



## **INTRODUCTORY SECTION**



Finance Department  
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June 15, 2010

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

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Garfield County, Colorado for the fiscal year ended December 31, 2009. This report was prepared in accordance with generally accepted accounting principles (GAAP) by the Finance Department of Garfield County. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects. It is presented in a manner designed to fairly set forth the financial activity of the various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

This report is the result of the cooperative effort between the Finance Department and McMahan and Associates, L.L.C., our independent auditors. Colorado law requires that the financial statements of Garfield County be audited by an independent, external certified public accountant. Accordingly, the auditor's opinion has been included in the financial section of this report.

Garfield County is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, the independent auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants is included in the single audit section.

#### REPORTING ENTITY

The County, for financial reporting purposes, includes all funds of the primary government, as well as all of its component units. Component units are legally separate entities which the primary government must disclose in its financial statements.

Blended component units are, from an accounting perspective, part of the primary government's operation and are included as part of the primary government. Garfield County has three blended component units: Garfield County Building Corporation, Garfield County Finance Authority, and the Public Trustee.

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

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## PROFILE OF GARFIELD COUNTY

### **Geography**

Garfield County is located approximately 158 miles west of Denver and 88 miles east of Grand Junction. Garfield County resides both in the magnificent Colorado Rocky Mountains to the east and the Plateaus to the west. It encompasses 2,958 square miles and has an estimated population of 56,298. Approximately 60 percent of the land is publicly owned and is controlled primarily by the U.S. Forest Service and the U.S. Bureau of Land Management. The County seat is located in Glenwood Springs.

### **Operating Structure**

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

### **Services**

Garfield County provides the full range of services contemplated by State statute. These include:

- General government functions
- Public protection and safety
- Road and bridge operations
- Public health and welfare
- Human services
- Culture and recreation
- Planning and zoning
- Solid waste landfill disposal facility
- Airport operations

### **Budgeting**

The annual budget serves as the foundation for the County's financial planning and control. All activities, departments and funds of the County are prepared in compliance with State statute and generally accepted accounting principles. Supplemental appropriations are approved by the Board of County Commissioners as needed throughout the year. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of County Commissioners. Expenditures may not legally exceed appropriations at the fund or elected official level. Detailed line item

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records provide management the capability to monitor budgets for all areas. Budgetary control is exercised through the use of system controls which restrict payments exceeding the budget.

#### **Internal Control**

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

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

#### **ECONOMIC CONDITION**

##### **Environment**

The County provides a full range of traditional county services, including assessment and property tax administration; recording of vital documents and automobile registration; sheriff patrol and jail administration; court facilities; land use planning and building inspections; road maintenance and construction; welfare and public health services; a solid waste landfill disposal facility; airport operations; fairgrounds; and environmental health protection. The economy in the County continues to be dominated by energy development, tourism, ranching and farming. The County is the second largest gas producer in the State of Colorado.

Similar to other entities across the country, Garfield County is experiencing decreased demand for construction services, tourism, and recreation activity. As a result sales tax is down almost 30 percent from 2008. This economic downturn is due in part to the national recession.

On the contrary, property tax increased by 14 percent over 2008 and is expected to increase by almost 58 percent in 2010, which reflects increased oil and gas activity in 2007 and 2008. However, property tax is projected to drop by as much as 70% in 2011 as a result of the decline in oil and gas activity in 2009. In preparation for this dramatic reduction in revenues the County is reevaluating and prioritizing its capital improvement projects, is revisiting all vacancies prior to the position being filled and opted to withhold employee performance pay increases.

While the Oil and Gas Industry continues to be one of the primary drivers of our local economy, it is clear that the national recession has caused a heavy toll on the County's energy development over the last year. The oil and gas rig count has decreased in the Piceance from its peak of 96 in 2008 to an estimated 31 rigs in January 2010. According to Bentek Energy, the industry's leader in natural gas market fundamental analysis, this is almost a 60-65% change from peak rig count levels we experienced in 2008. Production, however, has not fallen sharply, even though the active rig count is down. A rig operating today in the U.S. is as productive as 2 or 3 rigs operating a couple of years ago. While

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production remains stable, the price of natural gas continues to have a major impact on the industry impeding upon any new development.

According to the Colorado Department of Labor and Employment, the unemployment rate for Garfield County at December 31, 2009 was 7.8%, which was above the state unemployment rate of 7.3%, but below the national rate of nearly 10%. Garfield County's unemployment rate at the end of 2008 was 4.1% indicating that Garfield County experienced the affects of the national recession and downturn in the economy over the last year.

### LONG-TERM FINANCIAL PLANNING

In order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain a sound bond rating, the County shall maintain an unassigned fund balance in its general fund plus its oil and gas mitigation fund of one third of the County's total general fund expenditures. The unassigned fund balance in these two funds is 30 percent of the County's total general fund expenditures. The County's unassigned fund balance in the general fund is 13 percent of regular general fund operating revenues, which also falls within the policy guidelines set by the Board of County Commissioners for budgetary and planning purposes (i.e., between 5 and 15 percent of total general fund revenues). Due to the volatile economy driven by the Oil and Gas Industry, Garfield County strives to maintain an unassigned fund balance in the general fund in excess of these recommendations.

The General Fund had an excess of revenues over expenditures of approximately \$595,376 in 2009 and had an ending fund balance of approximately \$18.2 million. This fund balance should provide the County with sufficient working capital to meet the 2010 goals and objectives.

The County assiduously works to maintain a strong, diverse revenue base recognizing that a dependence upon any individual revenue source would cause revenues to become more vulnerable to economic cycles. Revenues are conservatively projected using trend analysis, estimates based on known assumptions, evaluation of the local economy and the primary drivers of that economy, and estimates from other governments (i.e., state and federal). The County aggressively pursues revenue raising strategies to help reduce its dependence on property and sales tax revenues.

Garfield County is forecasting a revenue shortfall over the next several years, which is primarily a result from the reduction in oil and gas activity. Approximately 50 percent of the County's total revenue is related to property tax, and almost two thirds of property tax revenue is associated with the Oil and Gas Industry. Because of this, Garfield County has built up a healthy fund balance to assure stable levels of service to Garfield County citizens, stable employment and benefits for our employees, and a strong assurance that we will not have to ask our tax payers for tax increases to pay for the growing needs of the County during the expected downturn in our local economy.

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Looking into the future, the County sees a need for constant re-evaluation of the projects and programs it has planned for. Projects and programs are revisited, re-evaluated and prioritized during the annual strategic planning process and in preparation for the annual budget forecast. The County emphasizes continuous improvement of work processes to insure that the County is providing the best service possible at the lowest possible cost. The County's goal for the foreseeable future is to maintain salaries and benefits at or below 33 percent of the County's total budget.

Garfield County is preparing for some changes at the Landfill, which results from new bills that are passed that are expected to have a budgetary impact. New impoundment pond regulations could be implemented as early as July 2010 with an estimated cost of \$300,000. The cost for this project was included in the 2010 Adopted Budget. Approximately \$20,000 will be needed to meet increased monitoring and reporting requirements related to green house gas emissions, which went into effect on January 1, 2010. Quarterly landfill fees paid to the State's Hazardous Substance Response Fund (HSRF) could also increase County landfill expenditures, which is to be determined in July 2011.

#### **RELEVANT FINANCIAL POLICIES FINANCIAL INFORMATION**

##### **Purchase Order System Implemented**

Garfield County implemented the purchase order module of their financial software package and the Board of County Commissioners approved an updated Procurement code in 2009. This newly implemented system provides internal tracking of purchase orders, encumbers funds, and provides more accurate financial information to management.

#### **AWARDS AND ACKNOWLEDGEMENTS**

##### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Garfield County, Colorado for its comprehensive annual financial report for the fiscal year ended December 31, 2008. This was the first year that Garfield County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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**Acknowledgements**

I would like to thank the staff of the Finance Department and the independent auditors, McMahan and Associates, L.L.C., for their cooperation and dedication in the preparation of this report. The preparation of this report would not have been possible without them. Credit also must be given to the County Manager and the Board of County Commissions for their unfailing support for maintaining the highest standards of professionalism in the management of Garfield County's finances.

Respectfully submitted,



Lisa Dawson  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Garfield County Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## GARFIELD COUNTY, COLORADO

### ELECTED OFFICIALS

Commissioner, District # 1	Trési Houpt	2007 - 2011
Commissioner, District # 2	John Martin	2009 – 2013
Commissioner, District # 3	Mike Samson	2009 – 2013
County Assessor	John Gorman	2007 – 2011
County Clerk	Jean Alberico	2007 – 2011
County Coroner	Trey Holt	2007 – 2011
County Sheriff	Lou Vallario	2007 – 2011
County Surveyor	Scott Aibner	2007 – 2011
County Treasurer (Public Trustee)	Georgia Chamberlain	2007 – 2011

### APPOINTED BY BOARD OF COUNTY COMMISSIONERS

County Manager	Ed Green
County Attorney	Don DeFord

### DEPARTMENT DIRECTORS

Road & Bridge	Marvin Stephens
Human Services	Lynn Renick
Building & Planning	Fred Jarman
Public Health	Mary Meisner
General Services	Dale Hancock
Airport	Brian Condie
Criminal Justice	Rodney Hollandsworth
Engineering	Randy Withee
Fairgrounds	David Ebeler
Property Maintenance	Richard Alary
Information Technology	Charles Zelenka
Human Resources	Katherine Ross
Finance Director	Lisa Dawson
Contract Administrator	Kent Long
Oil & Gas	Judy Jordan

## BOARD OF COUNTY COMMISSIONERS



John Martin

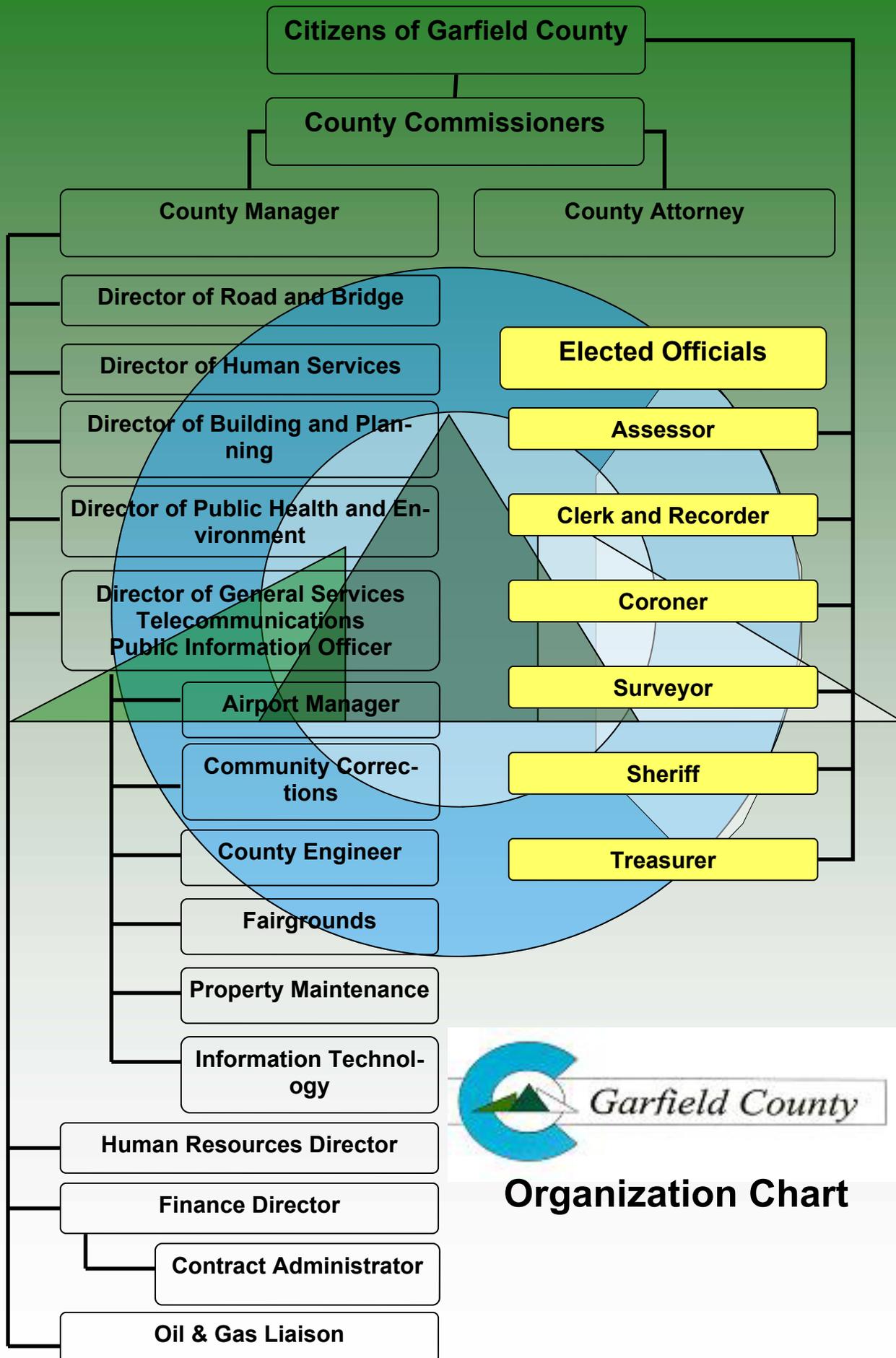


Trési Houpt



Mike Samson

Board of County Commissioners serve as both administrative and policy-making bodies for their counties. While, generally, boards have only those powers specifically conferred by the state general assembly, courts have held that they have such implied powers as may be necessary to carry out their specified powers. Constitutionally, the board also sits as the County Board of Equalization. The board also fills all vacancies in county offices other than those for county commissioners and for the public trustee. All powers of the county, as a legal entity, are exercised by the Board of County Commissioners and not by its individual members.



## Organization Chart