

MONTEZUMA COUNTY, COLORADO

Accountants' Reports
and
Basic Financial Statements

December 31, 2013

MONTEZUMA COUNTY, COLORADO

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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, 2013, 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, 2013, 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 46 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

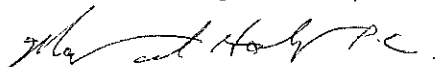
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County, Colorado's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, and Local Highway Finance Report are presented 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 July 10, 2014, 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.
July 10, 2014

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2013

FINANCIAL HIGHLIGHTS

Key financial highlights for the County in 2013 are as follows:

- In total, net position increased \$3,254,473. Net position of governmental activities increased \$2,946,610 which represents an 8.5 percent increase from 2012. Net assets of business type activities increased \$307,863 or 23.9 percent from 2012.
- General revenues accounted for \$14.55 million in revenue or 44 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$18.14 million or 56 percent of total revenues of \$32.69 million.
- Governmental activities total assets increased by \$2,913,304. Total liabilities increased by \$93,983. Deferred inflows of resources decreased by \$127,289.
- The County incurred \$28.42 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 \$14.55 million were adequate to cover the balance of the costs of these programs.
- Among the major funds, the General Fund had \$13.08 million in revenues, including transfers and \$11.53 million in expenditures. It's fund balance increased by \$1,556,340 from \$9.66 million to \$11.21 million.
- Net assets of the Enterprise Fund increased from \$1,286,604 to \$1,594,467.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2013

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 public works 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, 2013

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, 2013

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 \$3,320,847. Total liabilities increased by \$193,663. Deferred inflows of resources decreased by \$127,289.

The County's combined net position was larger on December 31, 2013 than it was at December 31, 2012, increasing by 9 percent to \$39,133,816. Most of the increase came from its governmental activities, the net assets of which increased \$2,946,610 to \$37,539,349. The net position of the County's business type activities increased \$307,863 to \$1,594,467.

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2013

Table 1 provides a summary of the County's net position for 2013 compared to 2012:

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total County	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 35.346	\$ 32.132	\$ 0.387	\$ 0.155	\$ 35.733	\$ 32.287
Capital assets	12.979	13.280	1.946	1.770	14.925	15.050
Total assets	48.325	45.412	2.333	1.925	50.658	47.337
Liabilities						
Current liabilities	1.215	1.093	0.738	0.639	1.953	1.732
Noncurrent liabilities	0.852	0.879			0.852	0.879
Deferred inflows of resources	8.719	8.847			8.719	8.847
Net Position						
Invested in capital	12.127	12.400	1.595	1.286	13.722	13.686
Nonspendable	0.050	0.050			0.050	0.050
Restricted	0.802	0.751			0.802	0.751
Unrestricted	24.560	21.392			24.560	21.392
Total net position	\$ 37.539	\$ 34.593	\$ 1.595	\$ 1.286	\$ 39.134	\$ 35.879

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2013

Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

Table 2
Changes in Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total County	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 2.700	\$ 2.517	\$ 1.326	\$ 0.914	\$ 4.026	\$ 3.431
Operating grants	14.075	14.302			14.075	14.302
Capital grants	0.041				0.041	-
General revenues						
Property taxes	10.052	9.042			10.052	9.042
Mineral leasing	2.056	2.148			2.056	2.148
Other	2.447	2.039			2.447	2.039
Total revenues	31.371	30.048	1.326	0.914	32.697	30.962
Expenses						
General government	4.147	4.187			4.147	4.187
Public safety	6.787	6.849			6.787	6.849
Public works	4.595	4.546	1.018	0.879	5.613	5.425
Public health and welfare	12.426	12.667			12.426	12.667
Culture and recreation	0.345	0.489			0.345	0.489
Depreciation-unallocated	0.125	0.131			0.125	0.131
Total expenses	28.425	28.869	1.018	0.879	29.443	29.748
Increase (decrease) in net position	\$ 2.946	\$ 1.179	\$ 0.308	\$ 0.035	\$ 3.254	\$ 1.214

MONTEZUMA COUNTY, COLORADO

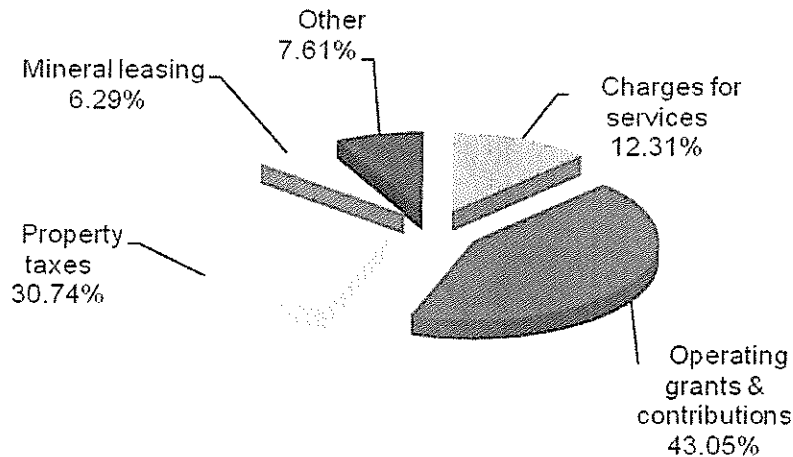
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2013

Operating grants and property taxes accounted for most of the County's total revenue, with each contributing 43.05 percent and 30.74 percent respectively (See Table 3). Another 12.31 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 2013

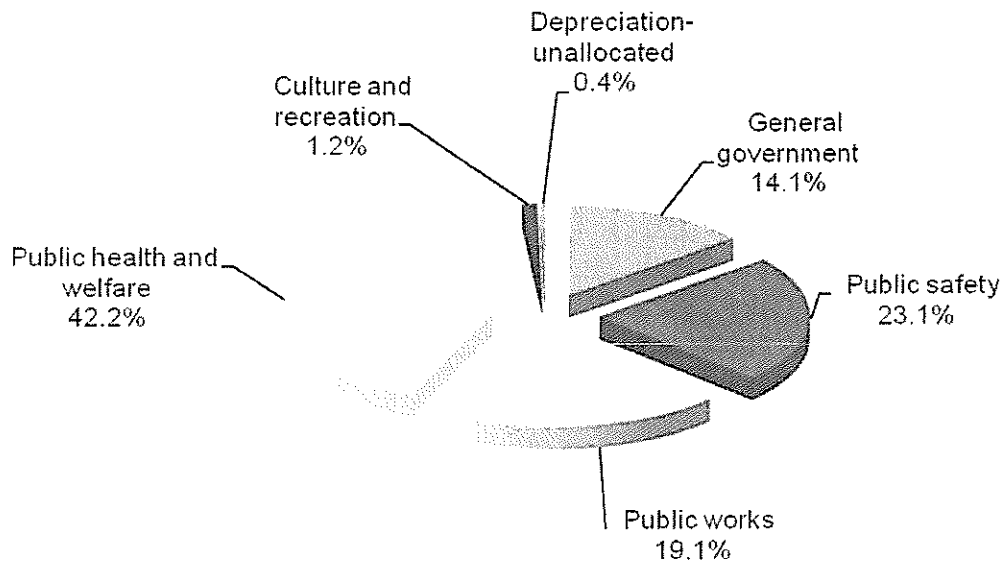


MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2013

Table 4
Expenses for Fiscal Year 2013



Governmental Activities

The primary sources of operating revenue for the County come from operating grants and general property taxes. The County receives approximately 74 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, 2013

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General government	\$ 4.147	\$ 4.187	\$ 3.261	\$ 3.331
Public safety	6.787	6.849	5.468	5.703
Public works	4.595	4.546	1.738	1.671
Public health and welfare	12.426	12.667	0.942	1.007
Culture and recreation	0.345	0.489	0.074	0.207
Depreciation-unallocated	0.125	0.131	0.125	0.131
Total	<u>\$ 28.425</u>	<u>\$ 28.869</u>	<u>\$ 11.608</u>	<u>\$ 12.050</u>

- The cost of all governmental activities during the year was \$28.425 million.
- Some of the cost was financed by the users of the County's programs (\$2.700 million)
- Federal and state government subsidized certain programs with grants and contributions (\$14.116 million).
- However, \$14.555 million was financed by state and county taxpayers. This portion of governmental activities was financed with \$10.052 million in property taxes, \$2.056 million in mineral leasing and \$2.447 million in other general revenues.

Business-type Activities

Business-type activities are made up of the Landfill Fund. This program had revenues of \$1.326 million and expenses of \$1.018 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, 2013

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 \$31.383 million and expenditures of \$28.164 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 \$2,714,183 under budget, primarily because the County closely monitored expenditures in an effort to remain below budget levels.

CAPITAL ASSET ADMINISTRATION

By the end of 2013, the County has invested \$29.918 million in land, buildings, and equipment (including vehicles), of this total \$25.686 million was from governmental activities.

Table 6 shows capital assets for 2013 compared to 2012:

MONTEZUMA COUNTY, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2013

Table 6
Capital Assets at December 31
(In millions)

	Governmental Activities		Business-Type Activities		Total County	
	2013	2012	2013	2012	2013	2012
Land	\$ 1.258	\$ 1.258			\$ 1.258	\$ 1.258
Infrastructure	1.859	1.859			1.859	1.859
Buildings	12.038	11.792			12.038	11.792
Equipment	10.531	10.299	\$ 4.232	\$ 3.902	14.763	14.201
Total	<u>\$ 25.686</u>	<u>\$ 25.208</u>	<u>\$ 4.232</u>	<u>\$ 3.902</u>	<u>\$ 29.918</u>	<u>\$ 29.110</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, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 25,553,376	\$ 387,280	\$ 25,940,656
Property taxes receivable	8,719,373		8,719,373
Other receivables	627,005		627,005
Due from other funds	48,884		48,884
Due from state	134,458		134,458
Due from other governments	212,641		212,641
Inventory	50,000		50,000
Capital assets	25,685,671	4,232,679	29,918,350
Accumulated depreciation	(12,706,358)	(2,286,949)	(14,993,307)
Total capital assets, net of depreciation	12,979,313	1,945,730	14,925,043
Total Assets	48,325,050	2,333,010	50,658,060
Liabilities			
Accounts payable	396,731	170,182	566,913
Due to other funds		48,884	48,884
Accrued closure costs		519,477	519,477
Due to other governments	58,206		58,206
Trusts payable	140		140
Payments in arrears	619,855		619,855
Deferred revenue	139,498		139,498
Long-term liabilities			
Due in more than one year	851,898		851,898
Total Liabilities	2,066,328	738,543	2,804,871
Deferred Inflows of Resources			
Deferred property tax revenue	8,719,373		8,719,373
Net Position			
Net investment in capital assets	12,127,415	1,594,467	13,721,882
Nonspendable			
Inventories	50,000		50,000
Restricted			
Cancer treatments	30,171		30,171
TABOR	772,119		772,119
Unrestricted	24,559,644		24,559,644
Total Net Position	\$ 37,539,349	\$ 1,594,467	\$ 39,133,816

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO
Statement of Activities

For the Year Ended December 31, 2013

	Expenses	Program Revenues			Net (Expenses) Revenue And Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities
Governmental Activities						
General government	\$ 4,146,383	\$ 874,588	\$ 10,326		\$ (3,261,469)	\$ (3,261,469)
Public safety	6,786,705	1,072,423	246,238		(5,468,044)	(5,468,044)
Public works	4,595,066	329,583	2,527,841		(1,737,642)	(1,737,642)
Public health and welfare	12,426,147	368,604	11,115,346		(942,197)	(942,197)
Culture and recreation	344,879	55,032	174,861	\$ 41,447	(73,539)	(73,539)
Depreciation-unallocated	125,312				(125,312)	(125,312)
Total Governmental Activities	28,424,492	2,700,230	14,074,612	41,447	(11,608,203)	(11,608,203)
Business-Type Activities						
County landfill	1,018,397	1,326,260				\$ 307,863
Total Business-Type Activities	1,018,397	1,326,260	-			307,863
Total County	\$ 29,442,889	\$ 4,026,490	\$ 14,074,612	\$ 41,447	(11,608,203)	307,863

General Revenues			
Property Tax for general purposes	10,051,553		10,051,553
Specific Ownership Tax for general purposes	829,335		829,335
Delinquent Tax and Interest	15,080		15,080
Sales Tax	5,269		5,269
Lodgers Tax	133,792		133,792
Severance Tax	332,808		332,808
Intergovernmental			
Motor Vehicle License Fees	93,840		93,840
Mineral Leasing	2,056,098		2,056,098
Payment in Lieu of Taxes	159,950		159,950
Tobacco Taxes	9,563		9,563
Earnings on investments	90,831		90,831
Reimbursements	351,454		351,454
Royalties	363,804		363,804
Asset sales	4,400		4,400
Miscellaneous	57,036		57,036
Total General Revenues	14,554,813	-	14,554,813
Changes in Net Position	2,946,610	307,863	3,254,473
Net Position Beginning of the Year	34,592,739	1,286,604	35,879,343
Net Position End of the Year	\$ 37,539,349	\$ 1,594,467	\$ 39,133,816

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Balance Sheet
Governmental Funds

December 31, 2013

	General Fund	Road and Bridge Fund	Social Services Fund	Jail Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash-unrestricted	\$ 11,438,968	\$ 6,029,062	\$ 1,644,400	\$ 8,294	\$ 3,076,864	\$ 3,355,788	\$ 25,553,376
Property taxes receivable	6,254,734	1,601,089	863,550				8,719,373
Other receivables	7,150		619,855				627,005
Due from other funds					48,884		48,884
Due from state			134,458				134,458
Due from other governments		142,978	18,854			50,809	212,641
Inventory		50,000					50,000
Total Assets	\$ 17,700,852	\$ 7,823,129	\$ 3,281,117	\$ 8,294	\$ 3,125,748	\$ 3,406,597	\$ 35,345,737
Liabilities							
Accounts payable	\$ 234,383	\$ 146,292				\$ 16,056	\$ 396,731
Trusts payable			\$ 140				140
Payments in arrears			619,855				619,855
Due to other governments			58,206				58,206
Deferred revenue			139,498				139,498
Total Liabilities	234,383	146,292	817,699	-	-	16,056	1,214,430
Deferred inflows of resources							
Unearned property tax revenues	6,254,734	1,601,089	863,550				8,719,373
Fund Balances							
Nonspendable							
Inventories		50,000					50,000
Restricted							
TABOR	50,000					\$ 722,119	772,119
Cancer treatments						30,171	30,171
Unrestricted							
Assigned for future year's expenditures	11,161,735	6,025,748	1,212,137	\$ 8,294	\$ 3,125,748	2,638,251	24,171,913
Unassigned			387,731				387,731
Total Fund Balances	11,211,735	6,075,748	1,599,868	8,294	3,125,748	3,390,541	25,411,934
Total Liabilities, Deferred inflows of resources and Fund Balances	\$ 17,700,852	\$ 7,823,129	\$ 3,281,117	\$ 8,294	\$ 3,125,748	\$ 3,406,597	\$ 35,345,737

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

Total Fund Balance Governmental Funds \$ 25,411,934

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	\$25,685,671
Accumulated depreciation	(12,706,358)

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet	12,979,313
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Due in more than one year	(851,898)
	(851,898)

Total Net Position Governmental Activities	\$ 37,539,349
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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, 2013

	General Fund	Road and Bridge Fund	Social Services Fund	Jail Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 7,629,889	\$ 1,839,960	\$ 917,250	\$ 5,269		\$ 977,561	\$ 11,369,929
Intergovernmental revenues	1,436,980	3,300,193	9,069,887		\$ 699,073	1,919,833	16,425,946
Charges for services	244,772	302,702				446,513	993,987
Fines and forfeitures	27,887						27,887
Earnings on investments	85,878			336		4,619	90,833
Fee accounts	1,651,472						1,651,472
Other	582,613	157,166				82,886	822,665
Total Revenues	11,659,471	5,600,021	9,987,137	5,605	699,073	3,431,412	31,382,719
Expenditures							
General government	3,998,599				31,065	132,000	4,161,664
Public safety	6,478,991			150		142,806	6,621,947
Public works		4,387,590					4,387,590
Public health and welfare	482,778		9,824,096			2,120,387	12,427,261
Culture and recreation	565,166						565,166
Total Expenditures	11,525,534	4,387,590	9,824,096	150	31,065	2,395,193	28,163,628
Excess revenues over (under) expenditures	133,937	1,212,431	163,041	5,455	668,008	1,036,219	3,219,091
Other Financing Sources (Uses)							
Transfers in	1,471,350	24,089	2,539			48,947	1,546,925
Transfers out	(48,947)			(346,923)		(1,151,055)	(1,546,925)
Total Other Financing Sources (Uses)	1,422,403	24,089	2,539	(346,923)	-	(1,102,108)	-
Net Change in Fund Balances	1,556,340	1,236,520	165,580	(341,468)	668,008	(65,889)	3,219,091
Fund Balances beginning of the year	9,655,395	4,839,228	1,434,288	349,762	2,457,740	3,456,430	22,192,843
Fund Balances end of the year	\$ 11,211,735	\$ 6,075,748	\$ 1,599,868	\$ 8,294	\$ 3,125,748	\$ 3,390,541	\$ 25,411,934

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, 2013

Net Change in Fund Balances Governmental Funds	\$ 3,219,091
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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	\$ 591,003	
Depreciation expense	(879,518)	
		(288,515)

Governmental funds report asset sales proceeds as revenue. However, in the Statement of Activities gain or loss on the disposal is computed.

Proceeds from the sale of assets		(16,016)
Gain on asset sales		4,400

Some increases in debt are not reported in the governmental funds but are reflected in the Statement of Activities

Decrease in accrued compensated absences		27,650
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Change in Net Position of Governmental Activities	<u>\$ 2,946,610</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, 2013

	Business-type Activities Landfill Fund
Assets	
Current Assets	
Cash	\$ 387,280
Total Current Assets	<u>387,280</u>
Noncurrent Assets	
Capital Assets	\$ 4,232,679
Accumulated Depreciation	<u>(2,286,949)</u>
Total Noncurrent Assets	1,945,730
Total Assets	<u>2,333,010</u>
Liabilities	
Current Liabilities	
Accounts payable	170,182
Due to other funds	48,884
Accrued closure costs	519,477
Total Current Liabilities	<u>738,543</u>
Net Position	
Net investment in capital assets	\$ 1,594,467
Total Net Position	<u>\$ 1,594,467</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, 2013

	Business-type Activities Landfill Fund
Operating Revenues	
Landfill fees	\$ 1,326,260
Total Operating Revenues	<u>1,326,260</u>
Operating Expenses	
Landfill operations	
Salaries	\$ 315,236
Employee benefits	92,304
Other operating expenses	163,016
Professional fees	81,166
Utilities	52,605
Insurance and bonds	46,168
Repairs and maintenance	76,625
Depreciation	155,880
Total Operating Expenses	<u>(983,000)</u>
Operating income (loss)	<u>343,260</u>
Non-Operating Revenue (Expense)	
Increase in accrued closure costs	(35,397)
Total Non-Operating Revenue	<u>(35,397)</u>
Change in net position	<u>307,863</u>
Net position beginning of the year	1,286,604
Net position end of the year	<u><u>\$ 1,594,467</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, 2013

	<u>Business-type Activities Landfill Fund</u>	
Cash Flows from Operating Activities		
Cash received from customers	\$	1,326,260
Cash payments to employees for services		(407,540)
Cash payments to suppliers for goods and services		(298,018)
Net Cash Flows provided (used) by Operating Activities		<u>620,702</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of equipment	\$	(331,176)
Repayment of interfund borrowing		(57,279)
Net Cash Flows provided (used) by Capital and Related Financing Activities		<u>(388,455)</u>
Net increase (decrease) in cash and cash equivalents		<u>232,247</u>
Cash and cash equivalents beginning of the year		155,033
Cash and cash equivalents end of the year	\$	<u><u>387,280</u></u>
Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities		
Operating income (loss)	\$	343,260
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	\$	155,880
Increase or (decrease) in Accounts payable		121,562
Total adjustments		<u>277,442</u>
Net Cash Flows provided (used) by Operating Activities	\$	<u><u>620,702</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY, COLORADO

Statement of Fiduciary Net Position

As of December 31, 2013

	Agency Fund
Assets	
Cash	\$ 353,359
Total Assets	<u>353,359</u>
Liabilities	
Due to agency recipient	353,359
Total Liabilities	<u>353,359</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, 2013

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 2012, 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, deferred outflows of

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

resources and liabilities and deferred inflows of resource, fund 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, 2013

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, 2013

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, 2013

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 position 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, 2013

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, 2013

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, 2013

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 position is 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, 2013

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	\$ 195,545
Deposits and certificates of deposit	13,157,292
Investments at cost	12,941,178
Total cash and investments	<u>\$ 26,294,015</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 \$13,151,239 and the bank balance was \$13,173,550. Of the bank balance, \$1,396,689 was covered by federal depository insurance and \$11,776,861 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, 2013

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	\$ 9,302,959				
CSAFE	111,415				
	<u>9,414,374</u>				
Wells Fargo Money Market	270,601				
LPL Financial Money Market	11,190				
Federal Government backed securities and mortgages	<u>3,245,013</u>	<u>\$ 499,443</u>	<u>\$ 2,745,570</u>		
Total	<u>\$ 12,941,178</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, 2013

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 one year of participation. The County has no unfunded liability under the plan. The total 2013 County payroll was \$9,650,148. The covered payroll for retirement plan purposes was \$8,543,728. The 2013 employer and employee contributions to the plan were \$426,295 and \$504,941 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, 2013:

	Capital Assets Jan 1, 2013	Additions	Deletions/ Transfers	Capital Assets Dec 31, 2013
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	11,792,136	\$ 245,627		12,037,763
Equipment	10,298,706	345,376	\$ (113,369)	10,530,713
Infrastructure	1,859,205			1,859,205
Total capital assets being depreciated	23,950,047	591,003	(113,369)	24,427,681
Less accumulated depreciation for:				
Buildings	(3,535,880)	(303,049)		(3,838,929)
Equipment	(7,262,584)	(523,348)	101,751	(7,684,181)
Infrastructure	(1,130,127)	(53,121)		(1,183,248)
Total accumulated depreciation	(11,928,591)	(879,518)	101,751	(12,706,358)
Total capital assets, being depreciated, net	12,021,456	(288,515)	(11,618)	11,721,323
Governmental Activities Capital Assets, net	\$ 13,279,446	\$ (288,515)	\$ (11,618)	\$ 12,979,313
Business Type Activities				
Equipment and facilities	\$ 3,901,503	\$ 331,176		\$ 4,232,679
Less accumulated depreciation	(2,131,069)	(155,880)		(2,286,949)
Business Type Activities Capital Assets net	\$ 1,770,434	\$ 175,296	-	\$ 1,945,730

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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

General government	\$ 12,370
Public safety	271,489
Public works	382,611
Public health and welfare	22,100
Culture and recreation	65,636
Unallocated	125,312
Total depreciation government activities	<u>\$ 879,518</u>

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

	<u>Due To (From)</u>
Colorado works	\$ 25,479
Child care	920
Child welfare	49,683
County administration	36,530
Core services	10,325
Child support	7,166
L.E.A.P.	3,485
Adult protective services	4,552
Aid to needy disabled	(9,253)
Home care allowance	(263)
Old age pension	1,353
Food assistance fraud	2,380
Food assistance benefits	(323)
Food assistance job search	(344)
State incentives	1,819
Federal incentives	385
Tanf collections retained	649
Medicaid collections	(85)
Net Amount Due From State	<u>\$ 134,458</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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

General Long-Term Debt-

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Accrued compensation	\$ 879,548		\$ 27,650	\$ 851,898
Total	<u>\$ 879,548</u>	<u>\$ -</u>	<u>\$ 27,650</u>	<u>\$ 851,898</u>

Interfund Receivables and Payables- consist of the following:

	Due To	Due From
Capital Fund	\$ 48,884	
Landfill		\$ 48,884
Total	<u>\$ 48,884</u>	<u>\$ 48,884</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Interfund Operating Transfers- consist of the following:

	<u>Transfer In</u>	<u>Transfer out</u>
General Fund	\$ 1,471,350	\$ 48,947
Special Revenue Funds		
Public Health Fund	48,947	
Conservation Trust		210,044
Law Enforcement Authority Fund		914,383
Social Services Fund	2,539	
Emergency Telephone Fund		24,089
Ormiston Fund		2,539
Road and Bridge Fund	24,089	
Capital Projects Funds		
Jail Fund		346,923
	<u>\$ 1,546,925</u>	<u>\$ 1,546,925</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.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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.

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	\$ 11,161,735
Special Revenue Funds	
Road and Bridge Fund	6,025,748
Social Services Fund	1,212,137
Contingent Fund	607,789
Emergency Telephone Service Fund	601,126
Sheriff's Forfeiture Fund	322
Conservation Trust Fund	100,628
Law Enforcement Authority Fund	622,496
Revolving Loan Fund	144,233
Lodger's Tax Fund	108,373
Public Health Fund	453,284
Capital Projects Funds	
Capital Fund	3,125,748
Jail Fund	8,294
Total	<u>\$ 24,171,913</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.

MONTEZUMA COUNTY, COLORADO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

The accounts of the County Public Trustee consist of the following as of and for the year ended December 31, 2013:

Cash at January 1, 2013	\$ 52,098
Revenues	
Interest and fees	32,409
Expenditures	(38,815)
Cash at December 31, 2013	<u><u>\$ 45,692</u></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.

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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 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.

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County has purchased commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three years.

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, 2013 27.43% 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	\$ 1,054,712	27.43%	\$ 289,263
Post-closure	512,127	27.43%	140,454
Post-closure Carver Landfill	89,760	100%	89,760
Total	<u>\$ 1,656,599</u>		<u>\$ 519,477</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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.

Compliance with Laws and Regulations- The County may be in violation of State Statute. Expenditures exceeded appropriations in the Public Health Fund and the Jail Fund.

MONTEZUMA COUNTY, COLORADO

Required Supplementary Information

December 31, 2013

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, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General property taxes	\$ 6,254,734	\$ 6,254,734	\$ 6,732,123	\$ 477,389
Specific ownership taxes	530,979	530,979	555,395	24,416
Severance taxes	222,962	222,962	332,808	109,846
Tobacco products taxes	7,446	7,446	9,563	2,117
Total taxes	7,016,121	7,016,121	7,629,889	613,768
Intergovernmental revenues				
Payment in lieu of taxes	154,837	154,837	159,950	5,113
Mineral leasing	357,948	357,948	678,512	320,564
Grants				
Other grants			67,323	67,323
Sherrif grants	405,598	405,598	246,238	(159,360)
HCBS			28,226	28,226
Senior services grants			28,737	28,737
Area agency on aging			176,983	176,983
Transportation grant			50,991	50,991
Total intergovernmental revenues	918,383	918,383	1,436,960	518,577
Charges for services				
General government	67,266	67,266	77,725	10,459
Senior nutrition	296,236	296,236	112,015	(184,221)
County fair and fairground user fees	79,623	79,623	55,032	(24,591)
Total charges for services	443,125	443,125	244,772	(198,353)
Fines and forfeitures				
Court fines	18,493	18,493	27,887	9,394
Total fines and forfeitures	18,493	18,493	27,887	9,394
Earnings on investments	74,190	74,190	85,878	11,688
Miscellaneous revenues				
Rents and royalties	296,236	296,236	363,804	67,568
Reimbursements	155,269	155,269	149,470	(5,799)
Delinquent tax and interest			7,471	7,471
Other	85,184	85,184	61,868	(23,316)
Total miscellaneous revenues	536,689	536,689	582,613	45,924
Fee accounts				
Sheriff fees	717,620	717,620	854,612	136,992
Clerk fees	514,788	514,788	544,895	30,107
Treasurers fees	210,825	210,825	222,089	11,264
Public trustee fees	37,137	37,137	29,876	(7,261)
Total fee accounts	1,480,370	1,480,370	1,651,472	171,102
Total revenues	10,487,371	10,487,371	11,659,471	1,172,100

(continued)

MONTEZUMA COUNTY, COLORADO

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures				
General government				
Board of county commissioners	\$ 278,500	\$ 278,500	\$ 261,148	\$ 17,352
Planning department	147,504	147,504	143,973	3,531
Clerk	588,268	595,590	545,132	50,458
Treasurer	293,440	293,440	269,678	23,762
Public trustee	18,407	18,407	15,943	2,464
Assessor	708,084	708,084	627,569	80,515
Attorney	155,876	155,876	202,252	(46,376)
Grounds and buildings	612,059	622,859	520,030	102,829
Administrative assistant	354,504	354,504	258,080	96,424
Elections	61,000	61,000	50,641	10,359
Extention service	105,826	105,826	105,243	583
Veteran's office	67,912	67,912	49,649	18,263
Purchasing	75,000	75,000	62,708	12,292
Computer services and mapping	381,439	381,439	338,594	42,845
Emergency management	75,136	75,136	74,532	604
Miscellaneous	2,086,624	2,141,349	473,427	1,667,922
Total general government	6,009,579	6,082,426	3,998,599	2,083,827
Public safety				
Sheriff administration	3,179,689	3,587,682	3,316,911	270,771
Coroner	69,488	69,488	71,782	(2,294)
District attorney	752,449	752,449	752,449	-
Police stations and buildings	2,403,620	2,601,017	2,337,849	263,168
Total public safety	6,405,246	7,010,636	6,478,991	531,645
Health and welfare				
Community services	69,618	69,618	64,798	4,820
Senior citizens	462,915	442,914	350,128	92,786
Animal and pest control	70,500	70,500	67,852	2,648
Total health and welfare	603,033	583,032	482,778	100,254

(continued)

MONTEZUMA COUNTY, COLORADO

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

For the Year Ended December 31, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Expenditures (continued)				
Culture and recreation				
County fair	\$ 35,500	\$ 35,500	\$ 23,872	\$ 11,628
Fairgrounds	287,620	528,123	541,294	(13,171)
Total culture and recreation	323,120	563,623	565,166	(1,543)
Total expenditures	13,340,978	14,239,717	11,525,534	2,714,183
Excess (deficit) of revenues over (under) expenditures	(2,853,607)	(3,752,346)	133,937	3,886,283
Other financing sources (uses)				
Operating transfers in	1,360,735	1,360,735	1,471,350	110,615
Operating transfers (out)	(103,363)	(118,981)	(48,947)	70,034
Total other financing sources (uses)	1,257,372	1,241,754	1,422,403	180,649
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(1,596,235)	(2,510,592)	1,556,340	4,066,932
Fund balance, beginning	9,384,957	9,655,395	9,655,395	-
Fund balance, ending	\$ 7,788,722	\$ 7,144,803	\$ 11,211,735	\$ 4,066,932

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, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Taxes				
General property taxes	\$ 1,582,926	\$ 1,582,926	\$ 1,699,368	\$ 116,442
Specific ownership taxes	134,488	134,488	140,454	5,966
Delinquent taxes and interest			138	138
Total taxes	<u>1,717,414</u>	<u>1,717,414</u>	<u>1,839,960</u>	<u>122,546</u>
Intergovernmental revenues				
Federal shared revenues				
Forest Service	60,871	60,871	53,373	(7,498)
ARRA grant			33,715	33,715
Mineral leasing	357,948	357,948	678,512	320,564
State shared revenues				
Highway user's tax	2,410,296	2,410,296	2,440,753	30,457
Additional motor vehicle registration fee	90,642	90,642	93,840	3,198
Total intergovernmental revenues	<u>2,919,757</u>	<u>2,919,757</u>	<u>3,300,193</u>	<u>380,436</u>
Miscellaneous revenues				
Permits			29,860	29,860
Impact fees	87,100	87,100	99,643	12,543
Dust abatement	120,000	120,000	173,199	53,199
Other			157,166	157,166
Total miscellaneous revenues	<u>207,100</u>	<u>207,100</u>	<u>459,868</u>	<u>252,768</u>
Total revenues	<u>4,844,271</u>	<u>4,844,271</u>	<u>5,600,021</u>	<u>755,750</u>
Expenditures				
Current operating				
Public Works				
Administration	118,896	118,896	118,709	187
Maintenance of condition	4,272,532	4,429,395	3,658,464	770,931
Snow and ice removal	282,395	291,069	240,039	51,030
System preservation	267,320	275,531	227,225	48,306
Payments to cities	148,932	148,932	143,153	5,779
Total public works	<u>5,090,075</u>	<u>5,263,823</u>	<u>4,387,590</u>	<u>876,233</u>
Total expenditures	<u>5,090,075</u>	<u>5,263,823</u>	<u>4,387,590</u>	<u>876,233</u>
Excess (deficit) of revenues over (under) expenditures	(245,804)	(419,552)	1,212,431	1,631,983
Other financing sources (uses)				
Transfers in	23,488	23,488	24,089	601
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	<u>(222,316)</u>	<u>(396,064)</u>	<u>1,236,520</u>	<u>1,632,584</u>
Fund balance, beginning	4,620,944	4,839,228	4,839,228	-
Fund balance, ending	<u>\$ 4,398,628</u>	<u>\$ 4,443,164</u>	<u>\$ 6,075,748</u>	<u>\$ 1,632,584</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, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General Property Taxes	\$ 851,166	\$ 851,166	\$ 847,425	\$ (3,741)
Specific Ownership Taxes	67,750	67,750	69,825	2,075
Total taxes	918,916	918,916	917,250	(1,666)
Intergovernmental revenues				
Programs settled by CFMS				
Colorado Works	666,249	666,249	521,096	(145,153)
Child Care	394,628	394,798	218,271	(176,527)
Child Welfare	1,542,453	1,542,283	1,263,854	(278,429)
Administration	676,707	676,707	461,726	(214,981)
Core Services	409,680	409,680	355,834	(53,846)
Child Support	219,734	219,734	142,496	(77,238)
LEAP	631,394	631,394	380,805	(250,589)
Adult Protective Services			27,137	
Aid to Needy Disabled	120,000	117,754	70,851	(46,903)
Home Care Allowance	47,672	49,918	47,696	(2,222)
Old Age Pension	295,000	309,500	340,294	30,794
Food Assistance Fraud	31,255	31,255	28,574	(2,681)
Food Assistance	7,825,552	7,778,052	5,008,859	(2,769,193)
Food Assistance Job Search	4,517	4,517	3,076	(1,441)
Tanf Collections EBT	(2,991)	(2,991)	(1,472)	1,519
State and Federal Incentives	18,426	18,426	32,368	13,942
TANF Collections IVD Retained	(32,304)	(32,304)	(44,737)	(12,433)
Medicaid Collections	(699)	(699)	(893)	(194)
Total Programs settled by CFMS	12,847,273	12,814,273	8,855,835	(3,958,438)
Other				
Medicaid Transport	66,844	99,844	99,839	(5)
IV-E Incentives	7,572	7,572	15,697	8,125
Integrated Care Management	114,005	114,005	83,915	(30,090)
Other	40,000	40,000	14,601	(25,399)
Total Other	228,421	261,421	214,052	(47,369)
Total Intergovernmental revenues	13,075,694	13,075,694	9,069,887	(4,005,807)
Total Revenues	13,994,610	13,994,610	9,987,137	(4,007,473)
Expenditures				
Health and Welfare				
Programs settled by CFMS				
Colorado Works	870,944	870,944	657,532	213,412
Child Care	472,192	472,362	283,088	189,274
Child Welfare	1,879,951	1,879,781	1,567,891	311,890
Administration	845,884	845,884	573,696	272,188
Core Services	439,044	439,044	381,636	57,408
Child Support	332,930	332,930	268,139	64,791
LEAP	631,394	631,394	380,805	250,589
Adult Protective Services			33,921	(33,921)
Aid to Needy Disabled	150,000	147,754	88,563	59,191
Home Care Allowance	50,181	52,427	50,206	2,221
Old Age Pension	295,000	309,500	340,294	(30,794)
Food Assistance Fraud	65,321	65,321	35,718	29,603
Food Assistance	7,825,552	7,778,052	5,008,859	2,769,193
Food Assistance Job Search	5,647	5,647	4,789	858
Tanf Collections EBT	(3,887)	(3,887)	(1,840)	(2,047)
Tanf Collections IVD Retained	(41,724)	(41,724)	(55,921)	14,197
Medicaid Collections	(699)	(699)	(893)	194
Total Programs settled by CFMS	13,817,730	13,784,730	9,616,483	4,168,247
Other				
Medicaid Transport	66,844	99,844	99,839	5
IV-E Money	7,572	7,572	15,697	(8,125)
Integrated Care Management	114,005	114,005	83,915	30,090
Other	96,696	96,696	8,162	88,534
Total Other	285,117	318,117	207,613	110,504
Total expenditures	14,102,847	14,102,847	9,824,096	4,278,751
Excess revenues over (under) expenditures	(108,237)	(108,237)	163,041	271,278
Other financing sources (uses)				
Operating transfers in (out)			2,539	2,539
Total other financing sources (uses)			2,539	2,539
Excess (deficit) of other financing sources over (under) expenditures and other financing uses	(108,237)	(108,237)	165,580	273,817
Fund balance, beginning	1,245,797	1,245,797	1,434,288	188,491
Fund balance, ending	\$ 1,137,560	\$ 1,137,560	\$ 1,599,868	\$ 462,308

MONTEZUMA COUNTY, COLORADO

Other Supplementary Information

December 31, 2013

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, 2013

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 is required by state statute to account for the County's public health operations.

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, 2013

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	\$ 418,531	\$ 100,628	\$ 30,171	\$ 601,126	\$ 322	\$ 144,233	\$ 108,373	\$ 722,119	\$ 607,789	\$ 622,496	\$ 3,355,788
Due from other governments	50,809										50,809
Total Assets	<u>\$ 469,340</u>	<u>\$ 100,628</u>	<u>\$ 30,171</u>	<u>\$ 601,126</u>	<u>\$ 322</u>	<u>\$ 144,233</u>	<u>\$ 108,373</u>	<u>\$ 722,119</u>	<u>\$ 607,789</u>	<u>\$ 622,496</u>	<u>\$ 3,406,597</u>
Liabilities											
Accounts payable	\$ 16,056										\$ 16,056
Total Liabilities	<u>16,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,056</u>
Fund Balance											
Restricted											
Cancer treatments			\$ 30,171								30,171
TABOR								\$ 722,119			722,119
Unrestricted											
Assigned for future year's expenditures	453,284	\$ 100,628		\$ 601,126	\$ 322	\$ 144,233	\$ 108,373		\$ 607,789	\$ 622,496	2,638,251
Total Fund Balance	<u>453,284</u>	<u>100,628</u>	<u>30,171</u>	<u>601,126</u>	<u>322</u>	<u>144,233</u>	<u>108,373</u>	<u>722,119</u>	<u>607,789</u>	<u>622,496</u>	<u>3,390,541</u>
Total Liabilities and Fund Balance	<u>\$ 469,340</u>	<u>\$ 100,628</u>	<u>\$ 30,171</u>	<u>\$ 601,126</u>	<u>\$ 322</u>	<u>\$ 144,233</u>	<u>\$ 108,373</u>	<u>\$ 722,119</u>	<u>\$ 607,789</u>	<u>\$ 622,496</u>	<u>\$ 3,406,597</u>

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

For the Year Ended December 31, 2013

	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
Revenues											
Taxes											
Intergovernmental	\$ 1,760,522	\$ 159,311					\$ 133,792			\$ 843,769	\$ 977,561
Charges for services	256,589			\$ 189,924							1,919,833
Earnings on investments		281	\$ 3,531			\$ 807					446,513
Other	7,613										4,619
									\$ 75,273		82,886
Total Revenues	2,024,724	159,592	3,531	189,924	-	807	133,792	-	75,273	843,769	3,431,412
Expenditures											
General government											
Public safety							132,000				132,000
Public Health	2,120,387			142,806							142,806
											2,120,387
Total expenditures	2,120,387	-	-	142,806	-	-	132,000	-	-	-	2,395,193
Excess revenues over (under) expenditures	(95,663)	159,592	3,531	47,118	-	807	1,792	-	75,273	843,769	1,036,219
Other financing sources (uses)											
Operating transfers in (out)	48,947	(210,044)	(2,539)	(24,089)						(914,383)	(1,102,108)
Total other financing sources (uses)	48,947	(210,044)	(2,539)	(24,089)	-	-	-	-	-	(914,383)	(1,102,108)
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(46,716)	(50,452)	992	23,029	-	807	1,792	-	75,273	(70,614)	(65,889)
Fund Balances beginning 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
Fund Balances end of the year	\$ 453,284	\$ 100,628	\$ 30,171	\$ 601,126	\$ 322	\$ 144,233	\$ 108,373	\$ 722,119	\$ 607,789	\$ 622,496	\$ 3,390,541

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental revenues				
Operating grants	\$ 1,659,031	\$ 1,659,031	\$ 1,760,522	\$ 101,491
Charges of services	223,616	223,616	256,589	32,973
Other			7,613	7,613
Total Revenues	<u>1,882,647</u>	<u>1,882,647</u>	<u>2,024,724</u>	<u>142,077</u>
Expenditures				
Public health	1,986,310	2,106,310	2,120,387	(14,077)
Total Expenditures	<u>1,986,310</u>	<u>2,106,310</u>	<u>2,120,387</u>	<u>(14,077)</u>
Excess revenues over (under) expenditures	(103,663)	(223,663)	(95,663)	128,000
Other financing sources (uses)				
Operating transfers in	103,663	103,663	48,947	(54,716)
Total other financing sources (uses)	<u>103,663</u>	<u>103,663</u>	<u>48,947</u>	<u>(54,716)</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>(120,000)</u>	<u>(46,716)</u>	<u>73,284</u>
Fund Balances beginning of the year	500,000	500,000	500,000	-
Fund Balances end of the year	<u>\$ 500,000</u>	<u>\$ 380,000</u>	<u>\$ 453,284</u>	<u>\$ 73,284</u>

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
Lottery funds	\$ 118,000	\$ 118,000	\$ 159,311	\$ 41,311
Total intergovernmental revenues	118,000	118,000	159,311	41,311
Miscellaneous				
Earnings on investments		-	281	281
Total miscellaneous revenues	-	-	281	281
Total Revenues	118,000	118,000	159,592	41,592
Other financing sources (uses)				
Operating transfers out	(100,000)	(210,045)	(210,044)	1
Total other financing sources (uses)	(100,000)	(210,045)	(210,044)	1
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	18,000	(92,045)	(50,452)	41,593
Fund Balances beginning of the year	105,734	151,080	151,080	-
Fund Balances end of the year	\$ 123,734	\$ 59,035	\$ 100,628	\$ 41,593

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 3,531	\$ 3,531
Total Revenues	-	-	3,531	3,531
Other financing sources (uses)				
Operating transfers out	\$ (10,000)	\$ (10,000)	(2,539)	7,461
Total other financing sources (uses)	(10,000)	(10,000)	(2,539)	7,461
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(10,000)	(10,000)	992	10,992
Fund Balances beginning of the year	24,579	29,179	29,179	-
Fund Balances end of the year	<u>\$ 14,579</u>	<u>\$ 19,179</u>	<u>\$ 30,171</u>	<u>\$ 10,992</u>

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for services	\$ 170,018	\$ 170,018	\$ 189,924	\$ 19,906
Total Revenues	<u>170,018</u>	<u>170,018</u>	<u>189,924</u>	<u>19,906</u>
Expenditures				
Public safety	250,000	250,000	142,806	107,194
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>142,806</u>	<u>107,194</u>
Excess revenues over (under) expenditures	<u>(79,982)</u>	<u>(79,982)</u>	<u>47,118</u>	<u>127,100</u>
Other financing sources (uses)				
Operating transfers out	(23,488)	(24,089)	(24,089)	-
Total other financing sources (uses)	<u>(23,488)</u>	<u>(24,089)</u>	<u>(24,089)</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(103,470)</u>	<u>(104,071)</u>	<u>23,029</u>	<u>127,100</u>
Fund Balances beginning of the year	524,509	578,097	578,097	-
Fund Balances end of the year	<u>\$ 421,039</u>	<u>\$ 474,026</u>	<u>\$ 601,126</u>	<u>\$ 127,100</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, 2013

	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, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 807	\$ 807
Total Revenues	-	-	807	807
Expenditures				-
Excess revenues over (under) expenditures	-	-	807	807
Fund Balances beginning of the year	\$ 142,618	\$ 143,426	143,426	-
Fund Balances end of the year	\$ 142,618	\$ 143,426	\$ 144,233	\$ 807

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Lodgers tax	\$ 92,828	\$ 92,828	\$ 133,792	\$ 40,964
Total Revenues	<u>92,828</u>	<u>92,828</u>	<u>133,792</u>	<u>40,964</u>
Expenditures				
General government	120,000	132,000	132,000	-
Total Expenditures	<u>120,000</u>	<u>132,000</u>	<u>132,000</u>	<u>-</u>
Excess revenues over (under) expenditures	<u>(27,172)</u>	<u>(39,172)</u>	<u>1,792</u>	<u>40,964</u>
Fund Balances beginning of the year	92,095	106,581	106,581	-
Fund Balances end of the year	<u>\$ 64,923</u>	<u>\$ 67,409</u>	<u>\$ 108,373</u>	<u>\$ 40,964</u>

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

For the Year Ended December 31, 2013

	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, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Reimbursements			\$ 75,273	\$ 75,273
Total Revenues	-	-	75,273	75,273
Expenditures				
General government				-
Total Expenditures	-	-	-	-
Excess revenues over (under) expenditures	-	-	75,273	75,273
Fund Balances beginning of the year	\$ 532,516	\$ 532,516	532,516	-
Fund Balances end of the year	<u>\$ 532,516</u>	<u>\$ 532,516</u>	<u>\$ 607,789</u>	<u>\$ 75,273</u>

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 712,287	\$ 712,287	\$ 772,637	\$ 60,350
Specific ownership taxes	58,823	58,823	63,661	4,838
Delinquent tax and interest			7,471	7,471
Total taxes	771,110	771,110	843,769	72,659
Total Revenues	771,110	771,110	843,769	72,659
Other financing sources (uses)				
Operating transfers out	(913,812)	(930,000)	(914,383)	15,617
Total other financing sources (uses)	(913,812)	(930,000)	(914,383)	15,617
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(142,702)	(158,890)	(70,614)	88,276
Fund Balances beginning of the year	680,866	693,110	693,110	-
Fund Balances end of the year	\$ 538,164	\$ 534,220	\$ 622,496	\$ 88,276

MONTEZUMA COUNTY, COLORADO

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

For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Mineral leasing	\$ 357,948	\$ 357,948	\$ 699,073	\$ 341,125
Total Revenues	<u>357,948</u>	<u>357,948</u>	<u>699,073</u>	<u>341,125</u>
Expenditures				
General government		31,065	31,065	-
Total expenditures	<u>-</u>	<u>31,065</u>	<u>31,065</u>	<u>-</u>
Excess (deficit) of revenues over (under) expenditures	357,948	326,883	668,008	341,125
Fund balance, beginning	\$ 2,437,964	2,457,740	2,457,740	-
Fund balance, ending	<u>\$ 2,795,912</u>	<u>\$ 2,784,623</u>	<u>\$ 3,125,748</u>	<u>\$ 341,125</u>

MONTEZUMA COUNTY, COLORADO

Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Proprietary Fund
Enterprise Fund
Landfill Fund

For the Year Ended December 31, 2013

	Budgeted Amounts		(Non GAAP Basis)	Variance
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Operating Revenues				
Landfill fees	\$ 1,127,240	\$ 1,127,240	\$ 1,326,260	\$ 199,020
Total local sources	1,127,240	1,127,240	1,326,260	199,020
Operating Expenses				
Landfill operations				
Salaries	322,668	322,668	315,236	7,432
Employee benefits	96,883	96,883	92,304	4,579
Other operating expenses	214,320	214,320	163,016	51,304
Professional fees	100,065	100,065	81,166	18,899
Utilities	55,095	55,095	52,605	2,490
Insurance and bonds	54,600	54,600	46,168	8,432
Repairs and maintenance	78,835	78,835	76,625	2,210
Capital outlay	390,535	390,535	331,176	59,359
Total Operating Expenses	1,313,001	1,313,001	1,158,296	154,705
Operating income (loss)	(185,761)	(185,761)	167,964	353,725
Non-Operating Revenue (Expense)				
(Increase) Decrease in accrued closure costs	(49,000)	(49,000)	(35,397)	13,603
Asset sales	30,000	30,000		(30,000)
Grants	250,000	250,000		(250,000)
Interfund loan payment	(57,280)	(57,280)	(57,279)	1
Total Non-Operating Revenue	173,720	173,720	(92,676)	(266,396)
Change in net position non GAAP basis	(12,041)	(12,041)	75,288	87,329
Add capital outlay			331,176	331,176
Add loan payment			57,279	57,279
Less depreciation expense			(155,880)	(155,880)
Change in net position	(12,041)	(12,041)	307,863	319,904
Net position beginning of the year	1,063,808	1,286,604	1,286,604	-
Net position end of the year	\$ 1,051,767	\$ 1,274,563	\$ 1,594,467	\$ 319,904

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

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Certified Public Accountants

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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, 2013 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 July 10, 2014.

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.

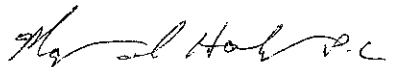
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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.
July 10, 2014

Majors and Haley, P.C.
Certified Public Accountants

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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, 2013. 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, 2013.

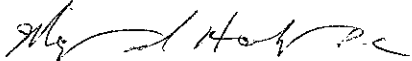
Report on Internal Control Over Compliance

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 charged 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.
July 10, 2014

MONTEZUMA COUNTY, COLORADO

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For The Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Disbursements/ Expenditures
U.S. Department of Agriculture		
Passed through the Colorado Department of Human Services		
Food Distribution	10.569	\$ 472
Supplemental Nutrition Assistance Program	10.551	5,020,300
SNAP Administration	10.561	189,723
		<u>5,210,495</u>
Passed through the Colorado Department of Public Health and Environment		
Special Supplemental Food-WIC	10.557	<u>497,658</u>
U.S. Department of Health and Human Services		
Passed through the Colorado Department of Public Health and Environment		
Pandemic Flu	93.069	122,293
CHAPS Grant	93.991	5,000
RIZO Grant	93.539	3,774
Maternal and Child Health Services	93.994	7,478
Childhood Immunization Grant	93.268	29,819
		<u>168,364</u>
Passed through the Colorado Department of Human Services		
Title XIX Medicaid	93.778	117,670
Colorado Works	93.558	533,480
IV-B Child Care	93.645	19,700
Title IV-E Foster Care	93.658	278,794
Title XX Block Grant	93.667	148,803
Title IV-D Administration	93.563	118,947
Low Income Home Energy Assistance (LEAP)	93.568	346,295
Child Care Development Fund	93.596	162,149
Child Care Development Fund-Discretion	93.575	(29,398)
Substance Abuse and Mental Health	93.243	2,585
Title IV-E Adoption	93.659	60,554
Other	93.XXX	(115)
		<u>1,759,464</u>
Passed through the Colorado Department of Health Care Policy and Finance		
Single Entry Point Grant	93.778	<u>181,279</u>
Passed through Housing Solutions of the Southwest		
Community Services Block Grant	93.569	<u>32,521</u>
U.S. Department of Justice		
Passed through the Colorado Department of Criminal Justice		
SORNA Grant	16.580	<u>28,102</u>
Other Federal Assistance		
ARRA Forest Service Weed Control	10.668	33,715
Forest Service	10.666	53,373
		<u>87,088</u>
Total		<u>\$ 7,964,971</u>

MONTEZUMA COUNTY, COLORADO

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE **For the Year Ended December 31, 2013**

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, 2013.

MONTEZUMA COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

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
 - TANF-Colorado Works
CFDA Number 93.558
 - Low Income Energy Assistance-LEAP
CFDA Number 93.568
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, 2013

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, 2013

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

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: County County YEAR ENDING : December 2013
This Information From The Records Of (example - City of _ or County of _) Montezuma County, Colorado	
Prepared 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)	1,969,463
4. Miscellaneous local receipts (from page 2)	354,454
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	2,323,917
B. Private Contributions	
C. Receipts from State government (from page 2)	2,534,593
D. Receipts from Federal Government (from page 2)	765,600
E. Total receipts (A.7 + B + C + D)	5,624,110

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	227,225
2. Maintenance:	3,658,464
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	240,039
c. Other Payments to Towns	143,153
d. Total (a. through c.)	383,192
4. General administration & miscellaneous	118,709
5. Highway law enforcement and safety	
6. Total (1 through 5)	4,387,590
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)	4,387,590

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
	4,839,228	5,624,110	4,387,590	6,075,748	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): December 2013	
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	1,699,506	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	99,643	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	3,573
4. Licenses	29,860	f. Charges for Services	199,981
5. Specific Ownership &/or Other	140,454	g. Other Misc. Receipts	126,811
6. Total (1. through 5.)	269,957	h. Other Transfers in	24,089
c. Total (a. + b.)	1,969,463	i. Total (a. through h.)	354,454
	(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	2,440,753	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	87,088
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	93,840	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other		f. Other Federal Mineral Leasing	678,512
f. Total (a. through e.)	93,840	g. Total (a. through f.)	765,600
4. Total (1. + 2. + 3.f)	2,534,593	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 Equipment			0
(2). Capacity Improvements			0
(3). System Preservation		227,225	227,225
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	227,225	227,225
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	227,225	227,225
			(Carry forward to page 1)
Notes and Comments:			