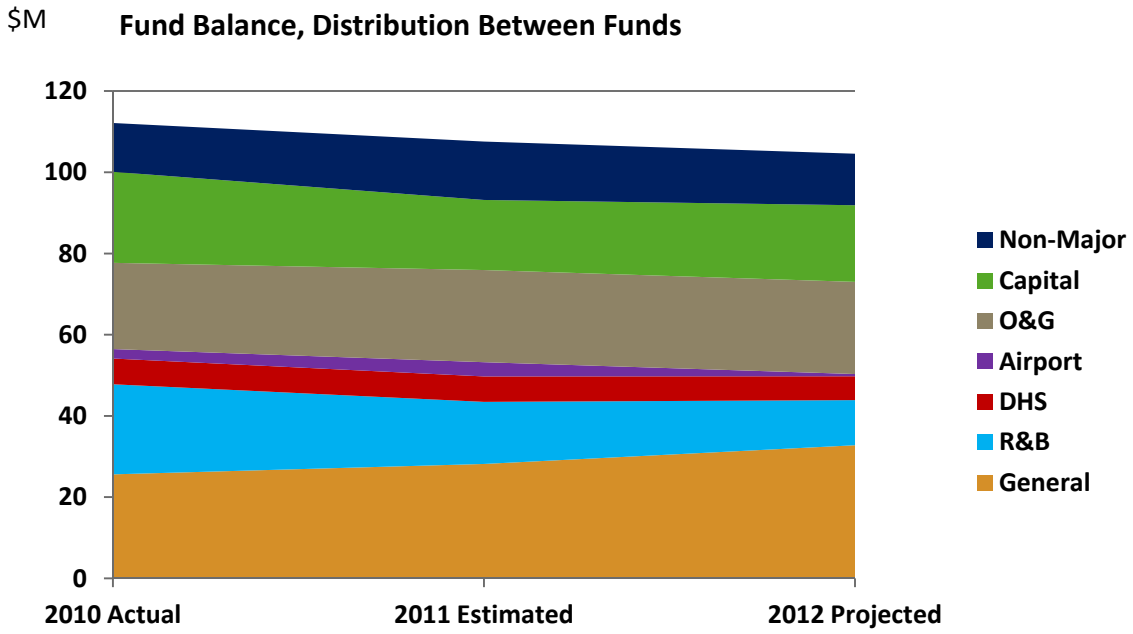
In general, a zero based approach to open positions and budgeting has kept operating expenditures flat. In 2012 staffing levels have stabilized after significant reductions in 2010 and 2011.

Reduced capital spending levels have been maintained with few facility infrastructure projects, capital equipment acquisitions and limited road projects. No major capital projects will take place without pass-through monies.

Fund Balance

The end of the year fund balances for 2011 and 2012 are projected to decrease by 7% over the two year period ending at $104,592,367. This follows a 32% increase in fund balance experienced in 2010 as a result of strong property tax revenues. Although Garfield County forecasted significant reductions in its revenue streams in 2011 it carefully evaluated all projects and trimmed its budget to ensure the fund balance was not significantly eroded and substantial enough to withstand a downturn in the economy. Consequently Garfield County enjoys a very healthy fund balance.





Projected 2012 Revenues, Expenditures and Fund Balances before Interfund Transfers

FUND NAME	BEGINNING 1/1/12 PROJ. FUND BALANCE	PROJECTED REVENUE	PROJECTED EXPENSE	Net	ENDING 12/31/12 BEFORE TRANSFERS FUND BALANCE
GOVERNMENTAL FUNDS					
General Fund	28,195,039	51,479,283	47,050,914	4,428,369	32,623,408
Special Revenue Funds					
Public Health Fund	807,957	1,032,607	2,580,801	(1,548,194)	(740,237)
Road & Bridge Fund	15,342,691	16,902,175	21,171,108	4,268,933)	11,073,758
Human Services Fund	6,230,923	20,072,381	20,434,315	(361,934)	5,868,989
Community Events Fund	78,023	136,500	484,162	(347,662)	(269,639)
Conservation Trust Fund	28,191	190,100	190,000	100	28,291
Emergency Reserve Fund	3,168,434	-	-	-	3,168,434
Airport Fund	3,540,501	743,846	1,207,541	(463,695)	3,076,806
Clerk & Recorder EFTF Fund	28,079	15,000	7,400	7,600	35,679
Traffic Study Fund	712,630	-	-	-	712,630
Livestock Auction Fund	32,029	463,000	463,000	-	32,029
Commissary Fund	25,811	134,000	134,000	-	25,811
Retirement Fund	1,817,849	664,715	1,233,360	(568,645)	1,249,204
Oil & Gas Mitigation Fund	22,681,487	-	-	-	22,681,487
Garfield County Grant Fund	100,000	450,000	450,000	-	100,000
Capital Exp. Fund	17,274,151	17,249,601	15,640,596	1,609,005	18,883,156
Traveler's Highland PID	88,759	71,057	151,400	(80,343)	8,416
PROPRIETARY FUNDS					
Enterprise Fund					
Solid Waste Disposal Fund	4,374,901	1,365,000	2,238,398	(873,398)	3,501,503
Internal Services Fund					
Motor Pool Fund	3,060,174	1,814,000	2,341,532	(527,532)	2,532,642
TOTAL ALL FUNDS	**107,587,629**	**112,783,265**	**115,778,527**	**(2,995,262)**	**104,592,367**

To ensure individual funds have sufficient balances to operate efficiently and effectively the following interfund transfers are budgeted to take place in 2012:

- $2,500,000 will be transferred out of the Airport Fund as a high fund balance is no longer needed as all major infrastructure projects have been completed. This transfer will be spread between the following:
- $200,000 to the Emergency Reserve Fund to meet the 3% TABOR requirement
- $500,000 to the newly formed Community Events Fund to cover the costs of the Air Show as well as the County Fair
- $1,600,000 to the Public Health Fund for operations and,
- the remaining balance of $200,000 to the General Fund.

Projected 2012 Revenues, Expenditures and Fund Balances after Interfund Transfers

FUND NAME	TRANSFERS IN	TRANSFERS OUT	TOTAL PROJECTED REVENUE	TOTAL PROJECTED EXPENSE	SURPLUS/ DEFICIT (-)	ENDING 2012 AFTER TRANSFERS FUND BALANCE
GOVERNMENTAL FUNDS						
General	200,000		51,679,283	47,050,914	4,628,369	**32,823,408**
Special Revenue Funds						
Public Health	1,600,000		2,632,607	2,580,801	51,806	**859,763**
Road & Bridge			16,902,175	21,171,108	(4,268,933)	**11,073,758**
Human Services			20,072,381	20,434,315	(361,934)	**5,868,989**
Community Events	500,000		636,500	484,162	152,338	**230,361**
Conservation Trust			190,100	190,000	100	**28,291**
Emergency Reserve	200,000		200,000	-	200,000	**3,368,434**
Airport Fund		2,500,000	743,846	3,707,541	2,963,695)	**576,806**
Clerk & Recorder EFTF			15,000	7,400	7,600	**35,679**
Traffic Study			-	-	-	**712,630**
Livestock Auction			463,000	463,000	-	**32,029**
Commissary			134,000	134,000	-	**25,811**
Retirement			664,715	1,233,360	(568,645)	**1,249,204**
Oil & Gas Mitigation			-	-	-	**22,681,487**
Garfield County Grant			450,000	450,000	-	**100,000**
Capital Expenditures			17,249,601	15,640,596	1,609,005	**18,883,156**
Traveler's Highland PID			71,057	151,400	(80,343)	**8,416**
PROPRIETARY FUNDS						
Enterprise Fund						
Solid Waste Disposal			1,365,000	2,238,398	(873,398)	**3,501,503**
Internal Services Fund						
Motor Pool			1,814,000	2,341,532	(527,532)	**2,532,642**
TOTAL ALL FUNDS	**2,500,000**	**2,500,000**	**115,283,265**	**118,278,527**	**(2,995,262)**	**104,592,367**

MAJOR FUNDS

General Fund

The largest of all the funds, the General Fund accounts for a wide variety of services and functions. The projected 2012 beginning fund balance is $28.2 million with a projected ending balance of $32.8 million. Estimated revenues are $51.7 million and expenditures $47.1 million.

Revenues by Classification		
Source	**2012 Budget**	**%**
Taxes	43,407,911	83%
Charges/Fees for Services	5,277,860	10%
Intergovernmental	1,175,595	2%
Investments	600,126	1%
Contributions	898,639	2%
Other	679,152	1%
TOTAL	**51,679,283**	**100%**

Expenditures by Classification		
Use	**2012 Budget**	**%**
Salaries and Wages	17,488,557	37%
Employee Benefits	6,716,265	14%
Prof & Tech Services	3,952,754	8%
Purchased Property Services	1,051,419	2%
Other Purchased Services	4,453,289	9%
Supplies	2,314,195	5%
Property/Fixed Assets	350,664	1%
Other	10,723,771	23%
TOTAL	**47,050,914**	**100%**

Road and Bridge Fund

This fund accounts for revenues and expenditures related to construction, repair, maintenance and snow removal for all County roads and bridges. It also houses the County's vegetation management services. The estimated 2012 beginning fund balance is $15.3 million with a projected ending fund balance of $11.1 million. Estimated revenues are $16.9 million and expenditures of $21.2 million.

Revenues by Classification		
Source	**2012 Budget**	**%**
Taxes	11,677,555	69%
Charges/Fees for Services	7,000	0%
Intergovernmental	3,943,620	23%
Investments	0	0%
Contributions	1,000,000	6%
Other	274,000	2%
TOTAL	**16,902,175**	**100%**

Expenditures by Classification		
Use	**2012 Budget**	**%**
Salaries and Wages	2,281,347	11%
Employee Benefits	1,140,419	5%
Prof & Tech Services	5,129,950	24%
Purchased Property Services	670,600	3%
Other Purchased Services	354,829	2%
Supplies	2,203,400	10%
Property/Fixed Assets	8,385,000	40%
Other	1,005,563	5%
TOTAL	**21,171,108**	**100%**

Human Services Fund

This fund accounts for revenues and expenditures to provide and coordinate a variety of State mandated social services including public assistance, as well as children and family service programs. The estimated 2012 beginning fund balance is $6.2 million with a projected ending fund balance of $5.9 million. Estimated revenues are $20.1 million and expenditures of $20.4 million.

Revenues by Classification		
Source	**2012 Budget**	**%**
Taxes	2,104,715	10%
Charges/Fees for Services	0	0%
Intergovernmental	17,790,376	89%
Investments	0	0%
Contributions	0	0%
Other	177,290	1%
TOTAL	**20,072,381**	**100%**

Expenditures by Classification		
Use	**2012 Budget**	**%**
Salaries and Wages	3,885,511	19%
Employee Benefits	1,888,927	9%
Prof & Tech Services	1,539,767	8%
Purchased Property Services	3,450	0%
Other Purchased Services	473,626	2%
Supplies	168,700	1%
Property/Fixed Assets	28,950	0%
Other	12,445,384	61%
TOTAL	**20,434,315**	**100%**

Capital Expenditures Fund

The estimated 2012 beginning fund balance is $17.3 million with a projected ending fund balance of $18.9 million. Estimated revenues are $17.3 million and expenditures of $15.6 million.

Revenues by Classification		
Source	**2012 Budget**	**%**
Taxes	2,500,000	14%
Charges/Fees for Services	0	0%
Intergovernmental	14,359,601	83%
Investments	90,000	1%
Contributions	300,000	2%
Other	0	
TOTAL	**17,249,601**	**100%**

Expenditures by Classification		
Use	**2012 Budget**	**%**
Salaries and Wages	0	0%
Employee Benefits	0	0%
Prof & Tech Services	4,200	0%
Purchased Property Services	35,000	1%
Other Purchased Services	0	0%
Supplies	0	0%
Property/Fixed Assets	15,551,396	99%
Other	0	0%
TOTAL	**15,640,596**	**100%**

Oil and Gas Mitigation Fund

This fund was established by the BOCC in 2006 for 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 has a significant balance which, at the beginning of 2012, is estimated at $22.7 million. There are no estimated revenues or expenditures in 2012 for this fund.

NON-MAJOR FUNDS

FUND	2012 Estimated Beginning Balance	Revenues	Expenditures	2012 Projected Ending Balance
Public Health	807,957	2,632,607	2,580,801	859,763
Airport	3,540,501	743,846	3,707,541	576,806
Community Events	78,023	636,500	484,162	230,361
Conservation Trust	28,191	190,100	190,000	28,291
Emergency Reserve	3,168,434	200,000	0	3,368,434
Clerk & Recorder EFTF	28,079	15,000	7,400	35,679
Traffic Study	712,630	0	0	712,630
Livestock Auction	32,029	463,000	463,000	32,029
Commissary	25,811	134,000	134,000	25,811
Retirement	1,817,849	664,715	1,233,360	1,249,204
Grant	100,000	450,000	450,000	100,000
Traveler's Highland PID	88,759	71,057	151,400	8,416
Solid Waste Disposal	4,374,901	1,365,000	2,238,398	3,501,503
Motor Pool	3,060,174	1,814,000	2,341,532	2,532,642