

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

**BASIC FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

For the Year Ended December 31, 2014

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the Montezuma County Sheriff, as of and for the year ended December 31, 2014, which collectively comprise the Office of the Montezuma County Sheriff's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Office of the Montezuma County Sheriff. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the Montezuma County Sheriff, for the year ended December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Office of the Montezuma County Sheriff's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Office of the Montezuma County Sheriff
August 20, 2015
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Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. The budget of the Sheriff's Office is not legally adopted but is part of the Montezuma County Budget. Therefore, budget comparison statements have not been presented.

The Montezuma County Sheriff's office is funded through the Montezuma County and the property tax levy of the County of Montezuma. The Sheriff's office is accounted for in the Montezuma County's annual financial statement audit as part of the "general fund."

The November 2014 Sheriff's election resulted in a change of County Sheriff. It was determined that the Montezuma County Sheriff's office 2014 financial statements be subject to an audit in addition to the County wide financial statement audit.



HEIDI A. TRAINOR, CPA, PC
August 20, 2015

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

This discussion and analysis is designed to provide an analysis of the Office of the Montezuma County Sheriff's financial condition and operating results for the year ended December 31, 2014 and to inform the reader of the Department's financial issues and activities. The function of the Department is to provide law enforcement services for Montezuma County.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Department's basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements comprise two components: 1) government-wide financial statements and fund financial statements, and 2) notes to the financial statements.

Government-wide and Fund Financial Statements

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Office of the Montezuma County Sheriff's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the past year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office of the Montezuma County Sheriff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office of the Montezuma County Sheriff is part of the Montezuma County general fund. For these financial audit purposes, the Sheriff and Jail have been broken out of the general fund. The Law Enforcement authority is a special fund reported by Montezuma County.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by \$240,074 in 2014. Support from Montezuma County represented 92% of revenue in 2014. Since the Department's function is to provide law enforcement services, payroll is the main expense. Payroll represented 72% of total expenses for 2014.

Table 1 provides a condensed statement of the Department's net position at December 31, 2014.

**Table 1
Condensed Statement of Net Position**

	<u>Governmental Activities</u>
	<u>2014</u>
ASSETS	
Current Assets	\$ 26,665
Capital Assets	1,102,781
Total Assets	<u>1,129,446</u>
LIABILITIES	
Long Term Liabilities	642,717
Other Liabilities	246,655
Total Liabilities	<u>889,372</u>
NET ASSETS	<u>\$ 240,074</u>
NET POSITION	
Investment in Capital Assets	\$ 1,102,782
Restricted	8,217
Unrestricted	<u>(870,925)</u>
TOTAL NET POSITION	<u>\$ 240,074</u>

OFFICE OF THE MONTEZUMA COUNTY SHERIFF
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Table 2 provides a condensed Statement of Activities during the years ended December 31, 2014.

Table 2
Condensed Statement of Activities

	<u>Governmental Activities</u>
	<u>2014</u>
Revenues	
Program Revenues	
Property Tax Income	\$ 5,203,086
Operating Grants and Contracts	454,445
General Revenues	259,012
Total Revenues	5,916,543
Expenses	
General Government	
Dispatch Fees	242,964
Payroll Expenses	3,983,472
Training	64,366
Supplies and Operating	1,213,142
Professional Services	71,397
Total Expenses	5,575,341
Change in Net Assets	341,202
BEGINNING, Net Assets	(101,128)
ENDING, Net Assets	\$ 240,074

Fund Financial Analysis

The Sheriff's fund is the main operating fund of the Department. The main source of revenue is from Montezuma County.

Special revenue funds account for revenue that is designated for a particular program. The main source of revenue for the special revenue funds is from federal and state grants.

The Department submits an operating budget to Montezuma County for annual funding, but a budget is not legally adopted by the Office of the Montezuma County Sheriff. Therefore, budget comparison statements have not been presented.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

Capital Assets

The Office of the Montezuma County Sheriff's investment in capital assets as of December 31, 2014 was \$1,102,782, net of accumulated depreciation. This investment in capital assets includes vehicles and equipment.

Factors Bearing on the Department's Future

At the time these financial statements were prepared and audited, the Office of the Montezuma County Sheriff was not aware of any existing circumstances that could significantly affect its financial situation in the future.

Financial Contact

The Office of the Montezuma County Sheriff's financial statements are designed to present users with a general overview of the Department's finances and to demonstrate the Department's accountability. If you have questions about the report or need any additional financial information, please contact the Department's administration at 109 West Main Street, Room 302, Cortez, Colorado 81321.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

STATEMENT OF NET POSTION
For the Year Ended December 31, 2014

	GOVERNMENTAL ACTIVITIES			TOTAL
	SHERIFF	JAIL	LAW ENFORCEMENT AGENCY	
ASSETS				
Checking and Savings Accounts	\$ 17,330	\$ 8,217	\$ --	\$ 25,547
Inmate Cash Bonds Receivable	--	1,118	--	1,118
Capital Assets, depreciated	21,857	--	1,080,924	1,102,781
TOTAL ASSETS	<u>\$ 39,187</u>	<u>\$ 9,335</u>	<u>\$ 1,080,924</u>	<u>\$ 1,129,446</u>
LIABILITIES				
Compensated Absences	\$ 116,179	\$ 112,696	\$ 9,563	\$ 238,438
Held Inmate Funds	--	8,217	--	8,217
Noncurrent Liabilities				
Due in One Year	--	--	177,644	177,644
Due in More Than One Year	--	--	465,073	465,073
TOTAL LIABILITIES	116,179	120,913	652,280	889,372
NET POSITION				
Restricted for Inmates	--	8,217	--	8,217
Investment in Capital Assets	21,857	--	1,080,924	1,102,781
Unrestricted	(98,849)	(119,795)	(652,280)	(870,924)
TOTAL NET POSITION	<u>(76,992)</u>	<u>(111,578)</u>	<u>428,644</u>	<u>240,074</u>

The accompanying notes are an integral part of these financial statements

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

STATEMENT OF ACTIVITIES
For the Year Ending December 31, 2014

	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
	Expenses	Operating Grants and Contracts	2014
GOVERNMENTAL ACTIVITIES			
General Government:			
Dispatch	\$ 242,964	\$ 238,863	\$ (4,101)
Payroll	3,985,472	92,840	(3,892,632)
Training	64,366	30,255	(34,111)
Supplies and Operating	1,211,141	122,742	(1,088,399)
Professional Services	71,397	63,508	(7,889)
	<u> </u>	<u> </u>	<u> </u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,575,340</u>	<u>\$ 548,208</u>	<u>(5,027,132)</u>
	GENERAL REVENUES		
			5,203,086
			<u>165,248</u>
		TOTAL GENERAL REVENUES	<u>5,368,334</u>
		CHANGE IN NET POSITION	341,202
		NET POSITION, Beginning	<u>(101,128)</u>
		NET POSITION, End	<u>\$ 240,074</u>

The accompanying notes are an integral part of these financial statements

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

BALANCE SHEET - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	<u>SHERIFF</u>	<u>JAIL</u>	<u>LAW ENFORCEMENT AGENCY</u>	<u>TOTAL</u>
ASSETS				
Checking and Savings Accounts	\$ 17,330	\$ 8,217	\$ --	\$ 25,547
Inmate Cash Bonds Receivable	<u>--</u>	<u>1,118</u>	<u>--</u>	<u>1,118</u>
TOTAL ASSETS	<u><u>\$ 17,330</u></u>	<u><u>\$ 9,335</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 26,665</u></u>
LIABILITIES				
Compensated Absences	\$ 116,179	\$ 112,696	\$ 9,563	\$ 238,438
Held Inmate Funds	<u>--</u>	<u>8,217</u>	<u>--</u>	<u>8,217</u>
TOTAL LIABILITIES	116,179	120,913	9,563	<u>246,655</u>
Fund Balance				
Restricted	--	8,217	--	8,217
Unassigned	<u>(98,849)</u>	<u>(119,795)</u>	<u>(9,563)</u>	<u>(228,207)</u>
Total Fund Equity	<u>(98,849)</u>	<u>(111,578)</u>	<u>(9,563)</u>	<u>(219,990)</u>
	<u><u>\$ 17,330</u></u>	<u><u>\$ 9,335</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 26,665</u></u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance	\$ (219,990)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,102,781
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	<u>(642,717)</u>
Net position of governmental activities	<u><u>\$ 240,074</u></u>

The accompanying notes are an integral part of these financial statements

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending December 31, 2014

	SHERIFF	JAIL	LAW ENFORCEMENT AGENCY	TOTAL
REVENUES				
Federal Grants	\$ 215,582	\$ --	\$ --	\$ 215,582
Contracts	238,863	--	--	238,863
County Funding	2,111,987	2,172,363	918,736	5,203,086
Operating Revenue	<u>137,504</u>	<u>63,508</u>	<u>58,000</u>	<u>259,012</u>
TOTAL REVENUES	<u>2,703,936</u>	<u>2,235,871</u>	<u>976,736</u>	<u>5,916,543</u>
EXPENDITURES				
Capital Outlay	28,102	--	177,644	205,746
Dispatch	242,964	--	--	242,964
Payroll Expense	1,425,094	1,863,381	696,997	3,985,472
Training	39,391	23,372	1,602	64,365
Supplies and Operating	425,203	255,155	32,945	713,303
Professional Services	<u>24,442</u>	<u>46,955</u>	<u>--</u>	<u>71,397</u>
TOTAL EXPENDITURES	<u>2,185,196</u>	<u>2,188,863</u>	<u>909,188</u>	<u>5,283,247</u>
NET CHANGE IN FUND BALANCES	518,740	47,008	67,548	633,296
FUND BALANCES, Beginning	<u>(617,589)</u>	<u>(158,586)</u>	<u>(77,110)</u>	<u>(853,285)</u>
FUND BALANCES, Ending	<u>\$ (98,849)</u>	<u>\$ (111,578)</u>	<u>\$ (9,562)</u>	<u>\$ (219,989)</u>

Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balance-Government Funds

Total Net Change in Fund Balance	\$ 633,296
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$497,840) exceeded capital outlay (\$205,746) for the current period.	<u>(292,094)</u>
Change in Net Position of Governmental Activities	<u>\$ 341,202</u>

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Office of the Montezuma County Sheriff conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting policies:

Reporting Entity

The Montezuma County Sheriff is an elected position to the Office of the Montezuma County Sheriff (the Department) which is funded by Montezuma County and the State of Colorado. These operations are reflected in the Montezuma County general fund. The Department does not have a property tax levy itself but is included with the Montezuma County. The general fund is supplemented by federal and state administered grant funds to permit the Office of the Montezuma County Sheriff to undertake specific programs. These specific programs are reported in the special revenue funds.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB)*, the financial statements must present the Department (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Government-Wide and Fund Financial Statements

- Government-wide financial statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Department. The effect of inter-fund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.
- The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.
- Fund financial statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Department has no fiduciary funds. Individually major governmental funds are reported as separate columns in the fund financial statements.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the Department is depreciated using the straight line method over the estimated useful lives between fifteen and forty years.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Office of the Montezuma County Sheriff submits operating budgets to the Montezuma County commissioners and to grant agencies, but the budgets are not legally adopted by the Office of the Montezuma County Sheriff. Therefore, budget and actual statements have not been presented. The budget of the Office of the Montezuma County Sheriff is included with the Montezuma County budget.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the Department's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Department typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in the respective

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance (Continued)

governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Department has classified \$8,217 as restricted for money belonging to inmates.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Department did not have any committed resources as of December 31, 2014.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Department would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. **CASH AND INVESTMENTS**

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 2. CASH AND INVESTMENTS (Continued)

deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Deposits are carried at cost, which approximates fair value. At December 31, 2014, the carrying amount of deposits was \$25,080 and the bank balances were \$38,475. All deposits were fully FDIC insured.

The Office of the Montezuma County Sheriff had no investments during the year ended December 31, 2014.

NOTE 3. CAPITAL ASSETS

CAPITAL ASSETS	
Equipment	\$ 46,152
Vehicles	2,096,856
TOTAL CAPITAL ASSETS	<u>2,143,008</u>
Accumulated Depreciation	<u>(1,040,227)</u>
 CAPITAL ASSETS, Net of Depreciation	 <u><u>\$ 1,102,781</u></u>

NOTE 4. LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2014:

	Balance 12/31/2013	Additions	Payments	Balance 12/31/2014	Due in One Year
Governmental Obligations	<u>\$ --</u>	<u>\$ 820,361</u>	<u>\$ 177,644</u>	<u>\$ 642,717</u>	<u>\$ 177,644</u>

On February 1, 2014, the Office of the Montezuma County Sheriff entered into a governmental obligation contract for the purchase of eighteen 2014 emergency vehicles equipped for use by the Department. The terms of the contract include one payment annually.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 4. LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Year Ended December 31	Principal	Interest	Total
2015	\$ 151,039.60	\$ 26,604.49	\$ 177,644.09
2016	157,291.70	20,352.39	177,644.09
2017	163,802.60	13,841.49	177,644.09
2018	170,583.01	7,061.08	177,644.09

NOTE 5. COMPENSATED ABSENCES PAYABLE

It is the Department's policy to permit employees to accumulate earned but unused compensated absences. For government-wide financial reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, no expenditure is reported in the government General Fund for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$238,437 for the year ended December 31, 2014 are recorded for governmental activities in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 6. DEFINED CONTRIBUTION PENSION PLAN - COUNTY

The Department participates in the State of Colorado's Defined Benefit Pension Plan, and the Colorado County Officials plan through Montezuma County. After one year of continuous service, all other full-time employees are required to participate in the Colorado County Officials plan through Montezuma County. Contributions made by the employee are a minimum of five percent and a maximum of ten percent of gross salary, at the employee's discretion. The employer contributes a matching amount. Employees may make additional voluntary contributions not to exceed twenty-five percent of compensation.

Montezuma 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 according to Section 401(a) of the Internal Revenue Code and is administered to provide income after retirement in addition to benefits provided by federal social security. Employees are required to participate after one year of continuous service.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 6. DEFINED CONTRIBUTION PENSION PLAN – COUNTY (Continued)

Montezuma County maintains no control over the plan, other than being members of the Association. Employees vest at 10% per year and are fully vested after one year of participation.

The 2014 total payroll for the Office of the Montezuma County Sheriff was \$3,985,472, and the covered payroll for retirement plan purposes was \$2,112,228 for 2014. The 2014 employee contributions to the Colorado County Officials and Employees Retirement Association totaled \$105,611 and the employer contributed a matching amount.

NOTE 7. CONTINGENCIES

In the normal course of operations, the Office of the Montezuma County Sheriff receives funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. In the Department's opinion, any liability for reimbursement which may arise as the result of these audits is not believed to be material.

See Note 11 for pending litigation or potential non-disclosed liabilities as of December 31, 2014.

NOTE 8. BENEFITS FUNDED BY OTHER GOVERNMENTS

Montezuma County contributed payments on behalf of the Office of the Montezuma County Sheriff employees as follows:

	2014
Insurance	\$ 820,298
Retirement	105,611
Total	<u>\$ 925,909</u>

The on-behalf payments have been recognized as revenues and expenditures in the financial statements. See Note 6 for retirement plan information.

OFFICE OF THE MONTEZUMA COUNTY SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 9. TABOR AMENDMENT

Colorado voters passed an Amendment of 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. The Amendment is complex and subject to judicial interpretation. The Department believes it is not within the scope of the Amendment.

NOTE 10. RISK MANAGEMENT

The Office of the Montezuma County Sheriff 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 for which the Department carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past four years.

NOTE 11. SUBSEQUENT EVENTS

As of September 28, 2015, a settlement was reached with a former employee of the Office of the Montezuma County Sheriff to be paid by the Office of the Montezuma County Sheriff to the employee in the amount of \$158,529 plus legal fees of \$14,000. The litigation judgement was unknown as of December 31, 2014 and is therefore not reflected in the financial statements.