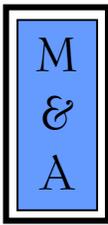


FINANCIAL SECTION



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, 2015, 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, 2015, 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 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 May 25, 2016 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.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
May 25, 2016**

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

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, 2015. 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, 2015, the County's total assets were \$481.5 million, and total liabilities and deferred inflow of resources were \$56.2 million. The total net position was therefore \$425.3 million, an increase of 0.52 percent (\$2.2 million) over 2014.
- Total net position comprises the following:
 - (1) Investment in capital assets including property and equipment, net of related debt (if any) and accumulated depreciation, of \$299.9 million
 - (2) Restricted net position of \$62.0 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 \$63.5 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 2015 were \$99.9 million, an 8.9 percent (\$8.2 million) increase over 2014.
- Total governmental fund expenditures (including transfers out) in 2015 were \$102.0 million, a 6.6 percent (\$6.3 million) increase over 2014.
- As of December 31, 2015, the County's governmental funds reported combined ending fund balances of \$119.5 million. This compares to the prior year ending fund balances of \$121.5 million, a decrease of 1.7 percent (\$2.0 million) during 2015. Approximately \$36.6 million (30.6 percent) is unassigned fund balance.
- At the end of 2015, fund balance for the General Fund was \$40.4 million, amounting to 77.9 percent of total General Fund expenditures. This compares to the prior year ending fund balance of \$48.7 million with a decrease of 17.0 percent (\$8.3 million) during 2015.

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

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

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, 2015

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, 2015

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, 2015 were \$481.5 million, total liabilities were \$9.6 million, and deferred inflows of resources were \$46.6 million. The County's net position is therefore \$425.3 million, an increase of 0.5 percent over December 31, 2014. The following provides a summary of the County's net position (as presented on page C1):

SUMMARY OF NET POSITION (\$)						
	Governmental Activities		Business-type Activities		TOTAL	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$175,888,940	\$174,545,376	\$5,767,827	\$5,161,544	\$181,656,767	\$179,706,920
Capital assets	296,524,819	292,987,403	3,332,842	2,841,099	299,857,661	295,828,502
Total Assets	472,413,759	467,532,779	9,100,669	8,002,643	481,514,428	475,535,422
Liabilities:						
Current liabilities	6,170,319	5,993,478	685,451	197,532	6,855,770	6,191,010
Non-current liabilities	1,412,256	1,351,189	1,309,544	1,253,840	2,721,800	2,605,029
Total Liabilities	7,582,575	7,344,667	1,994,995	1,451,372	9,577,570	8,796,039
Total Deferred Inflow of Resources	46,610,360	43,603,402	-	-	46,610,360	43,603,402
Net Position:						
Inv. in capital assets	296,524,819	292,987,403	3,332,842	2,841,099	299,857,661	295,828,502
Restricted	61,960,567	58,066,772	-	-	61,960,567	58,066,772
Unrestricted	59,735,438	65,530,535	3,772,832	3,710,172	63,508,270	69,240,707
Total Net Position	\$418,220,824	\$416,584,710	\$7,105,674	\$6,551,271	\$425,326,498	\$423,135,981

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 3:1 and 8:1 for business-type activities. For the County overall, the current ratio is 3:1 meaning assets are three times greater than liabilities.

The County reported positive balances in net position for both governmental and business-type activities. Net position increased \$1.6 million for governmental activities and increased by \$554 thousand for business-type activities. The County's overall total net position increased during 2015 by \$2.2 million. The gain in net position is due to higher revenues compared to 2014.

As of December 31, 2015, the County's governmental activities reported a combined ending net position of \$418.2 million, an increase of 0.4 percent (\$1.6 million) more than the prior year. Of this, 14.3 percent (\$59.7 million) is unrestricted and constitutes available funds for spending in the coming year at the County's discretion. Legally restricted net position includes \$33.0 million restricted to road and bridge, \$15.6 million restricted to human services, \$7.1 million restricted to capital projects, \$3.0 million restricted to emergency reserve, and \$2.8 million restricted to public health.

Approximately 71 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, 46.9 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, 2015

Summary of Changes in Net Position

Governmental activities and business-type activities increased the County's net position by \$2.2 million or 0.5 percent.

The following table provides a summary of the County's changes in net position for governmental and business-type activities in 2015 and 2014:

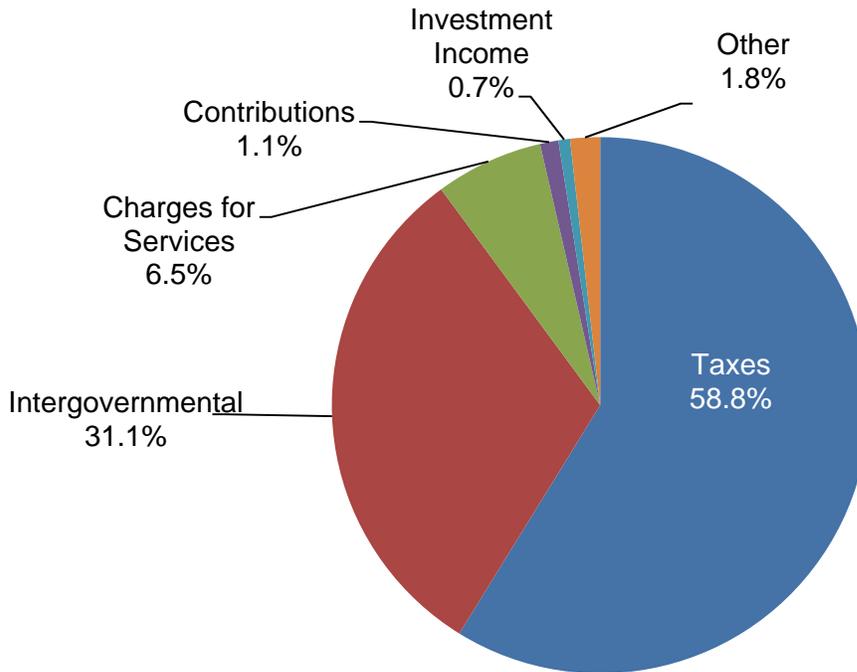
SUMMARY OF CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program:						
Charges for services	\$ 6,063,814	\$ 5,563,971	\$1,521,516	\$1,789,399	\$ 7,585,330	\$ 7,353,370
Operating grants	27,141,100	26,707,457	-	668	27,141,100	26,708,125
Capital grants and contributions	1,580,188	1,622,873	285,000	-	1,865,188	1,622,873
General:						
Taxes	54,584,506	51,989,692	-	-	54,584,506	51,989,692
Other	3,538,970	3,467,038	-	-	3,538,970	3,467,038
Total Revenues	92,908,578	89,351,031	1,806,516	1,790,067	94,715,094	91,141,098
Program Expenses:						
General government	23,171,168	24,319,885	-	-	23,171,168	24,319,885
Public safety	22,761,179	21,564,522	-	-	22,761,179	21,564,522
Public works	21,509,213	21,195,359	-	-	21,509,213	21,195,359
Health and welfare	22,181,053	21,485,469	-	-	22,181,053	21,485,469
Culture and recreation	1,566,988	1,520,033	-	-	1,566,988	1,520,033
Interest	-	-	-	-	-	-
Solid waste	-	-	1,334,976	1,559,741	1,334,976	1,559,741
Total Expenses	91,189,601	90,085,268	1,334,976	1,559,741	92,524,577	91,645,009
Excess (Deficiency)	1,718,977	(734,237)	471,540	230,326	2,190,517	(503,911)
Transfers	(82,863)	(88,936)	82,863	88,936	-	-
Change in Net Position	1,636,114	(823,173)	554,403	319,262	2,190,517	(503,911)
Beginning Net Position	416,584,710	417,407,883	6,551,271	6,232,009	423,135,981	423,639,892
Ending Net Position	\$418,220,824	\$416,584,710	\$7,105,674	\$6,551,271	\$425,326,498	\$423,135,981

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

GOVERNMENTAL REVENUES

Total governmental revenues for 2015 were \$92.9 million compared to \$89.4 million in 2014, an increase of 3.9 percent. The source of revenues is as follows:

Governmental Revenues by Source 2015	
Taxes	\$54,584,506
Intergovernmental	28,882,947
Charges for Services	6,063,814
Contributions	1,011,885
Investment Income	620,896
Other	1,744,530
Total	\$92,908,578



The County is heavily reliant on taxes and intergovernmental revenues to support governmental operations and capital improvements.

Property taxes are the largest source of revenue with \$43.0 million accounting for 46.3 percent of total revenues. Sales taxes of \$9.0 million represent 9.7 percent of revenues.

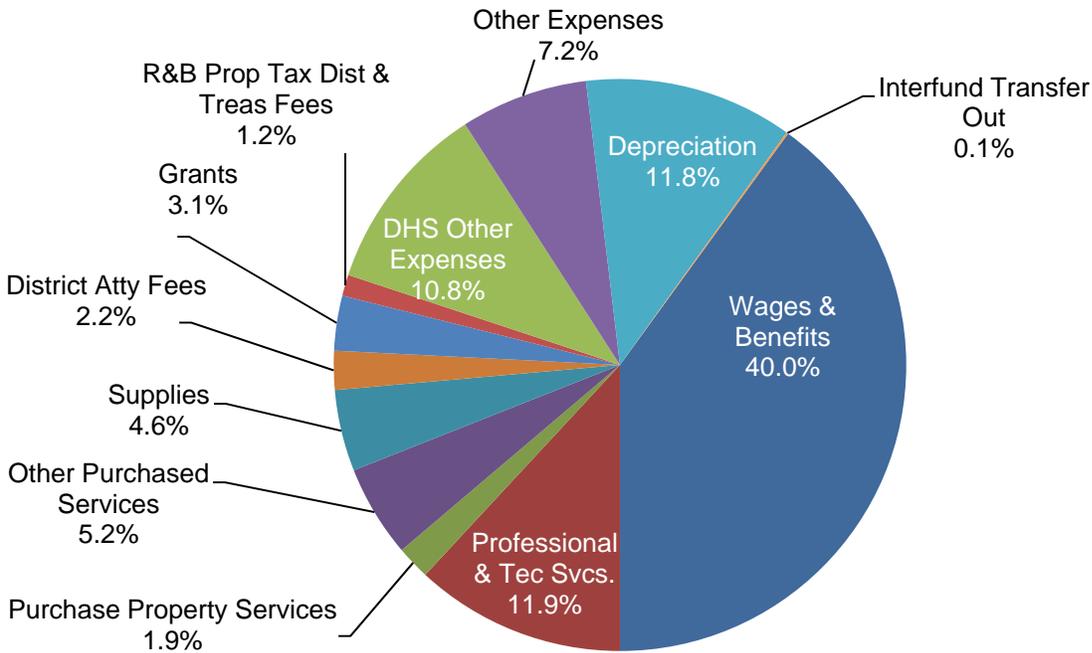
Intergovernmental revenues of \$28.9 million represents 31.1 percent of the County's total governmental revenues. This includes \$16.9 million from the State for Human Services programs, \$3.0 million from the Department Of Interior for Payment in Lieu of Taxes (PILT), \$3.4 million from the State Highway Users Tax Fund for road and bridge purposes, \$2.8 million in federal mineral severance taxes, and \$0.7 million from the State and the Federal Aviation Authority in grants for the Ten Year Airport Master Plan and the A-3 Taxiway.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

GOVERNMENTAL EXPENSES

Total governmental expenses for 2015 were \$91.3 million compared with \$90.1 million in 2014, an increase of 1.2 percent. Expenses by classification are as follows:

Governmental Expenses by Classification 2015	
Wages and Benefits	\$36,544,613
Professional and Technical Services	10,821,271
Purchase Property Services	1,692,775
Other Purchased Services	4,788,072
Supplies	4,218,341
District Attorney Fees	1,991,052
Grants	2,835,796
R&B Property Tax Distribution and Treasurers Fees	1,072,883
DHS Other Expenses	9,853,497
Other Expenses	6,558,555
Depreciation	10,812,746
Interfund Transfer Out	82,863
Total	\$91,272,464



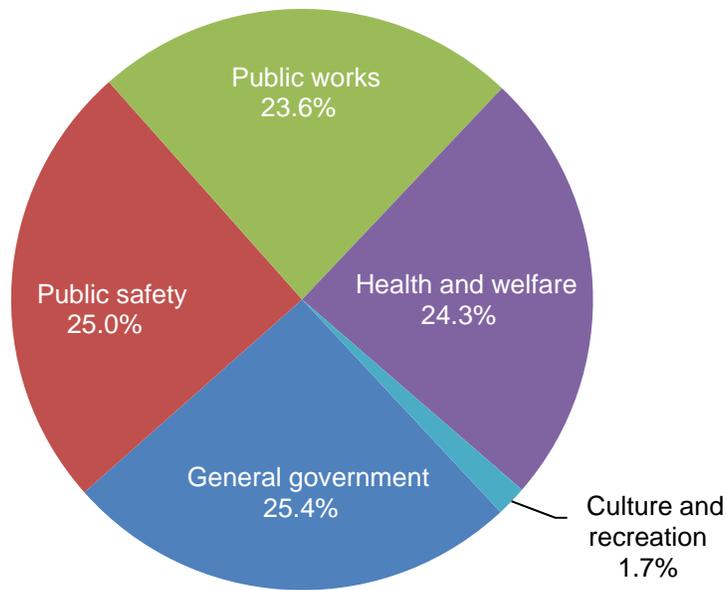
Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

GOVERNMENT-WIDE – GOVERNMENTAL ACTIVITIES – FUNCTION/PROGRAM ANALYSIS

Program revenues such as charges for services, operating and capital grants and contributions, cover 38.1 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 61.9 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 2015	
General government	\$23,171,168
Public safety	22,761,179
Public works	21,509,213
Health and welfare	22,181,053
Culture and recreation	1,566,988
Total	\$ 91,189,601



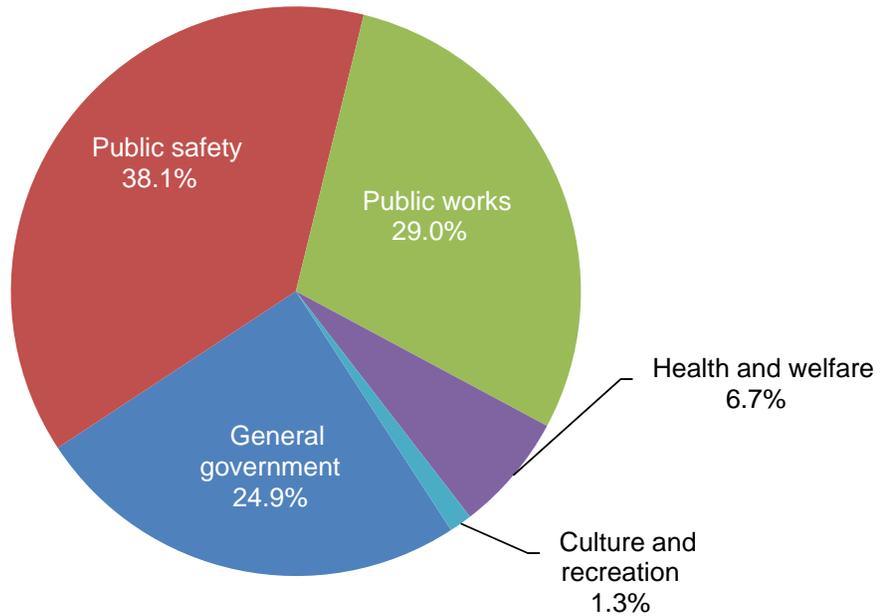
The general government, public safety, public works, and health and welfare functions account for 98.3 percent of governmental activities expenses.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

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
2015**

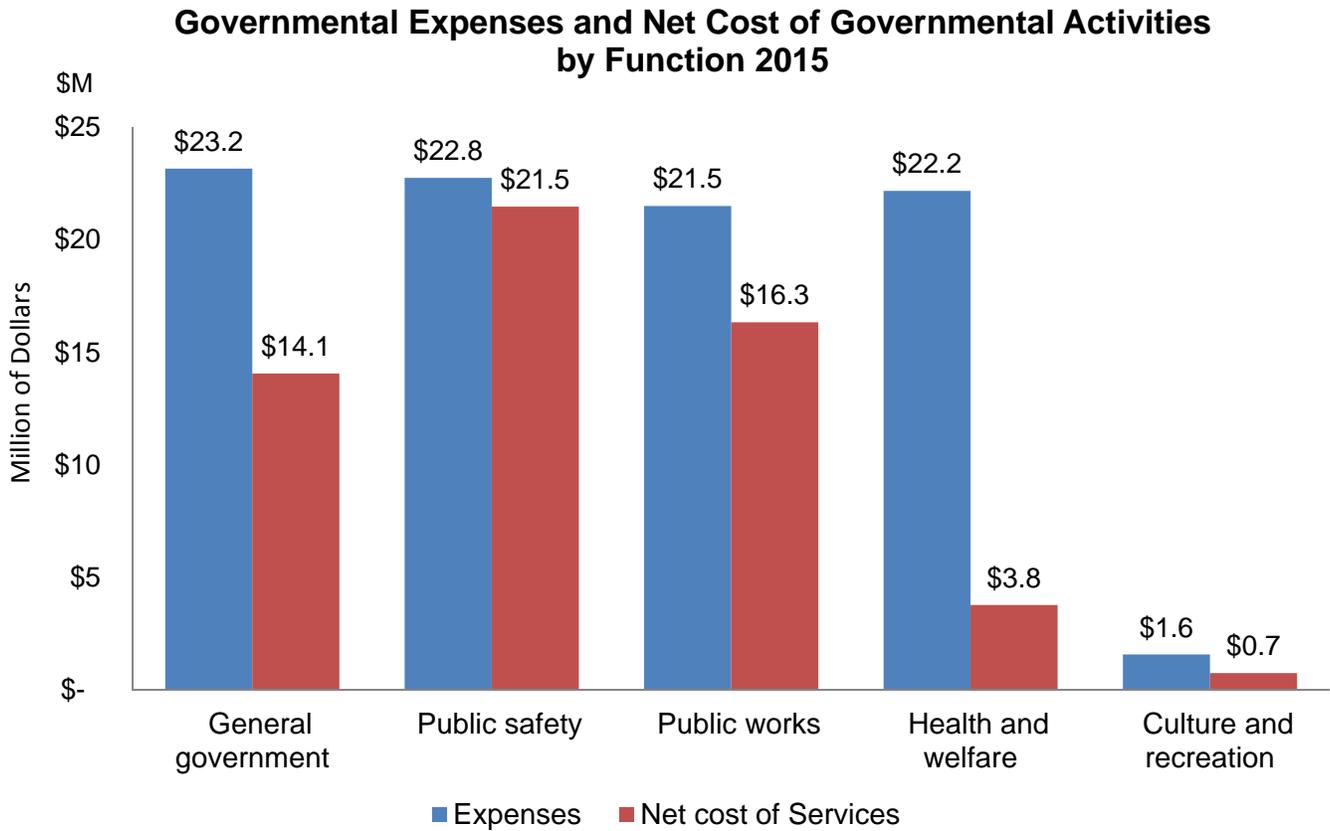
General government	\$ 14,062,406
Public safety	21,486,680
Public works	16,343,259
Health and welfare	3,768,619
Culture and recreation	743,535
Total	\$ 56,404,499



Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

Total net cost of governmental activities of \$56.4 million is 61.9 percent of the total cost of governmental activities of \$91.2 million. This means 61.9 percent of governmental activities are paid for with taxpayer dollars and 38.1 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:



Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

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 2015, the fund accounted for an increase in the County's net position of \$554,403 primarily due to higher charges for services than expenses.

Operating revenues of the fund were \$1.5 million and operating expenses were \$1.3 million. At 80.5 percent, charges for services (tipping fees) accounted for the majority of revenues. Other revenues included two items: 1) DOLA state capital grant revenue of \$285 thousand for Contaminated Soil Treatment Facility; and 2) interfund transfer of \$83 thousand from the General Fund for cost reimbursement.

Wages and benefits accounted for 57.9 percent of expenses and the remaining 42.1 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 \$92.8 million in 2015, an increase of 3.8 percent over the prior year. Taxes, primarily property tax, increased by 5.0 percent (\$2.6 million) and intergovernmental revenues were up 2.8 percent (\$0.8 million) mostly due to an increase in both state mineral severance taxes and the state HUTF revenue sharing program. Both increased by \$0.2 million. Charges for services increased by 9.4 percent (\$0.6 million) partly due to building permits being up \$155 thousand caused by increased activity. Investment Income decreased by 29.3 percent (\$0.3 million). Modest increases and decreases took place in other revenue sources.

In 2015, expenditures for governmental funds totaled \$94.9 million, an increase of 1.7 percent (\$1.6 million). A \$3.6 million increase took place in General Government, a 14.3 percent increase mostly due to \$4.0 million interfund to the Airport for capital expenditures. Public Safety increased 7.2 percent (\$1.5 million) partially due to \$400 thousand capital investment in computer hardware and software for patrol cars. Public Works has a 9.8 percent decrease (\$2.1 million) which reflects less investment in road and bridge capital projects in 2015. Culture and recreation decreased 50.0 percent (\$2.1 million) caused by less capital investment in the County Fairgrounds in 2015.

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

General Fund

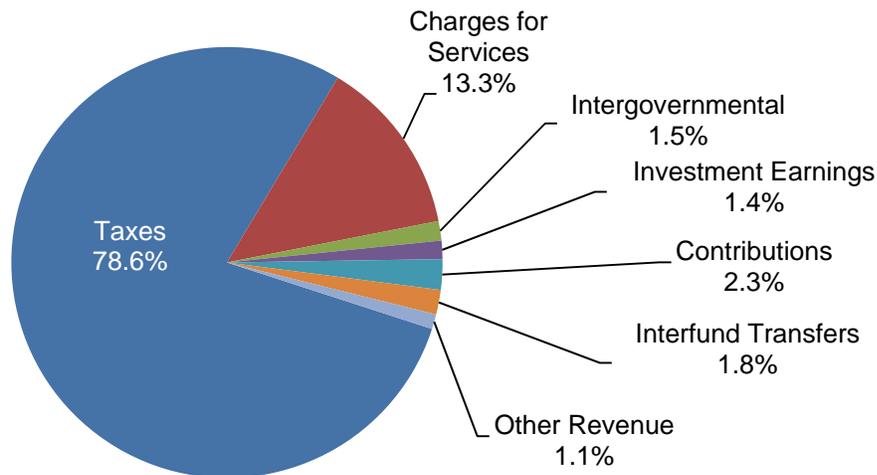
The General Fund is the primary operating fund for the County and the largest source of day-to-day service delivery.

The General Fund's fund balance decreased by 17.0 percent (\$8.3 million) in 2015 to \$40.4 million. While revenues were less than expenditures by \$2.7 million other financing uses (interfund transfers out of \$6.4 million) reduced this margin. 90.5 percent (\$36.6 million) constitutes unassigned 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 80.4 percent of total General Fund expenditures and total fund balance represents 88.8 percent of expenditures.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

In 2015, total revenues for the General Fund were \$43.6 million (including interfund transfers in from other funds), an increase of 16.6 percent over the prior year. Taxes generated more than half this revenue, followed by charges and fees for services, and contributions. The following represents General Fund revenues by classification in 2015, which was similar to the prior year:

General Fund Revenues 2015	
Taxes	\$34,247,296
Charges for Services	5,803,093
Intergovernmental	639,196
Investment Earnings	596,002
Contributions	999,834
Interfund Transfers	800,000
Other Revenue	488,524
Total	\$43,573,945



General Fund revenues were 3.0 percent below the amended budget in 2015. Property tax revenues were \$9.0 million higher than last year due to increased ad valorem taxes from oil and gas industry. Intergovernmental taxes were less by \$3.1 million due to moving the BLM PILT payment from the General Fund to Oil & Gas Mitigation Fund.

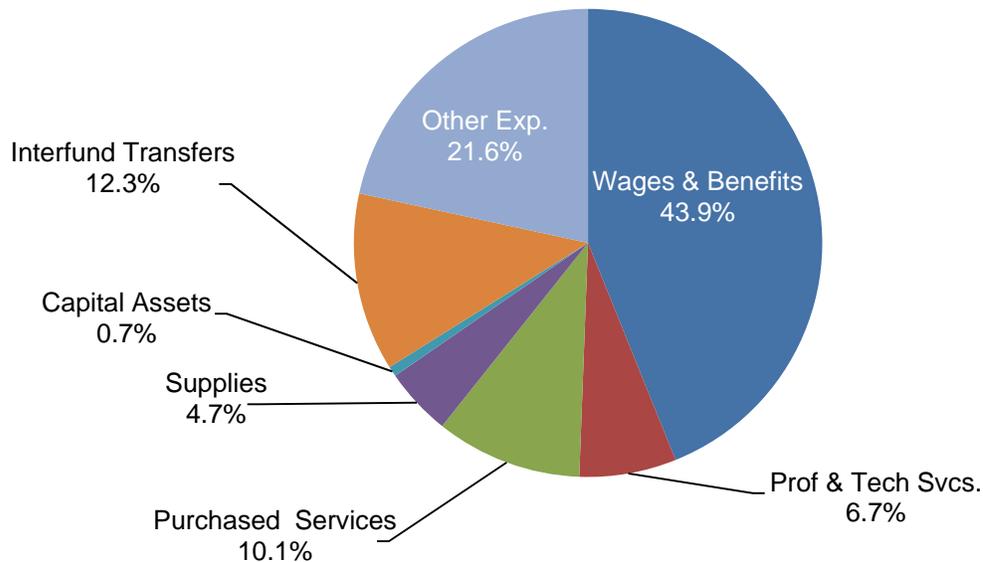
General Fund Revenues Budgetary Comparison					
	2015 Adopted Budget	2015 Amended Budget	2015 Actual	Amount Over/(Under) Amended	% Over/(Under) Amended
Taxes	\$35,768,115	\$35,820,793	\$34,247,296	(\$1,573,497)	(4.4%)
Charges for Services	5,339,937	5,364,937	5,803,093	438,156	8.2%
Intergovernmental	609,101	569,101	639,196	70,095	12.3%
Investment Income	869,356	869,356	596,002	(273,354)	-31.4%
Contributions	849,915	849,915	999,834	149,919	17.6%
Interfund Transfers	800,000	800,000	800,000	0	0.0%
Other Revenue	639,467	663,017	488,524	(174,493)	(26.3%)
Totals	\$44,875,891	\$44,937,119	\$43,573,945	(\$1,363,174)	(3.0%)

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

Total expenditures for the General Fund in 2015 (including interfund transfers to other funds) were \$51.9 million, a 14.5 percent increase over 2014. A large part of the increase was due to a \$4.0 million interfund transfer for capital to the Airport Fund.

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 43.9 percent of total expenditures, while services provided for the County (professional and technical services, and purchased services) comprised 16.8 percent of the total. The following presents the total General Fund expenditures by classification:

General Fund Expenditures 2015	
Wages & Benefits	\$22,778,260
Professional and Technical Services	3,482,853
Purchased Services	5,221,801
Supplies	2,449,712
Capital Assets	382,029
Interfund Transfers	6,382,864
Other Expenses	11,181,173
Total	\$51,878,692



During 2015, there was a \$1.8 million (3.3 percent) increase in appropriations between the adopted and amended budgets for General Fund expenditures. The majority of the increase was other expenditures of \$1.4 million, services of \$0.3 million and wages and benefits of \$0.1 million.

General Fund expenditures were 9.9 percent (\$5.7 million) below the amended budget in 2015, 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 include: lower than budgeted wages and benefits primarily due to vacancy savings of \$1.7 million and lower health insurance costs of \$790 thousand, and the Sheriff's office spent only 7 percent of the emergency management contingency and returned \$525 thousand to fund balance.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

General Fund Expenditures Budgetary Comparison

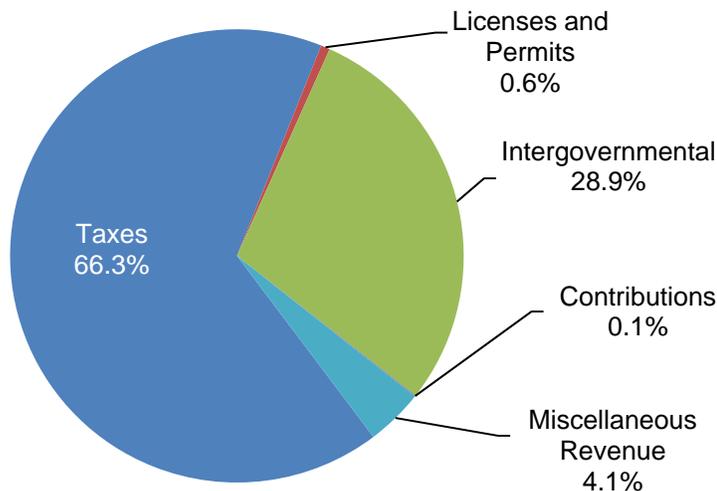
	2015 Adopted Budget	2015 Amended Budget	2015 Actual	Amount Over/(Under) Amended	% Over/ (Under) Amended
Wages & Benefits	\$25,170,358	\$25,272,388	\$22,778,260	(\$2,494,128)	(9.9%)
Professional & Technical Services	4,286,771	4,467,246	3,482,853	(984,393)	(22.0%)
Purchased Services	5,597,241	5,695,725	5,221,801	(473,924)	(8.3%)
Supplies	2,427,499	2,417,740	2,449,712	31,972	1.3%
Property & Capital Assets	451,120	478,120	382,029	(96,091)	(20.1%)
Interfund Transfers	6,390,000	6,390,000	6,382,864	(7,136)	(0.1%)
Other Expenditures	11,419,006	12,861,943	11,181,173	(1,680,770)	(13.1%)
Totals	\$55,741,995	\$57,583,162	\$51,878,692	(\$5,704,470)	(9.9%)

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. The fund balance increased by \$8.2 million in 2015 and has \$33.2 million available for future spending at the year-end. In 2015, total revenues of \$21.6 million in this fund increased by 18.7 percent over 2014 and total expenditures of \$13.4 million decreased by 29.5 percent over 2014.

**Road and Bridge Fund Revenues
2015**

Taxes	\$14,320,640
Licenses and Permits	140,323
Intergovernmental	6,233,261
Contributions	11,991
Miscellaneous Revenue	882,031
Total	\$21,588,246

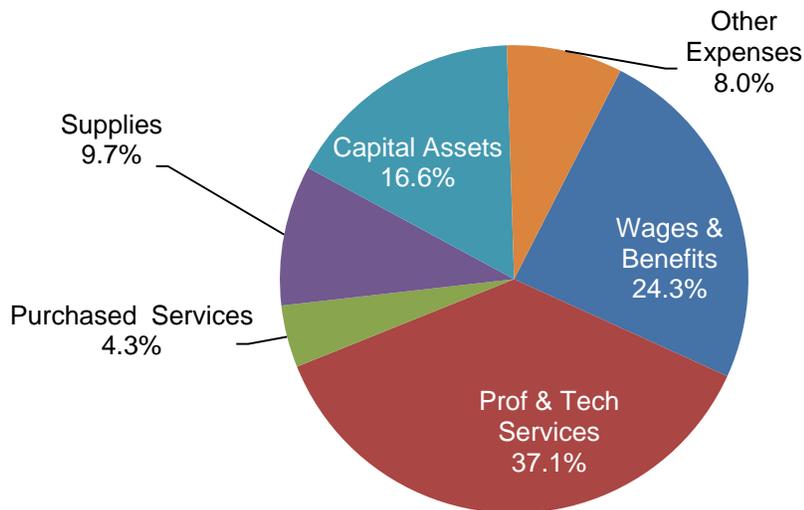


Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

In 2015, the majority of the increase in revenue were in property taxes of \$2.3 million and an interfund transfer in from Traffic Impact Fund for \$0.7 million and increase in both Federal Mineral Severance and DOW PILT for \$0.2 million each over 2014. Revenue offsets were minimal.

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

Road and Bridge Fund Expenditures 2015	
Wages and benefits	\$3,251,899
Professional and technical services	4,969,990
Purchased services	579,057
Supplies	1,301,560
Capital expenditures	2,223,399
Other expenditures	1,077,583
Total	\$13,403,488



Human Services Fund

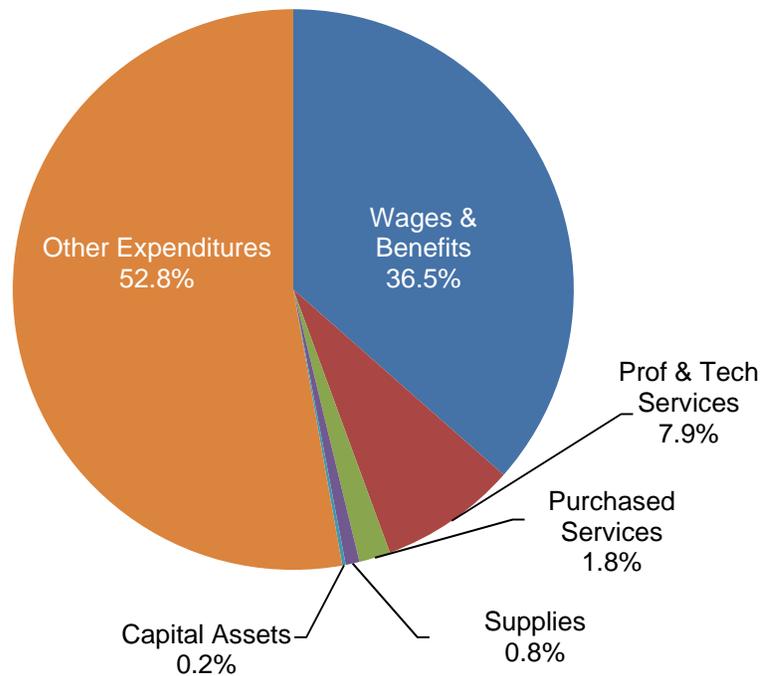
The Human Services Fund is used to account for a variety of State mandated social services including public assistance, child support, and family service programs. These services are provided by this County's department of human services (DHS). In 2015, the Human Services Fund balance grew by 18.8 percent from \$13.3 million to \$15.8 million. Total revenues increased by 2.9 percent (\$0.6 million) from 2014, mostly due to higher assessed values with the same mill levy resulted in higher property taxes collected for the fund in 2015. The majority of revenues (79.8 percent) come from intergovernmental revenues sources and these increased by 2.0 percent over the prior year.

Total expenditures increased by 2.5 percent (\$456 thousand) compared with 2014 largely due to increases in wages and benefits caused by federally mandated programs that required additional staff.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

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

Human Services Fund Expenditures 2015	
Wages and benefits	\$6,812,537
Professional and technical services	1,475,450
Purchased services	343,803
Supplies	157,098
Capital expenditures	29,702
Other expenditures	9,853,497
Total	\$18,672,087



Of the \$9.9 million categorized as other expenditures, \$1.5 million was spent on Child Welfare Block Grant programs, \$7.1 million on the Food Assistance Benefits program, \$0.9 million on the Old Age Pension program and \$0.4 million on Child Care Assistance program.

Capital Expenditures Fund

The Capital Expenditures fund balance decreased by 50.7 percent from \$14.4 million in 2014 to \$7.1 million in 2015.

In 2015, there were no fund revenues as there was no property taxes allocated to the fund.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

Total expenditures were \$7.3 million, as follows:

Capital Expenditures Fund Expenditures 2015	
Land:	
- Rifle Airport and R&B Land	\$1,157,250
- Rifle Annex Fairground's Campus Land	452,697
Land Improvements:	
- Town of NC's Pedestrian Trail from Apple Tree to I-70 final payment	55,767
- Fairground's East Entrance and North Stalls Areas Improvements	101,583
- Rifle Sheriff's Office Annex Evidence Outdoor Lot	80,083
- Rifle Fairgrounds Landscaping	16,820
- Rifle Fairgrounds City Trail Connection (Engineering) (CIP)	14,945
- Rifle Howard Avenue Parking Lot Preparations (CIP)	72,532
Buildings:	
- Rifle Administration Building (CIP)	2,340,844
Building Improvements:	
- HVAC Upgrades in various facilities	326,681
- GWS Admin 1 st Floor Remodel	102,954
- GWS Remodel DA Office on 3 rd Floor of Courthouse	991,326
- Fairgrounds Riding Arena Kitchen Remodel and Fans in Warm-up Arena	382,810
- Fairgrounds North Hall Kitchen Remodel	61,430
- C&R Election Room Remodel with Furniture	21,485
- GWS 201 8 th St. Remodel completed for HR & Fair & Events Coordinator	13,313
Machinery and Equipment:	
- Sheriff's Office Jail Full Body Scanner (TSA Type)	195,000
- FGs 80 WW Piggins, Bucking Chutes, Off Loading Chute and Bleachers	114,172
Computer Hardware:	
- Sheriff's Office Mobile Data Technology (MDT) for Patrol Cars-Hardware	247,821
- Sheriff's Office Fred/FTK Upgrade in Computer Equipment	19,700
- IT Storage Expansion	22,439
- Annual Countywide Hardware Replacement (Computers)	62,525
Computer Software:	
- Sheriff's Office Mobile Data Technology (MDT) for Patrol Cars-Software	138,249
- Finance New World Systems (NWS) eTimesheets Software	11,200
- IT Upgrade to Microsoft 2010 Standardization Software	24,627
Furnishings:	
- Finance Department furniture	29,705
Intangibles:	
- Vegetation Management's CNHP Bio Inventory (CIP)	67,500
Rolling Stock:	
- Sheriff's Office Patrol CNT 2016 Ford Transit Van (CIP)	36,892
- Sheriff's Office Search and Rescue ATV	13,655
- Coroner's 2016 F250 Ford	32,217
- Vegetation Management's Razor with Sprayer and Trailer	23,067
- Fairgrounds Diamond Dump Trailer	9,550
- Fairgrounds S570-M Bobcat Skid-Steer Loader (Buyback)	4,611
Miscellaneous Countywide Capital Expenditures	62,441
TOTAL	\$7,307,891

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

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, 2015, was \$296.5 million and \$3.3 million respectively.

In 2015, major capital expenditures included:

- Eleven road and bridge projects for \$1.2 million, four of which were completed and seven were carried-over to 2016. In 2015, one major road and bridge project and three drainage projects were completed: 1) CR311 Divide Creek for \$5.7 million; project was finished in 2015 of which \$389 thousand was spent in 2015; 2) three drainage projects were completed in Battlement Mesa for \$383 thousand of which \$360 thousand was spent in 2015. Of the seven projects carried over to 2016, all but one had engineering expenditures only in 2015; A) CR100 Catherine's Store Bridge for \$135 thousand; B) CR113 Cattle Creek Intersection for \$29 thousand, C) CR300/Una Bridge for \$39 thousand; D) CR137 Canyon Creek Bridge Replacement for \$82 thousand; E) three bridges on CR108, CR300 & CR311 for protection against scouring totaling \$144 thousand; F) CR306 Spring Creek Road right of way acquisition had no engineering and G) three Battlement Mesa drainage projects for \$4 thousand to be reconstructed in 2016.
- The airport had four major capital improvement projects for totaling \$4.4 million: 1) A-3 Taxiway for \$1 million of which \$758 thousand was spent in 2015; 2) De-icing Pad/Seat Area for \$1.4 million; 3) Helipad for \$280 thousand and 4) Fuel Farm for \$1.9 million that were all completed in 2015.
- Land purchases of \$2.1 million were primarily made up of three transactions: 1) three parcels adjacent to the airport and one parcel for Road & Bridge for \$1.6 million; 2) a parcel north-west of the Fairgrounds campus for \$150 thousand and 3) two properties in proximity to the new Rifle Administration building for \$303 thousand for parking lot construction in 2016.
- Heating, Ventilation and Cooling (HVAC) system were completed on four different facilities: 1) Rifle's Health and Human Services Building for \$195 thousand; 2) GWS's Admin Building for \$75 thousand; 3) Fairground's South Hall for \$42 thousand and 4) Jail for \$10 thousand.
- The remodel of District Attorney's office which began in 2014 was completed in 2015 for a total cost of \$1.1 million.
- Design and construction of a new administration building in Rifle, which began in May 2015 and is expected to be completed in May 2016 for \$4.8 million. As of the end of 2015, \$2.3 million was spent.
- Mobile Data Technology (MDT) computer hardware and software for Sheriff's Office patrol cars costing \$386 thousand; one full body scanner for the jail for \$195 thousand; and replacement of ten Sheriff's Office vehicles for \$469 thousand.
- In the Capital fund, the Coroner purchased a Ford F250 pick-up truck for \$32 thousand. In the Motor Pool fund, Human Services purchased two Dodge Caravans for \$45 thousand and R&B purchased two replacement pick-up trucks for \$93 thousand.
- The Landfill continued the development of the PCS Contaminated Soil Treatment facility and spent \$633 thousand of the approximately \$1.3 million project in 2015. The facility is to be used by energy industry for storage of contaminated soils. The project will be completed in the first half of 2016.
- Fairgrounds improvements included two kitchen remodels; one was completed for \$368 thousand and the other remodel was started in 2015 with a cost of \$61 thousand of the budgeted \$180 thousand to be completed in 2016.
- The Motor Pool began design of a CNG shop upgrade in late 2015 for a cost of \$72 thousand. The project is scheduled to be completed in 2016 for a total of \$1.25 million.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

Overall, the County saw an increase of 1.4 percent in total assets. Note 3D Capital Assets on pages D10 and D11 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	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Construction in progress	\$ 3,620,085	\$ 1,856,103	\$ 517,538	\$ 183,723	\$ 4,137,623	\$ 2,039,826
Land	15,951,435	13,879,880	300,000	300,000	16,251,435	14,179,880
Total non-depreciable assets	\$ 19,571,520	\$ 15,735,983	\$ 817,538	\$ 483,723	\$ 20,389,058	\$ 16,219,706
Depreciable assets:						
Land improvements	58,768,252	54,052,285	1,225,624	1,535,537	59,993,876	55,587,822
Buildings	56,344,045	56,308,442	768,258	768,258	57,112,303	57,076,700
Building improvements	8,242,665	6,178,901	17,800	15,026	8,260,465	6,193,927
Machinery and equipment	26,027,968	28,300,692	2,660,126	2,407,565	28,688,094	30,708,257
Intangibles	2,385,025	-	-	-	2,385,025	-
Infrastructure	288,388,796	286,730,366	-	-	288,388,796	286,730,366
Total depreciable assets	440,156,751	431,570,686	4,671,808	4,726,386	444,828,559	436,297,072
Less accumulated depreciation	163,203,452	154,319,266	2,156,504	2,369,010	165,359,956	156,688,276
Book value - depreciable assets	276,953,299	277,251,420	2,515,304	2,357,376	279,468,603	279,608,796
Percentage depreciated	37%	36%	46%	50%	37%	36%
Book value - all assets	\$ 296,524,819	\$ 292,987,403	\$ 3,332,842	\$ 2,841,099	\$ 299,857,661	\$ 295,828,502

At December 31, 2015, the depreciable capital assets for governmental activities were 37 percent depreciated. This compares with 36 percent at December 31, 2014. The County's business-type activities asset values were 46 percent depreciated by December 31, 2015, which compares to 50 percent at December 31, 2014. During 2015, the County continued to replace its capital assets at a consistent level and has accumulated another years worth of depreciation on its capital assets.

Long-term Obligations

During 2015, the County has the following long-term obligations for landfill closure and post closure costs and compensated absences:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Landfill closure and post closure care	\$ -	\$ -	\$ 1,284,903	\$ 1,231,252	\$ 1,284,903	\$ 1,231,252
Compensated absences	1,883,008	1,801,585	32,885	30,117	1,915,863	1,831,702
Total	\$ 1,883,008	\$ 1,801,585	\$ 1,317,758	\$ 1,261,369	\$ 3,200,766	\$ 3,062,954

Additional information about the County's long-term obligations is available on page D13.

Garfield County, Colorado
Management's Discussion and Analysis
December 31, 2015

ECONOMIC OUTLOOK AND 2016 BUDGET

Garfield County's economy, largely dominated by agriculture, tourism, and natural resource development, continued to show signs of improvement in 2015 in all sectors except the energy industry. In 2015, unemployment rates fell to their lowest levels since 2008. The volume and number of real estate transactions increased 18% in 2015 while single family home prices increased 7%. The construction industry also showed strong signs of growth with residential valuations increasing by 115% and total permit valuations increasing by 87% in 2015. As the housing market recovers, Garfield County continues to experience a drop in the number of foreclosures with 2015 recording 87 and thus bringing the foreclosure rate on par with pre-recession filings.

These trends are expected to continue in 2016 with growth in the housing and job markets, rising incomes, and increasing retail, tourism, and related sales tax revenues. Property tax revenues will also increase in 2016 due to a rise in the price of natural gas in 2014, the year in which assessments are made for 2016 revenues. However, during 2015 natural gas production in the Piceance Basin contracted significantly, which is expected to have a major impact on revenues in future years and could put a strain on the county's reserves. 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 2016. Excess operating revenues will be invested in key capital projects. The Board's policy called for the adoption of a balanced operating budget and total fund balances above \$100 million. The 2016 budget meets both goals. The 2016 budget estimates \$105,146,036 in revenues and appropriates \$107,032,829 in expenditures. The difference is taken from fund balances and will be used for Road and Bridge projects and infrastructure improvements, many of which are carried forward from 2015. The operating budget has excess revenues of more than \$9 million and is, therefore, balanced. Total expenditures have decreased 17% from 2015, the difference due to a reduction in capital projects. Priorities for 2016 include maintaining operating costs while providing a high level of service, completion of the Rifle Administration Building, improvements in County facilities, expansion of senior programs, the development of the fairgrounds as a year round event center and Road and Bridge maintenance and new construction.

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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