

MONTEZUMA COUNTY, COLORADO

**Accountants' Reports
and
Basic Financial Statements**

December 31, 2012

MONTEZUMA COUNTY, COLORADO

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MONTEZUMA COUNTY, COLORADO

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Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521

Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Montezuma County, Colorado
Cortez, Colorado 81321

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 the Montezuma County, Colorado as of and for the year ended December 31, 2012, 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montezuma County, Colorado, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and pages 41 through 47 be presented to supplement the basic financial statements. Such information, although not a required 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.

Other Information

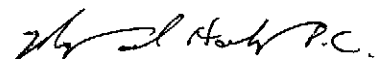
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County, Colorado's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The budgetary comparison schedules and the Local Highway Finance Report have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the Montezuma County, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 Montezuma County, Colorado's internal control over financial reporting and compliance.



Majors and Haley, P.C.
June 26, 2013

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS

Key financial highlights for the County in 2012 are as follows:

- In total, net position increased \$1,214,341. Net position of governmental activities increased \$1,179,202 which represents a 3.5 percent increase from 2011. Net assets of business type activities increased \$35,139 or 3 percent from 2011.
- General revenues accounted for \$13.23 million in revenue or 43 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$17.73 million or 57 percent of total revenues of \$30.96 million.
- Governmental activities total assets increased by \$923,991. Total liabilities decreased by \$255,211.
- The County incurred \$28.87 million in expenses related to government activities. \$16.82 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily mineral leasing and property taxes) of \$13.23 million were adequate to cover the balance of the costs of these programs.
- Among the major funds, the General Fund had \$14.03 million in revenues, including transfers and \$13.89 million in expenditures. It's fund balance increased by \$134,832 from \$9.52 million to \$9.66 million.
- Net assets of the Enterprise Fund increased from \$1,251,465 to \$1,286,604.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

- The first two statements are County-wide financial statements that provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the County operates like businesses, such as landfill services.
- Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the County's budget for the year.

County-wide Statements

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the County's assets and liabilities. All of

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2012

the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two County-wide statements report the County's net position and how it has changed. Net position (the difference between the County's assets and liabilities) is one way to measure the County's financial position.

- Over time, increases or decreases in the County's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the County's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of county facilities.

In the County-wide financial statements, the County's activities are divided into two categories:

- **Governmental activities-** Most of the County's basic services are included here, such as general government, public safety, public health, public works, and culture and recreation. These activities are financed mainly through property taxes and grants.
- **Business-type activities-** The County charges fees to help cover the costs of certain services it provides. The County's landfill facility is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds, focusing on its most significant or "major" funds, not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the County establishes many other funds to help it manage and control its finances to achieve certain results.

The County uses three types of funds:

- **Governmental funds-** Most of the County's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2012

spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

- **Proprietary funds-** Services for which the County charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the County-wide financial statements. The County's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flow analysis.
- **Fiduciary funds-** The County is the agent, or fiduciary, for assets that belong to others, such as the Agency Fund. The County is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the County-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Total assets increased by \$807,174. Total liabilities decreased by \$407,167.

The County's combined net position was larger on December 31, 2012 than it was at December 31, 2011, increasing by 3.5 percent to \$35,879,343. Most of the increase came from its governmental activities, the net assets of which increased \$1,179,202 to \$34,592,739. The net position of the County's business type activities increased \$35,139 to \$1,286,604.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

Table 1 provides a summary of the County's net position for 2012 compared to 2011:

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total County	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 32.132	\$ 31.280	\$ 0.155	\$ 0.214	\$ 32.287	\$ 31.494
Capital assets	13.280	13.208	1.770	1.828	15.050	15.036
Total assets	45.412	44.488	1.925	2.042	47.337	46.530
Liabilities						
Current liabilities	9.940	9.873	0.639	0.791	10.579	10.664
Noncurrent liabilities	0.879	1.202			0.879	1.202
Net Position						
Invested in capital	12.400	12.006	1.286	1.251	13.686	13.257
Nonspendable	0.050	0.050			0.050	0.050
Restricted	0.751	0.747			0.751	0.747
Unrestricted	21.392	20.610			21.392	20.610
Total net position	\$ 34.593	\$ 33.413	\$ 1.286	\$ 1.251	\$ 35.879	\$ 34.664

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2012

Table 2 shows the changes in net position for fiscal year 2012 compared to 2011.

Table 2
Changes in Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total County	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 2.517	\$ 2.310	\$ 0.914	\$ 0.952	\$ 3.431	\$ 3.262
Operating grants	14.302	14.783			14.302	14.783
Capital grants		0.152			-	0.152
General revenues						
Property taxes	9.042	8.371			9.042	8.371
Mineral leasing	2.148	2.286			2.148	2.286
Other	2.039	2.239			2.039	2.239
Total revenues	30.048	30.141	0.914	0.952	30.962	31.093
Expenses						
General government	4.187	4.309			4.187	4.309
Public safety	6.849	6.509			6.849	6.509
Public works	4.546	4.808	0.879	0.903	5.425	5.711
Public health and welfare	12.667	12.861			12.667	12.861
Culture and recreation	0.489	0.740			0.489	0.740
Depreciation-unallocated	0.131	0.116			0.131	0.116
Total expenses	28.869	29.343	0.879	0.903	29.748	30.246
Increase (decrease) in net position	\$ 1.179	\$ 0.798	\$ 0.035	\$ 0.049	\$ 1.214	\$ 0.847

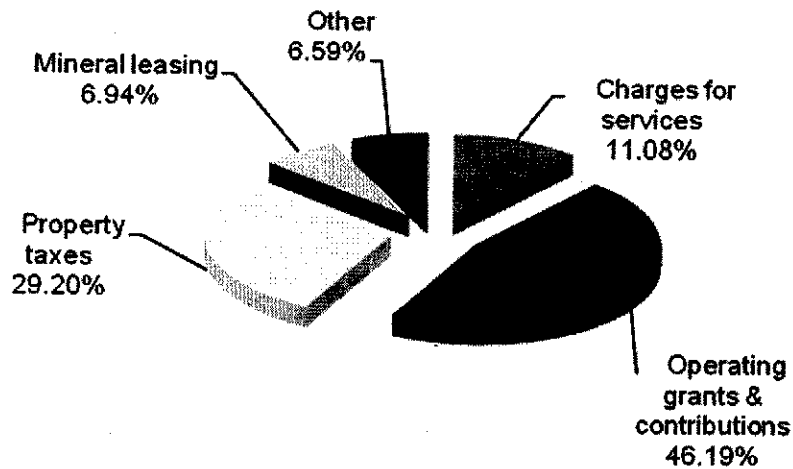
MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

Operating grants and property taxes accounted for most of the County's total revenue, with each contributing 46.19 percent and 29.20 percent respectively (See Table 3). Another 11.08 percent came from charges for services and the remainder from mineral leasing, and other sources.

The County's expenses are predominately related to public health and welfare, (42.6 percent), public works (18.2 percent) and public safety (23 percent) (See Table 4). The County's general government activities accounted for 14.1 percent of total costs.

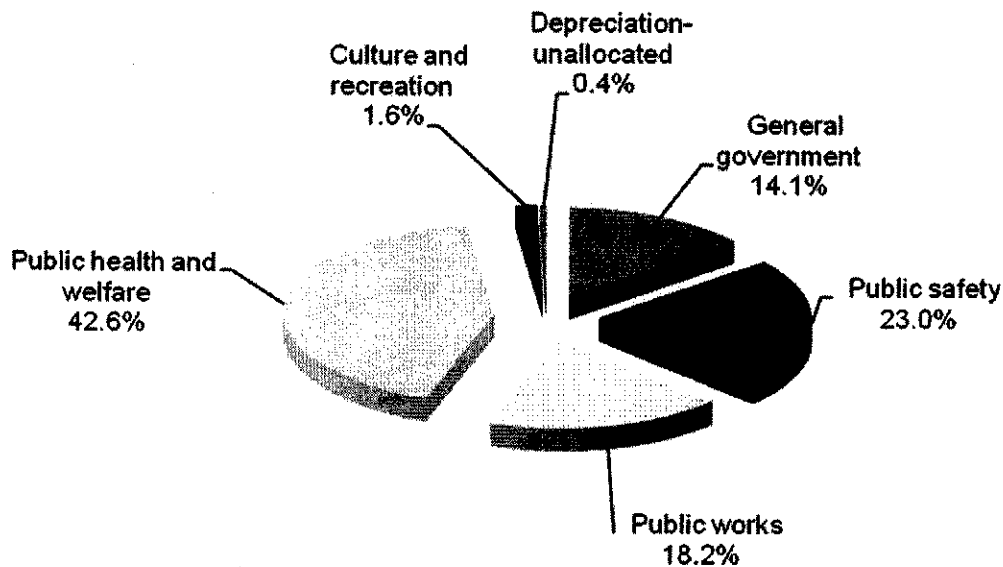
Table 3
Sources of Revenue for Fiscal Year 2012



MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

Table 4
Expenses for Fiscal Year 2012



Governmental Activities

The primary sources of operating revenue for the County come from operating grants and general property taxes. The County receives approximately 75 percent of this funding from these sources while the remaining amounts come from charges for services and other general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by general revenues including general property taxes and sales taxes.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	\$ 4.187	\$ 4.309	\$ 3.331	\$ 3.283
Public safety	6.849	6.509	5.703	5.14
Public works	4.546	4.808	1.671	2.112
Public health and welfare	12.667	12.861	1.007	0.915
Culture and recreation	0.489	0.740	0.207	0.531
Depreciation-unallocated	0.131	0.116	0.131	0.116
Total	<u>\$ 28.869</u>	<u>\$ 29.343</u>	<u>\$ 12.050</u>	<u>\$ 12.097</u>

- The cost of all governmental activities during the year was \$28.869 million.
- Some of the cost was financed by the users of the County's programs (\$2.517 million)
- Federal and state government subsidized certain programs with grants and contributions (\$14.302 million).
- However, \$13.229 million was financed by state and county taxpayers. This portion of governmental activities was financed with \$9.042 million in property taxes, \$2.148 million in mineral leasing and \$2.039 million in other general revenues.

Business-type Activities

Business-type activities are made up of the Landfill Fund. This program had revenues of \$.914 million and expenses of \$.852 million. Business-type activities receive no support from tax revenue.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Information about the County's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$30.048 million and expenditures of \$29.263 million.

General Fund Budgetary Highlights

The County's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

Over the course of the year, the County revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were due primarily to increases in expenditures that were not foreseen at the time of the original budget.
- Actual expenditures were \$952,298 under budget, primarily because the County closely monitored expenditures in an effort to remain below budget levels.

CAPITAL ASSET ADMINISTRATION

By the end of 2012, the County has invested \$29.110 million in land, buildings, and equipment (including vehicles), of this total \$25.208 million was from governmental activities.

Table 6 shows capital assets for 2012 compared to 2011:

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2012

Table 6
Capital Assets at December 31
(In millions)

	Governmental Activities		Business-Type Activities		Total County	
	2012	2011	2012	2011	2012	2011
Land	\$ 1.258	\$ 1.258			\$ 1.258	\$ 1.258
Infrastructure	1.859	1.859			1.859	1.859
Buildings	11.792	11.490			11.792	11.490
Equipment	10.299	9.667	\$ 3.902	\$ 3.813	14.201	13.480
Total	<u>\$ 25.208</u>	<u>\$ 24.274</u>	<u>\$ 3.902</u>	<u>\$ 3.813</u>	<u>\$ 29.110</u>	<u>\$ 28.087</u>

Additional information on the County's capital assets can be found in the Notes to the Financial Statements on page 33 of this report.

FACTORS BEARING ON THE COUNTY'S FUTURE

At the time these financial statements were prepared and audited, the County is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Montezuma County Administration Office, 109 W Main, Room 302 Cortez, Colorado 81321.

MONTEZUMA COUNTY, COLORADO

Statement of Net Position

December 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 22,341,323	\$ 155,033	\$ 22,496,356
Property taxes receivable	8,688,827		8,688,827
Other receivables	486,653		486,653
Due from other funds	106,163		106,163
Due from state	146,737		146,737
Due from other governments	312,597		312,597
Inventory	50,000		50,000
Capital assets	25,208,037	3,901,503	29,109,540
Accumulated depreciation	(11,928,591)	(2,131,069)	(14,059,660)
Total capital assets, net of depreciation	<u>13,279,446</u>	<u>1,770,434</u>	<u>15,049,880</u>
Total Assets	<u>45,411,746</u>	<u>1,925,467</u>	<u>47,337,213</u>
Liabilities			
Accounts payable	555,075	48,620	603,695
Due to other funds		106,163	106,163
Accrued closure costs		484,080	484,080
Due to other governments	58,206		58,206
Trusts payable	140		140
Payments in arrears	479,374		479,374
Unearned revenue	8,846,662		8,846,662
Long-term liabilities			
Due in more than one year	879,550		879,550
Total Liabilities	<u>10,819,007</u>	<u>638,863</u>	<u>11,457,870</u>
Net Position			
Net investment in capital assets	12,399,896	1,286,604	13,686,500
Nonspendable			
Inventories	50,000		50,000
Restricted			
Cancer treatments	29,179		29,179
TABOR	722,119		722,119
Unrestricted	21,391,545		21,391,545
Total Net Position	<u>\$ 34,592,739</u>	<u>\$ 1,286,604</u>	<u>\$ 35,879,343</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO
Statement of Activities

For the Year Ended December 31, 2012

	Program Revenues			Net (Expenses) Revenue And Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities
Governmental Activities						
General government	\$ 4,186,553	\$ 855,336			\$ (3,331,217)	\$ (3,331,217)
Public safety	6,848,889	936,175	\$ 209,672		(5,703,042)	(5,703,042)
Public works	4,546,542	339,263	2,536,916		(1,670,363)	(1,670,363)
Public health and welfare	12,666,567	298,892	11,360,961		(1,006,714)	(1,006,714)
Culture and recreation	489,494	87,391	194,784		(207,319)	(207,319)
Depreciation-unallocated	131,186				(131,186)	(131,186)
Total Governmental Activities	28,869,231	2,517,057	14,302,333	-	(12,049,841)	(12,049,841)
Business-Type Activities						
County landfill	878,815	913,954				\$ 35,139
Total Business-Type Activities	878,815	913,954	-			35,139
Total County	\$ 29,748,046	\$ 3,431,011	\$ 14,302,333	\$ -	(12,049,841)	35,139

General Revenues		
Property tax for general purposes	9,042,479	9,042,479
Specific Ownership tax for general purposes	821,314	821,314
Delinquent Tax and Interest	(200,280)	(200,280)
Sales Tax	2,274	2,274
Lodgers Tax	107,314	107,314
Severance Tax	445,924	445,924
Intergovernmental		
Motor Vehicle License Fees	80,061	80,061
Mineral Leasing	2,147,689	2,147,689
Payment in Lieu of Taxes	162,586	162,586
Tobacco Taxes	6,646	6,646
Earnings on investments	98,979	98,979
Reimbursements	141,364	141,364
Royalties	305,654	305,654
Asset sales	11,492	11,492
Miscellaneous	55,547	55,547
Total General Revenues	13,229,043	13,229,043
Changes in Net Position	1,179,202	1,214,341
Net Position Beginning of the Year	33,413,537	34,665,002
Net Position End of the Year	\$ 34,592,739	\$ 35,879,343

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

**Balance Sheet
Governmental Funds**

December 31, 2012

	General Fund	Road and Bridge Fund	Social Services Fund	Jail Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash-unrestricted	\$ 9,985,599	\$ 4,714,311	\$ 1,483,661	\$ 349,745	\$ 2,351,577	\$ 3,456,430	\$ 22,341,323
Property taxes receivable	6,254,734	1,582,926	851,167				8,688,827
Other receivables	7,262		479,374	17			486,653
Due from other funds					106,163		106,163
Due from state			146,737				146,737
Due from other governments	73,426	219,100	20,071				312,597
Inventory		50,000					50,000
Total Assets	\$ 16,321,021	\$ 6,566,337	\$ 2,981,010	\$ 349,762	\$ 2,457,740	\$ 3,456,430	\$ 32,132,300
Liabilities							
Accounts payable	\$ 410,892	\$ 144,183					\$ 555,075
Trusts payable			\$ 140				140
Payments in arrears			479,374				479,374
Due to other governments			58,206				58,206
Deferred revenue	6,254,734	1,582,926	1,009,002				8,846,662
Total Liabilities	6,665,626	1,727,109	1,548,722	-	-	-	9,939,457
Fund Balances							
Nonspendable							
Inventories		50,000					50,000
Restricted							
TABOR						\$ 722,119	722,119
Cancer treatments						29,179	29,179
Unrestricted							
Assigned for future year's expenditures	9,655,395	4,789,228	1,434,288	\$ 349,762	\$ 2,457,740	2,705,132	21,391,545
Total Fund Balances	9,655,395	4,789,228	1,434,288	349,762	2,457,740	3,456,430	22,192,843
Total Liabilities and County Equity	\$ 16,321,021	\$ 6,516,337	\$ 2,981,010	\$ 349,762	\$ 2,457,740	\$ 3,456,430	\$ 32,132,300

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total Fund Balance Governmental Funds	\$ 22,192,843
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Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$ 25,208,037
Accumulated depreciation	(11,928,591)

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.	13,279,446
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Due in more than one year	(879,550)
	(879,550)

Total Net Position Governmental Activities	\$ 34,592,739
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The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2012

	General Fund	Road and Bridge Fund	Social Services Fund	Jail Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 7,069,766	\$ 1,661,397	\$ 826,427	\$ 2,274	\$	\$ 852,478	\$ 10,412,342
Intergovernmental revenues	2,965,353	3,325,714	9,452,484		730,215	147,980	16,621,746
Charges for services	485,943	335,863				221,835	1,043,641
Licenses and permits	34,132						34,132
Fines and forfeitures	22,716						22,716
Earnings on investments	92,828			253		5,898	98,979
Fee accounts	1,484,089						1,484,089
Other	312,592	12,739			5,457		330,788
Total Revenues	12,467,419	5,335,713	10,278,911	2,527	735,672	1,228,191	30,048,433
Expenditures							
General government	4,169,910				119,604	102,000	4,391,514
Public safety	6,343,071			402,388	249,311	175,771	7,170,541
Public works		4,588,340					4,588,340
Public health and welfare	2,441,899		10,231,887				12,673,786
Culture and recreation	438,720						438,720
Total Expenditures	13,393,600	4,588,340	10,231,887	402,388	368,915	277,771	29,262,901
Excess revenues over (under) expenditures	(926,181)	747,373	47,024	(399,861)	366,757	950,420	785,532
Other Financing Sources (Uses)							
Transfers in	1,561,013	35,791	443			500,000	2,097,247
Transfers out	(500,000)			(368,442)	(202,329)	(1,026,476)	(2,097,247)
Total Other Financing Sources (Uses)	1,061,013	35,791	443	(368,442)	(202,329)	(526,476)	-
Net Change in Fund Balances	134,832	783,164	47,467	(768,303)	164,428	423,944	785,532
Fund Balances beginning of the year	9,520,563	4,056,064	1,386,821	1,118,065	2,293,312	3,032,486	21,407,311
Fund Balances end of the year	\$ 9,655,395	\$ 4,839,228	\$ 1,434,288	\$ 349,762	\$ 2,457,740	\$ 3,456,430	\$ 22,192,843

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2012

Net Change in Fund Balances Governmental Funds	\$	785,532
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Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital asset purchases capitalized	\$ 967,346		
Depreciation expense	(895,748)		
			71,598

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Bond payments			390,000
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Some increases in debt are not reported in the governmental funds but are reflected in the Statement of Activities

Increase in accrued compensated absences			(67,928)
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Change in Net Position of Governmental Activities	\$	<u>1,179,202</u>
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The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Statement of Net Position
Proprietary Fund
Enterprise Fund

December 31, 2012

	<u>Business-type Activities Landfill Fund</u>
Assets	
Current Assets	
Cash	\$ 155,033
Total Current Assets	<u>155,033</u>
Noncurrent Assets	
Capital Assets	\$ 3,901,503
Accumulated Depreciation	<u>(2,131,069)</u>
Total Noncurrent Assets	1,770,434
Total Assets	<u>1,925,467</u>
Liabilities	
Current Liabilities	
Accounts payable	48,620
Due to other funds	106,163
Accrued closure costs	484,080
Total Current Liabilities	<u>638,863</u>
Net Position	
Net investment in capital assets	\$ 1,286,604
Total Net Position	<u>\$ 1,286,604</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Enterprise Fund
For the Year Ended December 31, 2012

		Business-type Activities Landfill Fund
Operating Revenues		
Landfill fees		\$ 913,954
Total Operating Revenues		<u>913,954</u>
Operating Expenses		
Landfill operations		
Salaries	\$ 284,594	
Employee benefits	77,986	
Other operating expenses	148,080	
Professional fees	75,773	
Utilities	43,051	
Insurance and bonds	46,534	
Repairs and maintenance	59,094	
Depreciation	146,061	
Total Operating Expenses		<u>(881,173)</u>
Operating income (loss)		<u>32,781</u>
Non-Operating Revenue (Expense)		
Decrease in accrued closure costs	2,358	
Total Non-Operating Revenue		<u>2,358</u>
Change in net position		<u>35,139</u>
Net position beginning of the year		1,251,465
Net position end of the year		<u><u>\$ 1,286,604</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Statement of Cash Flows Proprietary Fund Enterprise Fund

For the Year Ended December 31, 2012

	Business-type Activities Landfill Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 913,954
Cash payments to employees for services	(362,580)
Cash payments to suppliers for goods and services	(364,851)
Net Cash Flows provided (used) by Operating Activities	<u>186,523</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of equipment	\$ (88,184)
Repayment of interfund borrowing	(157,278)
Net Cash Flows provided (used) by Capital and Related Financing Activities	<u>(245,462)</u>
Net increase (decrease) in cash and cash equivalents	<u>(58,939)</u>
Cash and cash equivalents beginning of the year	213,972
Cash and cash equivalents end of the year	<u><u>\$ 155,033</u></u>
Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities	
Operating income (loss)	\$ 32,781
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	\$ 146,061
Increase or (decrease) in Accounts payable	7,681
Total adjustments	<u>153,742</u>
Net Cash Flows provided (used) by Operating Activities	<u><u>\$ 186,523</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Statement of Fiduciary Net Position

As of December 31, 2012

	<u>Agency Fund</u>
Assets	
Cash	\$ 411,642
Total Assets	<u>411,642</u>
Liabilities	
Due to agency recipient	411,642
Total Liabilities	<u>411,642</u>
Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Summary of Significant Accounting Policies – Montezuma County, Colorado's (the County) financial statements are prepared in accordance with U.S. generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations). In the current year, the County adopted GASB Statement 63. Accordingly, the statement of net assets is renamed the statement of net position and includes four components if applicable: assets, deferred outflows of resources, liabilities and deferred inflows of resources

The following significant accounting policies were applied to the preparation of the accompanying financial statements.

Reporting Entity – Montezuma County, Colorado is a statutory (non-home-rule) county and serves as an administrative unit of the State of Colorado.

The County follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

In applying these criteria, the Montezuma County Hospital District and the Montezuma County Housing Authority have been excluded from the financial statements of the reporting entity. These organizations are financially independent units that select a governing board, designate management staff, set user charges, establish budgets and control all aspects of daily activities.

The Montezuma County Sheriff's Department Forfeiture Account is a blended component unit of the County (primary government). A three-member board is appointed by the County which oversees the activities of the account. This blended component unit is accounted for as a Special Revenue Fund. Pursuant to C.R.S. Section 16-13-506, proceeds from the property ordered forfeited by the courts are placed in an account by the seizing agency and used for non-operating purposes. Expenditures of monies forfeited after July 1, 1992 must be approved by the board created pursuant to C.R.S. Section 16-13-702 (2).

Fund Accounting – The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Funds – are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the County's major governmental funds.

General Fund – is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes and state and federal grants.

Special Revenue Funds-

Road and Bridge Fund – accounts for the costs related to county road and bridge construction and maintenance. By state law, a portion of this fund's property tax revenues are allocated to cities and towns for use in their road and street activities. This fund is required by state law.

Social Services Fund- accounts for federal and state public welfare programs administered by the County. This fund is also required by state law.

Capital Projects Funds-

Jail Fund – is used to account for activities related to the financing and construction of the County's new jail facility. As required by the bond issuance agreement, this fund also accounts for the collection of the County sales tax and the repayment of the bonds used to finance the facility.

Capital Fund- accounts for revenue and expenditures related to general capital projects of the County.

Non-major Funds- The other governmental funds of the County are Special Revenue Funds. These funds account for revenues derived from earmarked revenue sources. Special revenue funds consist of the Public Health Fund, Conservation Trust Fund, Law Enforcement Authority Fund, Clara Ormiston Fund, Emergency Telephone Service Fund, Sheriff's Forfeiture Fund, Revolving Loan Fund, Lodgers' Tax Fund, Emergency Reserve Fund, and the Contingent Fund.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Proprietary Funds–

Enterprise Funds – focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The County's major enterprise fund is:

Landfill Fund- is used to account for the financial transactions related to the landfill operations of the County.

Fiduciary Funds – reporting focuses on net position and changes in net position. The fiduciary fund category is split into trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the County's own programs. The County does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The County has one agency fund.

Basis of Presentation-

County-wide Financial Statements- The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The county-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the county-wide financial statements and the statements for governmental funds.

The county-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements- Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting – determines when transactions are recorded in the financial records and reported on the financial statements. County-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues- Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, and certain grants.

Deferred Revenue- arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets and Budgetary Accounting – The County is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (U.S. GAAP basis) as that used for accounting purposes, except for the Landfill Fund, which is prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with U.S. GAAP.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to October 20, the Budget Officer submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following January 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Prior to December 31, the budget is legally adopted through passage of adoption and appropriations resolutions.

Formal budgetary integration is employed as a management control device during the year.

Department directors are authorized to transfer budget amounts within the department. However, the County Commissioners must approve any revisions that alter the total expenditures of any department.

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Cash and Cash Equivalents – for the purpose of the Statement of Cash Flows of the Enterprise Fund is considered to be all of the highly liquid investments with a maturity of six months or less.

Short-term Inter-fund Receivables/Payables- During the course of operations, certain transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the County-wide statement of net position and, classified as due from other funds or due to other funds on the balance sheet.

Inventories – in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase. Restrictions of fund balance have been established for the inventory balances.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the county-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the county-wide statements of net assets and in the respective fund financial statements,

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated general fixed assets are valued at their estimated fair value on the date donated. The County maintains a capitalization threshold of five thousand dollars.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings and Improvements	20-50 Years	15-50 Years
Furniture and Equipment	5-15 Years	5-20 Years
Vehicles	8 Years	5 Years

Property Tax Revenue Recognition – The County bills and collects its own property taxes as well as property taxes of all other taxing authorities within the County. The property taxes are levied and certified in December of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year. Secured property taxes are due in two equal installments on February 28 and June 15, and are delinquent after February 28 and June 15 respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, as they are not due until the following year. An allowance for un-collectible taxes is not provided as the un-collectible amounts were determined to be negligible based upon an analysis of historical trends.

Compensated absences- Compensated absences arise from policies concerning vacation and sick leave. County employees accrue unlimited sick leave on the basis of one working day per month. Unused accrued sick leave shall not be paid at the time of termination of the employee's service, except in the event the employee terminated voluntarily in good standing after 5 years of service with the County. Such employees will be paid for actual accumulated sick days up to a maximum of 15 days for 5 to 10 years of service, 25 days for the following 5 years, 45 days for 21 to 30 years and 60 days for over 31 years of service. County employees are entitled to paid vacation after completion of six months of service. All full-time employees begin to accumulate vacation at the time of entry into service. The rate of accumulation is 1 day per month for the first five years of employment, 1.25 days per month for the following five years and 1.5 days per month for eleven years of service and over. Vacation is accumulated throughout each calendar year, but the maximum accumulation is 17 days for the first five years of service, 20 days for the following five years and 23 days for eleven years and over. For the Sheriff's department only, vacation time accrued during a given calendar year must be used in the immediately following year, or be forfeited.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the county-wide financial statements, and all

MONTEZUMA COUNTY, COLORADO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. This includes inventory maintained in the Road and Bridge Fund.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the County's TABOR reserve.

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Board of County Commissioners.

Assigned- Amounts that are designated by the Board of County Commissioners for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in the other spendable classifications.

Net Position- Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses- Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

revenues are sales related to food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Inter-fund Transactions- Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates.

Cash and Investments – The County Treasurer maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Cash”.

Cash on the Combined Balance Sheet consisted of:

Cash on hand	\$ 98,185
Deposits and certificates of deposit	11,134,179
Investments at cost	11,675,634
Total cash and investments	<u>\$ 22,907,998</u>

Deposits- The Colorado Public Deposit Protection Act (PDPA) governs the County’s cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

At December 31, the carrying amount of the County’s deposits was \$11,134,179 and the bank balance was \$11,435,619. Of the bank balance, \$1,396,146 was covered by federal depository insurance and \$10,039,473 was collateralized with securities held in single financial institution collateral pools as provided by statute. Collateral for uninsured deposits is held by banks in the name of a number of government accounts of which the County is a part.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Investments- Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

At December 31, the County had investments in two local government investment pools: the Colorado Government Liquid Asset Trust (COLOTRUST), and the Colorado Surplus Asset Fund Trust (CSAFE). These investment pools are investment vehicles established for local government entities in Colorado to pool surplus funds for investment purposes. The pools are routinely monitored by the Colorado Division of Securities with regard to their operations and investments, which are subject to provisions of C.R.S. Title 24, Article 75, Section 6. The fair value of the investments in the pools is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book form. COLOTRUST is rated AAA from Standard and Poor's, and CSAFE is rated AAAM from Standard and Poor's.

At December 31, the County had invested in money market funds with Wells Fargo and LPL Financial. These accounts are used to hold money from the sale of government securities until they are reinvested. All funds in these accounts will be reinvested in Federal Government securities and mortgages. The money market accounts are rated AAA from Standard and Poor's. These investments are not categorized because they are not evidenced by securities that exist in physical or book form.

At December 31, the County had the following investments subject to interest rate risk:

Investment Type	Cost	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Investment Pools					
COLOTRUST	\$ 8,048,124				
CSAFE	111,263				
	<u>8,159,387</u>				
Wells Fargo Money Market	3,265,742				
LPL Financial Money Market	1,656				
Federal Government backed securities and mortgages	248,849		\$ 248,849		
Total	<u>\$ 11,675,634</u>				

The County does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Retirement Plan – The County is a member of the Colorado County Officials and Employees Retirement Association. All members of the Association are participants in a defined contribution retirement plan which was adopted and is administered to provide income after retirement in addition to benefits provided by Federal Social Security. All County employees are required to participate after one year of continuous service. Contributions made by the employee are a minimum of five percent and a maximum of ten percent of gross salary, at the employees' discretion. Employees may make additional voluntary contributions not to exceed twenty five percent of compensation.

The County maintains no control over the plan, other than being a member of the Association. Employees vest at ten percent per year and are fully vested after ten years of participation. The County has no unfunded liability under the plan. The total 2012 County payroll was \$9,681,825. The covered payroll for retirement plan purposes was \$8,362,858. The 2012 employer and employee contributions to the plan were \$418,143 and \$472,253 respectively. There were no County securities or other transactions included in the plan's assets.

Capital Assets – Capital asset activity for the fiscal year ended December 31, 2012:

	Capital Assets Jan 1, 2012	Additions	Deletions/ Transfers	Capital Assets Dec 31, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,257,990			\$ 1,257,990
Total capital assets not being depreciated	1,257,990	-	-	1,257,990
Capital assets, being depreciated:				
Buildings	11,490,103	\$ 302,033		11,792,136
Equipment	9,666,203	665,313	\$ (32,810)	10,298,706
Infrastructure	1,859,205			1,859,205
Total capital assets being depreciated	23,015,511	967,346	(32,810)	23,950,047
Less accumulated depreciation for:				
Buildings	(3,240,656)	(295,224)		(3,535,880)
Equipment	(6,747,991)	(547,403)	32,810	(7,262,584)
Infrastructure	(1,077,006)	(53,121)		(1,130,127)
Total accumulated depreciation	(11,065,653)	(895,748)	32,810	(11,928,591)
Total capital assets, being depreciated, net	11,949,858	71,598	-	12,021,456
Governmental Activities Capital Assets, net	\$ 13,207,848	\$ 71,598	\$ -	\$ 13,279,446
Business Type Activities				
Equipment and facilities	\$ 3,813,319	\$ 88,184		\$ 3,901,503
Less accumulated depreciation	(1,985,008)	(146,061)		(2,131,069)
Business Type Activities Capital Assets net	\$ 1,828,311	\$ (57,877)	-	\$ 1,770,434

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Depreciation expense was charged as a direct expense to the following governmental programs:

General government	\$ 37,884
Public safety	266,646
Public works	386,779
Public health and welfare	22,479
Culture and recreation	50,774
Unallocated	131,186
Total depreciation government activities	<u>\$ 895,748</u>

Schedule of Social Services Costs Due To/From State of Colorado –

	<u>Due To (From)</u>
Colorado works	\$ 34,858
Child care	4,180
Child welfare	38,926
County administration	35,472
Core services	18,951
Child support	9,603
L.E.A.P.	2,616
Aid to needy disabled	(4,357)
Home care allowance	(306)
Old age pension	1,232
Food assistance fraud	2,342
Food assistance benefits	(25)
Food assistance job search	274
State incentives	2,221
Federal incentives	471
Tanf collections retained	289
Medicaid collections	(10)
Net Amount Due From State	<u>\$ 146,737</u>

All Electronic Benefit transfers paid by the State of Colorado for Montezuma County are included in the financial statements.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

General Long-Term Debt-

Bonds Payable- In 2000 the County issued \$6,260,000 in revenue bonds. The proceeds of the bonds are to be used for the construction of a new jail facility. The bonds were due in semi-annual installments and bore interest at 5.9%. In 2004 the County refinanced the bonds through an advance refunding. The refinancing called for the issuance of \$5,680,000 in revenue refunding bonds. The proceeds were used to advance refund the original bond issue. The refunding bonds are payable in semi-annual installments and bear interest ranging from 2.25% to 3.00%. The advance refunding provided a present value economic gain to the County of \$466,134. The repayment of the bonds is funded by a County sales tax of .45%. The repayment of the bonds is recorded in the Jail Fund. The bonds were fully retired in the current year.

Changes in General Long-Term Debt- A summary of changes in general long-term debt follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Accrued compensation	\$ 811,622	\$ 67,928		\$ 879,550
Revenue refunding bonds	390,000		\$ 390,000	-
Total	<u>\$ 1,201,622</u>	<u>\$ -</u>	<u>\$ 390,000</u>	<u>\$ 879,550</u>

Interfund Receivables and Payables- consist of the following:

	Due To	Due From
Capital Fund	\$ 106,163	
Landfill		\$ 106,163
Total	<u>\$ 106,163</u>	<u>\$ 106,163</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Interfund Operating Transfers- consist of the following:

	<u>Transfer In</u>	<u>Transfer out</u>
General Fund	\$ 1,561,013	\$ 500,000
Special Revenue Funds		
Public Health Fund	500,000	
Conservation Trust		145,124
Law Enforcement Authority Fund		782,148
Social Services Fund	443	
Emergency Telephone Fund		23,488
Ormiston Fund		443
Contingent Fund		75,273
Road and Bridge Fund	35,791	
Capital Projects Funds		
Capital Fund		202,329
Jail Fund		368,442
	<u>\$ 2,097,247</u>	<u>\$ 2,097,247</u>

All transfers were made for the purpose of subsidizing the receiving fund.

Fund Balance Restrictions and Assignments – Nonspendable indicates amounts that cannot be spent, either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of County Commissioners but are not spendable until appropriated. The County uses the following restrictions and assignments:

Nonspendable

Inventory- indicates that the portion of fund balance represented by inventories is not available for appropriation and expenditure at the balance sheet date. Nonspendable fund balance related to inventory consists of \$50,000 in the Road and Bridge Fund.

Restricted

TABOR- indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance restricted for TABOR consists of \$722,119 in the Emergency Reserve Fund.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Cancer treatments-indicates that the fund balance within the Ormiston Fund is restricted for the payment of cancer treatments costs of qualified county residents.

Assigned for future expenditures- indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of the following:

General Fund	\$ 9,655,395
Special Revenue Funds	
Road and Bridge Fund	4,789,228
Social Services Fund	1,434,288
Contingent Fund	532,516
Emergency Telephone Service Fund	578,097
Sheriff's Forfeiture Fund	322
Conservation Trust Fund	151,080
Law Enforcement Authority Fund	693,110
Revolving Loan Fund	143,426
Lodger's Tax Fund	106,581
Public Health Fund	500,000
Capital Projects Funds	
Capital Fund	2,457,740
Jail Fund	349,762
Total	<u>\$ 21,391,545</u>

Public Trustee – The County Treasurer holds the office of the County Public Trustee. Public Trustees are named as trustees for Deeds of Trust and perform all the functions and exercise all the powers conferred upon them by the Deeds of Trust. These functions include releasing Deeds of Trust when indebtedness is paid in full, making sales whenever default occurs, issuing Certificates of Purchase and Certificates of Redemption of Trustee's Deeds. Fees for such services are used to cover related expenses and pay the Trustee an annual salary.

The accounts of the County Public Trustee consist of the following as of and for the year ended December 31, 2012:

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Cash at January 1, 2012	\$ 51,173
Revenues	
Interest and fees	38,885
Expenditures	(37,960)
Cash at December 31, 2012	<u>\$ 52,098</u>

Commitments and Contingent Liabilities – There appear to be no commitments or contingencies that would pose a threat of significant liability to the County.

Tax Spending, Revenue and Debt Limitations- Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

“Enterprises,” defined as government owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Those exceptions include spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The County believes it is in compliance with the requirements of the Amendment.

Risk Management – County Workers Compensation Pool – The County is exposed to various risks of loss related to injuries of employees while on the job. The County joined the County Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental formation agreement of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool – The County is exposed to various risks of loss related to property and casualty losses. The County joined the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The intergovernmental formation agreement of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Colorado Immunity Act – Under Colorado statutes, the County has immunity from liability in excess of \$150,000 per individual and \$600,000 per occurrence.

Municipal Solid Waste Landfill- The County assumed operation of the landfill in 1991 from the Cortez Sanitation District. The old inactive landfill areas have monitoring wells in place and closure and post-closure costs are not estimated to exceed normal operating costs.

Currently, the landfill is operating on a cell basis. An average "life to closure" has been estimated at 30 to 40 years for the cells. It is estimated that at December 31, 2012 23.92% of the capacity had been used. Engineer estimates have been obtained for anticipated closure and post-closure costs. The County is required to perform certain maintenance and monitoring functions for thirty years after closure. The expense and liability associated with these requirements are reflected in the financial statements of the Landfill Fund.

	Estimated Costs	Estimated Capacity Used	Accrued Closure Costs
Closure	\$ 1,039,125	23.92%	\$ 248,559
Post-closure	504,558	23.92%	120,690
Post-closure Carver Landfill	88,434	100%	88,434
Total	<u>\$ 1,632,117</u>		<u>\$ 457,683</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

It is anticipated that the remaining amount will be recognized in the future as the landfill reaches capacity. These figures are estimates. The County has provided the "Financial Assurance for Compliance" required by the Colorado Department of Public Health and Environment.

MONTEZUMA COUNTY, COLORADO

Required Supplementary Information

December 31, 2012

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules

General Fund

Road and Bridge Fund

Social Services Fund

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual General Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General property taxes	\$ 6,107,772	\$ 6,107,772	\$ 6,063,559	\$ (44,213)
Specific ownership taxes	534,300	534,300	553,637	19,337
Severance taxes	278,419	278,419	445,924	167,505
Tobacco products taxes	8,465	8,465	6,646	(1,819)
Total taxes	6,928,956	6,928,956	7,069,766	140,810
Licenses and permits				
Food service licenses	33,000	33,000	34,132	1,132
Total licenses and permits	33,000	33,000	34,132	1,132
Intergovernmental revenues				
Payment in lieu of taxes	157,782	157,782	162,586	4,804
Mineral leasing	600,000	600,000	708,737	108,737
Grants				
Community service block grant	14,686	14,686		(14,686)
WIC	580,858	580,858	522,154	(58,704)
Donated commodities			31,014	31,014
Bioterrorism	66,740	66,740	68,500	1,760
Other grants			52,317	52,317
Sherrif grants	100,000	100,000	209,672	109,672
Health department grants	440,115	440,115	501,937	61,822
Immunization grants	70,550	70,550	63,763	(6,787)
HCP	7,628	7,628	7,678	50
TB control	2,200	2,200	35	(2,165)
Environmental health contract	16,558	16,558	16,794	236
HCBS	18,000	18,000	35,753	17,753
Single entry point	385,742	385,742	415,633	29,891
Area agency on aging	100,500	100,500	104,380	3,880
Transportation grant	57,178	57,178	64,400	7,222
Total intergovernmental revenues	2,618,537	2,618,537	2,965,353	346,816

(continued)

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual General Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Charges for services				
General government	\$ 26,627	\$ 26,627	\$ 62,869	\$ 36,242
Health	188,525	188,525	163,981	(24,544)
Senior nutrition	188,703	188,703	100,779	(87,924)
MCH block grant	61,259	61,259	70,923	9,664
County fair and fairground user fees	70,930	70,930	87,391	16,461
Total charges for services	536,044	536,044	485,943	(50,101)
Fines and forfeitures				
Court fines	21,216	21,216	22,716	1,500
Total fines and forfeitures	21,216	21,216	22,716	1,500
Earnings on investments	100,000	100,000	92,828	(7,172)
Miscellaneous revenues				
Rents and royalties	241,504	241,504	305,654	64,150
Reimbursements			138,059	138,059
Delinquent tax and interest			(186,671)	(186,671)
Other			55,550	55,550
Total miscellaneous revenues	241,504	241,504	312,592	71,088
Fee accounts				
Sheriff fees	825,557	825,557	691,623	(133,934)
Clerk fees	515,000	515,000	543,113	28,113
Treasurers fees	199,492	199,492	212,469	12,977
Public trustee fees	42,662	42,662	36,884	(5,778)
Total fee accounts	1,582,711	1,582,711	1,484,089	(98,622)
Total revenues	12,061,968	12,061,968	12,467,419	405,451

(continued)

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual General Fund

For the Year Ended December 31, 2012

Expenditures	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General government				
Board of county commissioners	\$ 256,250	\$ 256,250	\$ 231,885	\$ 24,365
Planning department	139,016	143,816	139,232	4,584
Clerk	590,167	596,197	574,972	21,225
Treasurer	278,023	278,023	270,986	7,037
Public trustee	18,007	18,007	15,236	2,771
Assessor	555,400	555,400	500,503	54,897
Attorney	152,787	152,787	137,084	15,703
Grounds and buildings	554,371	738,300	656,106	82,194
Administrative assistant	331,845	335,411	268,808	66,603
Elections	130,000	131,089	58,326	72,763
Extention service	103,153	104,723	102,808	1,915
Veteran's office	17,263	17,263	16,972	291
Purchasing	75,000	75,000	73,930	1,070
Computer services and mapping	326,292	326,579	309,557	17,022
Emergency management	72,065	72,065	65,065	7,000
Miscellaneous	879,579	907,667	748,440	159,227
Total general government	4,479,218	4,708,577	4,169,910	538,667
Public safety				
Sheriff administration	3,178,855	3,472,045	3,359,421	112,624
Coroner	69,488	69,488	61,663	7,825
District attorney	718,180	720,597	720,597	-
Police stations and buildings	2,156,986	2,310,303	2,201,390	108,913
Total public safety	6,123,509	6,572,433	6,343,071	229,362
Health and welfare				
Public health administration	2,023,512	2,023,512	1,959,355	64,157
Senior citizens	455,151	485,461	412,364	73,097
Animal and pest control	70,500	70,500	70,180	320
Total health and welfare	2,549,163	2,579,473	2,441,899	137,574

(continued)

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (continued)				
Culture and recreation				
County fair	\$ 35,500	\$ 35,500	\$ 21,130	\$ 14,370
Fairgrounds	245,420	449,915	417,590	32,325
Total culture and recreation	280,920	485,415	438,720	46,695
Total expenditures	13,432,810	14,345,898	13,393,600	952,298
Excess (deficit) of revenues over (under) expenditures	(1,370,842)	(2,283,930)	(926,181)	1,357,749
Other financing sources (uses)				
Operating transfers in	1,318,442	1,318,442	1,561,013	242,571
Operating transfers (out)		(501,063)	(500,000)	1,063
Total other financing sources (uses)	1,318,442	817,379	1,061,013	243,634
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(52,400)	(1,466,551)	134,832	1,601,383
Fund balance, beginning	5,478,202	9,520,563	9,520,563	-
Fund balance, ending	\$ 5,425,802	\$ 8,054,012	\$ 9,655,395	\$ 1,601,383

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balance- Budget and Actual
Road and Bridge Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General property taxes	\$ 1,542,770	\$ 1,542,770	\$ 1,534,328	\$ (8,442)
Specific ownership taxes	135,111	135,111	137,814	2,703
Delinquent taxes and interest	1,857	1,857	(10,745)	(12,602)
Total taxes	<u>1,679,738</u>	<u>1,679,738</u>	<u>1,661,397</u>	<u>(18,341)</u>
Intergovernmental revenues				
Federal shared revenues				
Forest Service	60,871	60,871	57,177	(3,694)
ARRA grant			58,038	58,038
Mineral leasing	600,000	600,000	708,737	108,737
State shared revenues				
Highway user's tax	2,384,427	2,384,427	2,421,701	37,274
Additional motor vehicle registration fee	80,000	80,000	80,061	61
Total intergovernmental revenues	<u>3,125,298</u>	<u>3,125,298</u>	<u>3,325,714</u>	<u>200,416</u>
Miscellaneous revenues				
Permits	5,000	5,000	44,317	39,317
Impact fees	57,316	57,316	120,812	63,496
Dust abatement	57,000	57,000	170,734	113,734
Other			12,739	12,739
Total miscellaneous revenues	<u>119,316</u>	<u>119,316</u>	<u>348,602</u>	<u>229,286</u>
Total revenues	<u>4,924,352</u>	<u>4,924,352</u>	<u>5,335,713</u>	<u>411,361</u>
Expenditures				
Current operating				
Public Works				
Administration	119,111	119,111	118,552	559
Maintenance of condition	3,481,060	3,481,060	3,310,430	170,630
Snow and ice removal	267,142	267,142	251,403	15,739
System preservation	807,735	807,735	760,146	47,589
Payments to cities	150,378	150,378	147,809	2,569
Total public works	<u>4,825,426</u>	<u>4,825,426</u>	<u>4,588,340</u>	<u>237,086</u>
Total expenditures	<u>4,825,426</u>	<u>4,825,426</u>	<u>4,588,340</u>	<u>237,086</u>
Excess (deficit) of revenues over (under) expenditures	<u>98,926</u>	<u>98,926</u>	<u>747,373</u>	<u>648,447</u>
Other financing sources (uses)				
Transfers in	22,781	22,781	35,791	13,010
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	<u>121,707</u>	<u>121,707</u>	<u>783,164</u>	<u>661,457</u>
Fund balance, beginning	<u>3,541,359</u>	<u>4,056,064</u>	<u>4,056,064</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,663,066</u>	<u>\$ 4,177,771</u>	<u>\$ 4,839,228</u>	<u>\$ 661,457</u>

MONTEZUMA COUNTY, COLORADO

Schedule of Revenue, Expenditures and Changes in
Fund Balance - Budget and Actual
Social Services Fund
For the year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General Property Taxes	\$ 766,669	\$ 766,669	\$ 758,019	\$ (8,650)
Specific Ownership Taxes	67,750	67,750	68,408	658
Total taxes	<u>834,419</u>	<u>834,419</u>	<u>826,427</u>	<u>(7,992)</u>
Intergovernmental revenues				
Programs settled by CFMS				
Colorado Works	853,562	853,562	713,477	(140,085)
Child Care	287,236	287,236	229,268	(57,968)
Child Welfare	1,316,853	1,500,853	1,409,066	(91,787)
Administration	557,887	557,887	464,552	(93,335)
Core Services	405,756	405,756	289,685	(116,071)
Child Support	149,326	179,326	145,030	(34,296)
LEAP	752,105	752,105	539,652	(212,453)
Aid to Needy Disabled	120,000	120,000	58,114	(61,886)
Home Care Allowance	47,500	47,500	49,536	2,036
Old Age Pension	295,000	295,000	278,788	(16,212)
Food Assistance Fraud	32,328	32,328	31,201	(1,127)
Food Assistance	7,761,578	8,017,578	5,000,792	(3,016,786)
Food Assistance Job Search	3,728	3,728	2,180	(1,548)
IV-E Independent Living			286	286
Tanf Collections EBT	(2,991)	(2,991)	(1,845)	1,146
State and Federal Incentives	23,518	23,518	34,521	11,003
TANF Collections IVD Retained	(32,304)	(32,304)	(48,425)	(16,121)
Medicaid Collections	(699)	(699)	(942)	(243)
Total Programs settled by CFMS	<u>12,570,383</u>	<u>13,040,383</u>	<u>9,194,936</u>	<u>(3,845,447)</u>
Other				
Medicaid Transport	63,922	105,922	95,272	(10,650)
IV-E Incentives	157,152	157,152	75,180	(81,972)
Integrated Care Management	87,347	87,347	87,096	(251)
Other	40,000	40,000		(40,000)
Total Other	<u>348,421</u>	<u>390,421</u>	<u>257,548</u>	<u>(132,873)</u>
Total Intergovernmental revenues	<u>12,918,804</u>	<u>13,430,804</u>	<u>9,452,484</u>	<u>(3,978,320)</u>
Total Revenues	<u>13,753,223</u>	<u>14,265,223</u>	<u>10,278,911</u>	<u>(3,986,312)</u>
Expenditures				
Health and Welfare				
Programs settled by CFMS				
Colorado Works	1,058,257	1,058,257	856,463	201,794
Child Care	338,821	338,821	282,858	55,963
Child Welfare	1,596,980	1,780,980	1,748,329	32,651
Administration	897,359	897,359	576,756	320,603
Core Services	433,042	433,042	309,596	123,446
Child Support	226,251	256,251	272,872	(16,621)
LEAP	752,105	752,105	539,652	212,453
Aid to Needy Disabled	150,000	150,000	72,642	77,358
Home Care Allowance	50,000	50,000	52,143	(2,143)
Old Age Pension	295,000	295,000	278,788	16,212
Food Assistance Fraud	63,889	63,889	39,001	24,888
Food Assistance	7,761,578	8,017,578	5,000,792	3,016,786
Food Assistance Job Search	4,659	4,659	4,437	222
IV-E Independent Living			286	(286)
Tanf Collections EBT	(3,887)	(3,887)	(2,306)	(1,581)
Audit Adjustments	5,094	5,094		5,094
Tanf Collections IVD Retained	(41,724)	(41,724)	(80,531)	38,807
Medicaid Collections	(699)	(699)	(942)	243
Total Programs settled by CFMS	<u>13,386,725</u>	<u>13,856,725</u>	<u>9,970,836</u>	<u>3,885,889</u>
Other				
Medicaid Transport	63,922	105,922	96,087	9,835
IV-E Money	157,152	157,152	75,180	81,972
Integrated Care Management	87,347	87,347	87,096	251
Other	96,696	96,696	2,688	94,008
Total Other	<u>405,117</u>	<u>447,117</u>	<u>261,051</u>	<u>186,066</u>
Total expenditures	<u>13,791,842</u>	<u>14,303,842</u>	<u>10,231,887</u>	<u>4,071,955</u>
Excess revenues over (under) expenditures	<u>(38,619)</u>	<u>(38,619)</u>	<u>47,024</u>	<u>85,643</u>
Other financing sources (uses)				
Operating transfers in (out)			443	443
Total other financing sources (uses)			<u>443</u>	<u>443</u>
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	<u>(38,619)</u>	<u>(38,619)</u>	<u>47,467</u>	<u>86,086</u>
Fund balance, beginning	<u>1,387,149</u>	<u>1,387,149</u>	<u>1,386,821</u>	<u>(328)</u>
Fund balance, ending	<u>\$ 1,348,530</u>	<u>\$ 1,348,530</u>	<u>\$ 1,434,288</u>	<u>\$ 85,758</u>

MONTEZUMA COUNTY, COLORADO

Other Supplementary Information

December 31, 2012

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Combining Statements- Nonmajor governmental funds

Budgetary Comparison Schedules- Nonmajor governmental funds

Budgetary Comparison Schedule-Capital Fund

Budgetary Comparison Schedule-Jail Fund

Budgetary Comparison Schedule-Enterprise Fund

MONTEZUMA COUNTY, COLORADO

Nonmajor Governmental Funds

December 31, 2012

Special Revenue Funds

Special revenue funds are used to account for taxes and other designated revenues of the County which are used for a specified purpose as required by law or administrative action.

Public Health Fund

This fund will be required by state statute in 2013 to account for the County's public health operations. The County chose to start the fund in the current year.

Conservation Trust Fund

This fund accounts for the County's share of lottery proceeds from the state to pay for local conservation efforts.

Clara Ormiston Fund

This fund accounts for money received from the Clara Ormiston Trust to help residents of the county with health care costs for the treatment of cancer.

Emergency Telephone Service Fund

This fund accounts for an emergency telephone service system in Montezuma County.

Sheriff's Department Forfeiture Fund

This fund was established pursuant to Section 16-13-506 C.R.S. to account for proceeds from property ordered by the court to be forfeited and used for nonoperating purposes.

Revolving Loan Fund

The Housing and Community Development Act of 1974 has established a Community Development Block Grant program to support economic development projects that create or retain jobs and which contribute to sound overall community development at the local level. The Revolving Loan Fund accounts for the revenue and expenditures relative to these federal monies.

Lodgers' Tax Fund

This fund accounts for the lodgers' tax revenue collected by merchants to be used for the promotion of Montezuma County.

Emergency Reserve Fund

This fund accounts for a portion of the County fund balance that was set aside to meet the emergency reserve required by TABOR. This fund had no activity during the current year.

Contingent Fund

This fund is required by state law. This fund accounts for expenditures not reasonably foreseen at the time the budget is adopted. This fund had no activity during the year.

Law Enforcement Authority

This fund was created in 2008 to account for the voter approved levy of property taxes to provide increased funding for public safety operations of the County.

MONTEZUMA COUNTY
Combining Balance Sheet
Non Major Governmental Funds
December 31, 2012

Special Revenue Funds											
	Public Health Fund	Conservation Trust Fund	Clara Ormiston Fund	Emergency Telephone Fund	Sheriff's Forfeiture Fund	Revolving Loan Fund	Lodgers Tax Fund	Emergency Reserve Fund	Contingent Fund	Law Enforcement Authority Fund	Total
Assets											
Cash	\$ 500,000	\$ 151,080	\$ 29,179	\$ 578,097	\$ 322	\$ 143,426	\$ 106,581	\$ 722,119	\$ 532,516	\$ 693,110	\$ 3,456,430
Total Assets	\$ 500,000	\$ 151,080	\$ 29,179	\$ 578,097	\$ 322	\$ 143,426	\$ 106,581	\$ 722,119	\$ 532,516	\$ 693,110	\$ 3,456,430
Liabilities											
Accounts payable											
Due to other funds											
Total Liabilities											
County Equity											
Fund Balance			\$ 29,179					\$ 722,119		\$ 29,179	\$ 722,119
Restricted											
Cancer treatments											
TABOR											
Unrestricted	\$ 500,000	\$ 151,080		\$ 578,097	\$ 322	\$ 143,426	\$ 106,581		\$ 532,516	\$ 693,110	2,705,132
Assigned for future year's expenditures											
Total County Equity	\$ 500,000	\$ 151,080	\$ 29,179	\$ 578,097	\$ 322	\$ 143,426	\$ 106,581	\$ 722,119	\$ 532,516	\$ 693,110	\$ 3,456,430
Total Liabilities and County Equity	\$ 500,000	\$ 151,080	\$ 29,179	\$ 578,097	\$ 322	\$ 143,426	\$ 106,581	\$ 722,119	\$ 532,516	\$ 693,110	\$ 3,456,430

MONTEZUMA COUNTY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds

For the Year Ended December 31, 2012

	Special Revenue Funds										Total
	Public Health Fund	Conservation Trust Fund	Ormiston Fund	Emergency Telephone Fund	Sheriff's Forfeiture Fund	Revolving Loan Fund	Lodgers Tax Fund	Emergency Reserve Fund	Contingent Fund	Law Enforcement Authority Fund	
Revenues											
Taxes		\$ 147,980					\$ 107,314			\$ 745,164	\$ 852,478
Intergovernmental				\$ 221,835							147,980
Charges for services		490	\$ 4,600			\$ 808					221,835
Earnings on investments											5,898
Total Revenues	-	148,470	4,600	221,835	-	808	107,314	-	-	745,164	1,228,191
Expenditures											
General government							102,000				102,000
Public safety				175,771							175,771
Total expenditures	-	-	-	175,771	-	-	102,000	-	-	-	277,771
Excess revenues over (under) expenditures	-	148,470	4,600	46,064	-	808	5,314	-	-	745,164	950,420
Other financing sources (uses)											
Operating transfers in (out)	\$ 500,000	(145,124)	(443)	(23,488)					\$ (75,273)	(782,148)	(526,476)
Total other financing sources (uses)	500,000	(145,124)	(443)	(23,488)	-	-	-	-	(75,273)	(782,148)	(526,476)
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	500,000	3,346	4,157	22,576	-	808	5,314	-	(75,273)	(36,984)	423,944
Fund Balances beginning of the year	-	147,734	25,022	555,521	\$ 322	142,618	101,267	\$ 722,119	607,789	730,094	3,032,486
Fund Balances end of the year	\$ 500,000	\$ 151,080	\$ 29,179	\$ 578,097	\$ 322	\$ 143,426	\$ 106,581	\$ 722,119	\$ 532,516	\$ 693,110	\$ 3,456,430

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Public Health Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments				
Total Revenues	-	-	-	-
Expenditures				
General government				-
Total Expenditures	-	-	-	-
Excess revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in			\$ 500,000	\$ 500,000
Total other financing sources (uses)	-	-	500,000	500,000
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	500,000	500,000
Fund Balances beginning of the year	-	-	-	-
Fund Balances end of the year	\$ -	\$ -	\$ 500,000	\$ 500,000

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Conservation Trust Fund

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Lottery funds	\$ 120,000	\$ 120,000	\$ 147,980	\$ 27,980
Total intergovernmental revenues	120,000	120,000	147,980	27,980
Miscellaneous				
Earnings on investments		-	490	490
Total miscellaneous revenues	-	-	490	490
Total Revenues	120,000	120,000	148,470	28,470
Other financing sources (uses)				
Operating transfers out	(100,000)	(145,124)	(145,124)	-
Total other financing sources (uses)	(100,000)	(145,124)	(145,124)	-
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	20,000	(25,124)	3,346	28,470
Fund Balances beginning of the year	137,863	147,734	147,734	-
Fund Balances end of the year	\$ 157,863	\$ 122,610	\$ 151,080	\$ 28,470

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Ormiston Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 4,600	\$ 4,600
Total Revenues	-	-	4,600	4,600
Other financing sources (uses)				
Operating transfers out		\$ (443)	(443)	-
Total other financing sources (uses)	-	(443)	(443)	-
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	-	(443)	4,157	4,600
Fund Balances beginning of the year	\$ 25,022	\$ 25,022	25,022	-
Fund Balances end of the year	\$ 25,022	\$ 24,579	\$ 29,179	\$ 4,600

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Emergency Telephone Fund

For the Year Ended December 31, 2012

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Charges for services	\$ 175,000	\$ 175,000	\$ 221,835	\$ 46,835
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>221,835</u>	<u>46,835</u>
Expenditures				
Public safety	250,000	250,000	175,771	74,229
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>175,771</u>	<u>74,229</u>
Excess revenues over (under) expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>46,064</u>	<u>121,064</u>
Other financing sources (uses)				
Operating transfers out	(22,781)	(23,488)	(23,488)	-
Total other financing sources (uses)	<u>(22,781)</u>	<u>(23,488)</u>	<u>(23,488)</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(97,781)</u>	<u>(98,488)</u>	<u>22,576</u>	<u>121,064</u>
 Fund Balances beginning of the year	 548,030	 555,521	 555,521	 -
Fund Balances end of the year	<u><u>\$ 450,249</u></u>	<u><u>\$ 457,033</u></u>	<u><u>\$ 578,097</u></u>	<u><u>\$ 121,064</u></u>

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Sheriff's Forfeiture Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments				\$ -
Total Revenues	-	-	-	-
Expenditures				
Public safety				-
Total expenditures	-	-	-	-
Excess revenues over (under) expenditures	-	-	-	-
Fund Balances beginning of the year	\$ 322	\$ 322	\$ 322	-
Fund Balances end of the year	\$ 322	\$ 322	\$ 322	\$ -

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Revolving Loan Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 808	\$ 808
Total Revenues	-	-	808	808
Expenditures				
				-
Excess revenues over (under) expenditures	-	-	808	808
Fund Balances beginning of the year	\$ 140,872	\$ 142,618	142,618	-
Fund Balances end of the year	\$ 140,872	\$ 142,618	\$ 143,426	\$ 808

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Lodgers Tax Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Lodgers tax	\$ 80,000	\$ 80,000	\$ 107,314	\$ 27,314
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>107,314</u>	<u>27,314</u>
Expenditures				
General government	109,000	109,000	102,000	7,000
Total Expenditures	<u>109,000</u>	<u>109,000</u>	<u>102,000</u>	<u>7,000</u>
Excess revenues over (under) expenditures	<u>(29,000)</u>	<u>(29,000)</u>	<u>5,314</u>	<u>34,314</u>
Fund Balances beginning of the year	101,197	101,267	101,267	-
Fund Balances end of the year	<u>\$ 72,197</u>	<u>\$ 72,267</u>	<u>\$ 106,581</u>	<u>\$ 34,314</u>

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Emergency Reserve Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments				
Total Revenues	-	-	-	-
Expenditures				
General government				-
Total Expenditures			-	-
Excess revenues over (under) expenditures			-	-
Other financing sources (uses)				
Operating transfers out				-
Total other financing sources (uses)	-	-	-	-
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
Fund Balances beginning of the year	\$ 722,119	\$ 722,119	\$ 722,119	-
Fund Balances end of the year	\$ 722,119	\$ 722,119	\$ 722,119	\$ -

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Contingent Fund

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on investments				
Total Revenues	-	-	-	-
Expenditures				
General government				-
Total Expenditures	-	-	-	-
Excess revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers out		\$ (75,273)	\$ (75,273)	-
Total other financing sources (uses)	-	(75,273)	(75,273)	-
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	-	(75,273)	(75,273)	-
Fund Balances beginning of the year	\$ 607,789	\$ 607,789	\$ 607,789	-
Fund Balances end of the year	\$ 607,789	\$ 532,516	\$ 532,516	\$ -

MONTEZUMA COUNTY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual
Law Enforcement Authority Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 688,425	\$ 688,425	\$ 686,573	\$ (1,852)
Specific ownership taxes	48,000	48,000	61,455	13,455
Delinquent tax and interest			(2,864)	(2,864)
Total taxes	736,425	736,425	745,164	8,739
Total Revenues	736,425	736,425	745,164	8,739
Other financing sources (uses)				
Operating transfers out	(850,000)	(850,000)	(782,148)	67,852
Total other financing sources (uses)	(850,000)	(850,000)	(782,148)	67,852
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(113,575)	(113,575)	(36,984)	76,591
Fund Balances beginning of the year	722,712	730,094	730,094	-
Fund Balances end of the year	<u>\$ 609,137</u>	<u>\$ 616,519</u>	<u>\$ 693,110</u>	<u>\$ 76,591</u>

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balance- Budget and Actual
Capital Fund

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Mineral leasing			\$ 730,215	\$ 730,215
Total intergovernmental revenues	-	-	730,215	730,215
Miscellaneous revenues				
Asset sales		-	5,457	5,457
Total miscellaneous revenues	-	-	5,457	5,457
Total Revenues	-	-	735,672	735,672
Expenditures				
General government	\$ 200,000	\$ 200,000	119,604	80,396
Public safety	250,000	250,000	249,311	689
Total expenditures	450,000	450,000	368,915	81,085
Excess (deficit) of revenues over (under) expenditures	(450,000)	(450,000)	366,757	816,757
Other financing sources (uses)				
Transfers (out)		(202,330)	(202,329)	1
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	(450,000)	(652,330)	164,428	816,758
Fund balance, beginning	\$ 2,293,312	2,293,312	2,293,312	-
Fund balance, ending	\$ 1,843,312	\$ 1,640,982	\$ 2,457,740	\$ 816,758

MONTEZUMA COUNTY, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balance- Budget and Actual
Jail Fund

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Taxes				
Sales tax			\$ 2,274	\$ 2,274
Total taxes	-	-	2,274	2,274
Miscellaneous revenues				
Earnings on investments			253	253
Total miscellaneous revenues	-	-	253	253
Total Revenues	-	-	2,527	2,527
Expenditures				
Public safety				
Debt Service				
Principal	\$ 390,000	\$ 390,000	390,000	-
Interest	11,700	11,700	11,700	-
Other	1,000	1,000	688	312
Total expenditures	402,700	402,700	402,388	312
Excess (deficit) of revenues over (under) expenditures	(402,700)	(402,700)	(399,861)	2,839
Other financing sources (uses)				
Transfers (out)	(368,442)	(368,442)	(368,442)	-
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	(771,142)	(771,142)	(768,303)	2,839
Fund balance, beginning	1,111,110	1,111,110	1,118,065	6,955
Fund balance, ending	\$ 339,968	\$ 339,968	\$ 349,762	\$ 9,794

MONTEZUMA COUNTY, COLORADO
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
Proprietary Fund
Enterprise Fund
Landfill Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		(Non GAAP Basis)	Variance
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Operating Revenues				
Landfill fees	\$ 1,005,275	\$ 1,005,275	\$ 913,954	\$ (91,321)
Total local sources	1,005,275	1,005,275	913,954	(91,321)
Operating Expenses				
Landfill operations				
Salaries	284,851	284,851	284,594	257
Employee benefits	79,900	79,900	77,986	1,914
Other operating expenses	213,260	213,260	148,080	65,180
Professional fees	95,230	95,230	75,773	19,457
Utilities	46,680	46,680	43,051	3,629
Insurance and bonds	50,750	50,750	46,534	4,216
Repairs and maintenance	57,750	57,750	59,094	(1,344)
Capital outlay	153,310	153,310	88,184	65,126
Total Operating Expenses	981,731	981,731	823,296	158,435
Operating income (loss)	23,544	23,544	90,658	67,114
Non-Operating Revenue (Expense)				
(Increase) Decrease in accrued closure costs	(100,000)	(100,000)	2,358	102,358
Asset sales	25,000	25,000		(25,000)
Interfund loan payment	(157,279)	(157,279)	(157,279)	-
Total Non-Operating Revenue	(232,279)	(232,279)	(154,921)	77,358
Change in net assets non GAAP basis	(208,735)	(208,735)	(64,263)	144,472
Add capital outlay			88,184	88,184
Add loan payment			157,279	157,279
Less depreciation expense			(146,061)	(146,061)
Change in net assets	(208,735)	(208,735)	35,139	243,874
Net assets beginning of the year	1,067,641	1,251,465	1,251,465	-
Net assets end of the year	\$ 858,906	\$ 1,042,730	\$ 1,286,604	\$ 243,874

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of County Commissioners
Montezuma County, Colorado
Cortez, Colorado 81321

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montezuma County, Colorado as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Montezuma County, Colorado's basic financial statements and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montezuma County, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montezuma County, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montezuma County, Colorado's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less

severe than a material weakness, yet important enough to merit attention by those charges with governance.

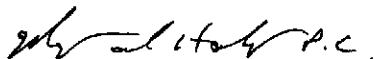
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma County, Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Majors and Haley, P.C.
June 26, 2013

Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of County Commissioners
Montezuma County, Colorado
Cortez, Colorado 81321

Report on Compliance for Each Major Federal Program

We have audited the Montezuma County, Colorado's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montezuma County, Colorado's major federal programs for the year ended December 31, 2012. The Montezuma County, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montezuma County, Colorado's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montezuma County, Colorado's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Montezuma County, Colorado's compliance.

Opinion on Each Major Federal Program

In our opinion, the Montezuma County, Colorado complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

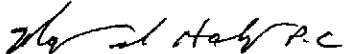
Report on Internal Control Over Compliance

Management of the Montezuma County, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Montezuma County, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montezuma County, Colorado's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charges with governance.

Our consideration of internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Majors and Haley, P.C.
June 26, 2013

MONTEZUMA COUNTY, COLORADO

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For The Year Ended December 31, 2012**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture		
Passed through the Colorado Department of Human Services		
Food Distribution	10.569	31,014
Supplemental Nutrition Assistance Program	10.551	5,013,443
SNAP Administration	10.561	177,751
		<u>5,222,208</u>
Passed through the Colorado Department of Public Health and Environment		
Special Supplemental Food-WIC	10.557	<u>522,154</u>
U.S. Department of Health and Human Services		
Passed through the Colorado Department of Public Health and Environment		
Pandemic Flu	93.069	63,640
ARRA Training Grant	93.712	1,027
RIZO Grant	93.539	17,010
Maternal and Child Health Services	93.994	7,678
Childhood Immunization Grant	93.268	18,416
		<u>107,771</u>
Passed through the Colorado Department of Human Services		
Title XIX Medicaid	93.778	178,730
Colorado Works	93.558	836,322
IV-B Child Care	93.645	14,514
Title IV-E Foster Care	93.658	288,608
Title XX Block Grant	93.667	149,830
Title IV-D Administration	93.563	130,727
Low Income Home Energy Assistance (LEAP)	93.568	539,652
Child Care Development Fund	93.596	152,063
Child Care Development Fund-Discretion	93.575	4,635
Title IV-E Individual Living	93.674	286
TANF ARRA	93.714	9,275
Title IV-E Adoption	93.659	71,696
Other	93.XXX	(144)
		<u>2,376,194</u>
Passed through the Colorado Department of Health Care Policy and Finance		
Single Entry Point Grant	93.778	<u>184,483</u>
Passed through the Colorado Department of Regulatory Agencies-Division of Insurance		
State Health Insurance Assistance Program	93.779	<u>10,846</u>
U.S. Department of Justice		
Passed through the Colorado Department of Criminal Justice		
ARRA Law Enforcement	16.810	<u>63,889</u>
Other Federal Assistance		
National Park Service Preserving America Grant	15.929	46,803
ARRA Forest Service Weed Control	10.668	52,359
ARRA BLM CANM Habitat Restoration	15.230	5,679
Forest Service	10.666	57,177
		<u>162,018</u>
Total		<u>\$ 8,649,563</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE **For the Year Ended December 31, 2012**

BASIS OF PRESENTATION

The accompanying Schedule of Federal Financial Assistance includes the federal grant activity of Montezuma County, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

SUBRECIPIENTS

Montezuma County had no sub-recipients of federal funds for the year ended December 31, 2012.

MONTEZUMA COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **For the Year Ended December 31, 2012**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the (general purpose) financial statements of Montezuma County, Colorado.
2. No instances of noncompliance material to the (general purpose) financial statements of Montezuma County, Colorado were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for Montezuma County, Colorado expressed an unqualified opinion on all major programs.
4. No instances of audit findings relating to major programs were disclosed during the audit.
5. The programs tested as major programs included:
 - Supplemental Nutrition Assistance Program Cluster
 - CFDA Number 10.551 and 10.561
 - Special Supplemental Food-WIC
 - CFDA Number 10.557
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Montezuma County, Colorado was determined to be a low-risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no reportable findings related to the financial statements.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no reportable findings or questioned costs related to federal awards.

MONTEZUMA COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

There were no findings or questioned costs relative to federal awards in the prior year.

MONTEZUMA COUNTY, COLORADO

SCHEDULE OF CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

There were no audit findings to be included in the current audit report; therefore, a corrective action plan is not necessary.

LOCAL HIGHWAY FINANCE REPORT

City or County:

County

YEAR ENDING :

December 2012

This Information From The Records Of (example - City of _ or County of _)
County of Montezuma, ColoradoPrepared By: Majors and Haley PC
Phone: 970-565-9521**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	1,783,751
4. Miscellaneous local receipts (from page 2)	262,040
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c.	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	2,045,791
B. Private Contributions	
C. Receipts from State government (from page 2)	2,501,762
D. Receipts from Federal Government (from page 2)	823,952
E. Total receipts (A.7 + B + C + D)	5,371,505

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	760,147
2. Maintenance:	3,310,430
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	251,403
c. Other Payments to Towns	147,809
d. Total (a. through c.)	399,212
4. General administration & miscellaneous	118,552
5. Highway law enforcement and safety	
6. Total (1 through 5)	4,588,341
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	4,588,341

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	4,056,064	5,371,505	4,588,341	4,839,228	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	1,525,125	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	120,812	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	6,035
4. Licenses		f. Charges for Services	218,451
5. Specific Ownership &/or Other	137,814	g. Other Misc. Receipts	1,763
6. Total (1. through 5.)	258,626	h. Other Transfers in	35,791
c. Total (a. + b.)	1,783,751	i. Total (a. through h.)	262,040
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,421,701	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	115,215
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	80,061	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other Severance Tax		f. Other Federal Mineral Leasing	708,737
f. Total (a. through e.)	80,061	g. Total (a. through f.)	823,952
4. Total (1. + 2. + 3.f)	2,501,762	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			
(2). Capacity Improvements			0
(3). System Preservation		760,147	760,147
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	760,147	760,147
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	760,147	760,147
			(Carry forward to page 1)

Notes and Comments: