

BEAVERHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BEAVERHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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BEAVERHEAD COUNTY, MONTANA

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BEAVERHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Thomas C. Rice	Chairperson
Garth L. Haugland	Commissioner
Michael J. McGinley	Commissioner

COUNTYTOWN OFFICIALS

Jed Fitch	County Attorney
Cathy Hucke	Treasurer
Debra L. Scott	Clerk and Recorder / Auditor
Carly Jay Anderson	Clerk of District Clerk
Candy L. Hoerning	Justice of the Peace
Linda Marsh	School Superintendent
Jay T. Hansen	Sheriff
Ron Briggs	Coroner

Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

The following Discussion and Analysis of Beaverhead County's financial performance provides an overview of the County's financial activities for the Fiscal Year ending June 30, 2014. Reading this narrative in conjunction with the County's financial statements, which begin on Page 11, should give the reader a complete overview of the activities and financial status of the County.

Financial Highlight

- Total Net Position of Beaverhead County increased by \$230,165 to \$14,617,402.
- Compared to the prior year, the County's revenues over expenditures for governmental activities have increased by \$321,257.
- All County funds experienced an increase in revenue over expenses by \$214,912.
- Business type total net position increased by \$64,619 to \$1,742,870.
- Compared to the prior year, business-type expenditures exceeded revenues by \$106,345.

Using this Financial Report

The Management Discussion and Analysis is intended to serve as an introduction to Beaverhead County's financial statements. This annual report consists of financial statements for the County as a whole, with more detailed information for certain funds reported as "major funds": General, Road, Public Safety, and FEMA Blacktail Bridge. As a business-type fund, Solid Waste is reported as a major fund.

The financial section of this report contains the following components:

1. Government-wide Financial Statements.
2. Fund Financial Statements.
3. Notes to the Basic Financial Statements.
4. Required Supplementary Information.

Government-Wide Financial Statements

The government-wide financial statements, described below, are intended to provide readers with a broad overview of Beaverhead County's finances.

The *statement of net position* outlines all of Beaverhead County's assets and liabilities. The increase or decrease in net assets, along with other non-financial factors such as change in tax base and legislative action, can serve as a useful indicator of whether the financial position of Beaverhead County is improving or deteriorating.

Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

The *statement of activities* presents information showing how Beaverhead County's net assets changed during the most recent fiscal year. Both the statement of net assets and the statement of activities use the accrual basis of accounting, similar to the accounting used by most private sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that recover all of a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of Beaverhead County include general government, public safety, public works (Road, Bridge, Weed), Public Health, social and economic services (aging services), and culture and recreation (Library and Fair). Business-type activities of Beaverhead County include Solid Waste.

Fund Financial Statements

The fund financial statements give more detailed information about Beaverhead County's financial activities. Funds are set up to manage resources that have been segregated for specific activities or objectives. Some funds are required to be set up by state law; other funds are established by the County to help manage revenues and expenses for specific purposes. All of the County's funds can be divided into three categories: Governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the County's services are reported in governmental funds. The governmental fund statements provide a detailed short-term view to cash, the fund operations and the basic services it provides.

Proprietary Funds

When the County charges customers for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

Fiduciary Funds

All of the County's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. Fiduciary activities are excluded from the County's other financial statements because the County cannot use these assets to finance its operations, but is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided and it begins on Page 22 of the Audit Report.

Required Supplemental Information

This section provides detailed information concerning revenues, expenditures and changes in fund balances, comparing current Fiscal Year 2014 to previous Fiscal Year 2013.

**Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014**

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
Current and other assets	\$ 3,893,599	\$ 3,348,833	\$ 544,766	\$ 1,464,342	\$ 1,309,320	\$ 155,022
Capital assets	11,331,237	11,304,341	26,896	785,628	834,649	(49,021)
Total assets	\$ 15,224,836	\$ 14,653,174	\$ 571,662	\$ 2,249,970	\$ 2,143,969	\$ 106,001
Long-term debt outstanding	\$ 1,735,998	\$ 1,406,345	\$ 329,653	\$ 42,573	\$ 36,370	\$ 6,203
Other liabilities	614,306	537,843	76,463	464,527	429,348	35,179
Total liabilities	\$ 2,350,304	\$ 1,944,188	\$ 406,116	\$ 507,100	\$ 465,718	\$ 41,382
Net investment in capital assets	\$ 9,913,531	\$ 10,219,917	\$ (306,386)	\$ 785,628	\$ 834,649	\$ (49,021)
Restricted	3,123,062	2,784,202	338,860	-	380,889	(380,889)
Unrestricted (deficit)	(162,061)	(295,133)	133,072	957,242	462,713	494,529
Total net position	\$ 12,874,532	\$ 12,708,986	\$ 165,546	\$ 1,742,870	\$ 1,678,251	\$ 64,619

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,091,898	\$ 1,072,691	\$ 19,207	\$ 232,913	\$ 194,599	\$ 38,314
Operating grants and contributions	1,264,815	1,263,290	1,525	-	-	-
Capital grants and contributions	205,700	-	205,700	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	3,404,203	3,288,747	115,456	534,435	535,791	(1,356)
Miscellaneous	112,729	179,812	(67,083)	21,402	101,988	(80,586)
Interest/investment earnings	9,685	13,094	(3,409)	2,368	3,107	(739)
Montana oil and gas production tax	146,768	146,561	207	-	-	-
State entitlement	536,039	443,093	92,946	-	-	-
Grants and entitlements not restricted to specific programs	82,474	42,752	39,722	-	-	-
PILT	737,941	685,458	52,483	-	-	-
Total revenues	\$ 7,592,252	\$ 7,135,498	\$ 456,754	\$ 791,118	\$ 835,485	\$ (44,367)
Program expenses						
General government	\$ 2,203,656	\$ 2,117,453	\$ 86,203			
Public safety	1,717,107	1,489,239	227,868			
Public works	2,531,374	2,765,244	(233,870)			
Public health	424,852	406,439	18,413			
Social and economic services	108,767	105,083	3,684			
Culture and recreation	240,675	230,739	9,936			
Housing and community development	39,989	26,809	13,180			
Debt service - interest	29,820	31,189	(1,369)			
Miscellaneous	156,964	148,412	8,552			
Solid Waste				\$ 726,499	\$ 661,621	\$ 64,878
Total expenses	\$ 7,453,204	\$ 7,320,607	\$ 132,597	\$ 726,499	\$ 661,621	\$ 64,878
Excess (deficiency) before special items and transfers	139,048	(185,109)	324,157	64,619	173,864	(109,245)
Transfers - net	-	2,900	(2,900)	-	(2,900)	2,900
Increase (decrease) in net position	\$ 139,048	\$ (182,209)	\$ 321,257	\$ 64,619	\$ 170,964	\$ (106,345)

Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Governmental Activities

The cost of all Beaverhead County governmental activities for the year ending June 30, 2014, was \$7,453,204 compared to \$ 7,320,607 for the previous year. This small 1.8% increase would be typical of cost of living inflation.

Business-Type Activities

The cost of the Beaverhead County Solid Waste Department for the year ending June 30, 2014, was \$726,499 compared to \$661,621 for the previous year.

Users of this business-type activity paid \$95.00 per residential unit. Businesses are charged for multiple units based on size.

Fund Financial Statements

The focus of Governmental Funds is to provide information on current period revenues, expenditures and the balance of resources available for future requirements. This information is useful in determining the County's annual financial requirement. As of June 30, 2014, Beaverhead County's Governmental Funds reported a combined fund balance of \$3,447,518.

Beaverhead County has four Governmental Funds which are reported as Major Funds. Major Funds are as follows: General, Road, Public Safety and FEMA Blacktail Bridge.

- *General Fund* – The General Fund is the primary operating fund for Beaverhead County. The General cash balance was \$1,485,363 at year end on June 30, 2014.
- *Road Fund* – The Road Fund tracks all cost related to maintenance and construction of county roads. The June 30, 2014, cash balance was \$789,493, compared to \$888,510 Fiscal Year end 2013. This fund balance has been increasing from the low of \$5,917 in Fiscal Year 2008.
- *Public Safety* – The Public Safety fund accounts for activities for law enforcement (Sheriff, Dispatch, Detention and all 911). The cash balance was \$ 300,750 on June 30, 2014, a decrease of \$67,069 compared to Fiscal Year 2013.
- *FEMA Blacktail Bridge* - The FEMA Blacktail Bridge fund accounts for activities related to the Blacktail Bridge project.

Enterprise Fund

The Enterprise Fund for Beaverhead County consists of the Solid Waste Department. Net assets of the Solid Waste Department increased \$64,619 from Fiscal Year 2013 to Fiscal Year 2014.

Budget Highlights

Beaverhead County has no budget amendments for fiscal year 2014.

**Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014**

(Capital Assets) and Long-Term Debt

Beaverhead County Capital Asset net book value decreased by \$22,125 from FY 2013 to FY 2014. The total Capital Asset net book value on June 30, 2014 was \$12,116,865. The county disposed of 3 road graders, 1 dump truck and 1 pickup over the course of the year.

Long-term debt in governmental funds increased by \$329,653 for a June 30, 2013 balance of \$1,735,998. This compares to \$1,406,345 at June 30, 2013. The county financed 3 road graders for an amount of \$629,379.

Economic Factors and Budgets

The annual budget assures the efficient, effective and economic uses of the County's resources as well as establishing that projects and objectives are carried out as to prioritize financial planning. Through the budget, the County Commissioners set the direction of the County and allocates the resources.

The following factors were considered in preparing the Fiscal Year 2014 budget.

- SRS – This major federal land payment has not be re-authorized at this time.
- FLAP (Federal Land Access Program) – \$4.2 million FLAP grant for Big Sheep Creek Road Project for future years. We are waiting on the Federal NEPA to start the project.
- PILT – Also, PILT was authorized for the current year only at full payment. This Federal land payment can be used by the county for any government use.
- RRS – This federal land payment continues to be of concern because of lack of Federal appropriation. It is being only funded at 22% with 45% of the total going to the Lima School District.
- TSEP – This state grant is important to Beaverhead County in improving the counties bridge inventory. We do not have any grant applications in at this time because of the large FLAP Grant.
- MILL VALUE – Beaverhead County continues to have a flat but stable mill value. We budget in accordance with 15-10-420 at maximum mills allowed. It is a concern to keep up with increasing service demands with flat tax revenues.
- CASH RESERVES – Beaverhead County is committed to maintaining at least a 15% cash reserve. The maximum allowed is 33% and Beaverhead County has built reserves from a low of 9% in Fiscal Year 2007 to current levels.
- PERMISSIVE MILL - This Permissive Mill for Medical Health Benefits is important for Beaverhead County to help maintain a quality work force.

**Beaverhead County
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2014**

As the County enters Fiscal Year 2015, reserves are at 16.53, compared to 14.69% for Fiscal Year 2014. The County is committed to maintaining this reserve level to ensure adequate cash

flow throughout the year. The County is committed to maintaining a capital improvement plan to replace and repair infrastructure and equipment. The County is committed to maintaining a talented and efficient work force. The Commissioners will continue with the permissive medical levy to provide employee medical health benefits.

In summary, Beaverhead County continues to maintain service at a level necessary to serve its citizens, while keeping individual taxes at a manageable amount. Beaverhead County's taxation process is based on MCA 15-10-420.

Contacting the County Financial Management

This financial report is designed to provide the citizens, tax payers, customers, investors and creditors of Beaverhead County with a general overview of the County's finances and to show the County's accountability for the money it receives and expends. If you have any questions about this report, you may contact:

Betty Tinsley, Financial Administrator
2 S. Pacific St. CL #1
Dillon, MT 59725
406/683-3734
btinsley@beaverheadcounty.org

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Beaverhead County
Dillion, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Beaverhead County, Montana, as of and for the Year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from 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 auditor's 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 auditor considers 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 audit 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 Beaverhead County, Montana, as of and for the Year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 7, 44 through 47, and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying 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 financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the Beaverhead County, Montana'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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Beaverhead County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPAs, P.C.

March 27, 2015

Beaverhead County, Montana
Statement of Net Position
June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,335,886	\$ 576,374	\$ 4,912,260
Taxes and assessments receivable, net	360,794	48,729	409,523
Internal balances	(839,239)	839,239	-
Due from other governments	36,158	-	36,158
Total current assets	<u>\$ 3,893,599</u>	<u>\$ 1,464,342</u>	<u>\$ 5,357,941</u>
Noncurrent assets			
Capital assets - land	\$ 449,795	\$ 202,144	\$ 651,939
Capital assets - construction in progress	85,216	-	85,216
Capital assets - depreciable, net	10,796,226	583,484	11,379,710
Total noncurrent assets	<u>\$ 11,331,237</u>	<u>\$ 785,628</u>	<u>\$ 12,116,865</u>
Total assets	<u>\$ 15,224,836</u>	<u>\$ 2,249,970</u>	<u>\$ 17,474,806</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 47	\$ -	\$ 47
Accrued payables	80,625	6,126	86,751
Due to other governments	4,615	-	4,615
Current portion of long-term liabilities	15,285	-	15,285
Current portion of long-term capital liabilities	240,071	-	240,071
Current portion of compensated absences payable	182,502	21,317	203,819
Total current liabilities	<u>\$ 523,145</u>	<u>\$ 27,443</u>	<u>\$ 550,588</u>
Noncurrent liabilities			
Landfill closure postclosure liability	\$ -	\$ 408,497	\$ 408,497
Other post employment benefit liability	529,019	49,904	578,923
Noncurrent portion of long-term liabilities	24,841	-	24,841
Noncurrent portion of long-term capital liabilities	1,177,635	-	1,177,635
Noncurrent portion of compensated absences	95,664	21,256	116,920
Total noncurrent liabilities	<u>\$ 1,827,159</u>	<u>\$ 479,657</u>	<u>\$ 2,306,816</u>
Total liabilities	<u>\$ 2,350,304</u>	<u>\$ 507,100</u>	<u>\$ 2,857,404</u>
NET POSITION			
Net investment in capital assets	\$ 9,913,531	\$ 785,628	\$ 10,699,159
Restricted for general government	482,383	-	482,383
Restricted for public safety	703,871	-	703,871
Restricted for public works	1,623,841	-	1,623,841
Restricted for public health	150,379	-	150,379
Restricted for social and economic services	33,280	-	33,280
Restricted for culture and recreation	116,641	-	116,641
Restricted for housing and community development	12,667	-	12,667
Unrestricted	(162,061)	957,242	795,181
Total net position	<u>\$ 12,874,532</u>	<u>\$ 1,742,870</u>	<u>\$ 14,617,402</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 2,203,656	\$ 295,797	\$ -	\$ -	\$ (1,907,859)	\$ -	\$ (1,907,859)
Public safety	1,717,107	302,015	53,825	-	(1,361,267)	-	(1,361,267)
Public works	2,531,374	295,029	1,127,865	205,700	(902,780)	-	(902,780)
Public health	424,852	121,254	78,617	-	(224,981)	-	(224,981)
Social and economic services	108,767	-	-	-	(108,767)	-	(108,767)
Culture and recreation	240,675	77,803	4,508	-	(158,364)	-	(158,364)
Housing and community development	39,989	-	-	-	(39,989)	-	(39,989)
Debt service - interest	29,820	-	-	-	(29,820)	-	(29,820)
Miscellaneous	156,964	-	-	-	(156,964)	-	(156,964)
Total governmental activities	\$ <u>7,453,204</u>	\$ <u>1,091,898</u>	\$ <u>1,264,815</u>	\$ <u>205,700</u>	\$ <u>(4,890,791)</u>	\$ <u>-</u>	\$ <u>(4,890,791)</u>
Business-type activities:							
Solid Waste	\$ 726,499	\$ 232,913	\$ -	\$ -	-	(493,586)	(493,586)
Total business-type activities	\$ <u>726,499</u>	\$ <u>232,913</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(493,586)</u>	\$ <u>(493,586)</u>
Total primary government	\$ <u>8,179,703</u>	\$ <u>1,324,811</u>	\$ <u>1,264,815</u>	\$ <u>205,700</u>	\$ <u>(4,890,791)</u>	\$ <u>(493,586)</u>	\$ <u>(5,384,377)</u>
General Revenues:							
Property taxes for general purposes					\$ 3,404,203	\$ 534,435	\$ 3,938,638
Miscellaneous					112,729	21,402	134,131
Interest/investment earnings					9,685	2,368	12,053
Montana oil and gas production tax					146,768	-	146,768
State entitlement					536,039	-	536,039
Grants and entitlements not restricted to specific programs					82,474	-	82,474
PILT					737,941	-	737,941
Total general revenues, special items and transfers					\$ <u>5,029,839</u>	\$ <u>558,205</u>	\$ <u>5,588,044</u>
Change in net position					\$ <u>139,048</u>	\$ <u>64,619</u>	\$ <u>203,667</u>
Net position - beginning					\$ 12,708,986	\$ 1,678,251	\$ 14,387,237
Restatements					26,498	-	26,498
Net position - beginning - restated					\$ <u>12,735,484</u>	\$ <u>1,678,251</u>	\$ <u>14,413,735</u>
Net position - end					\$ <u>12,874,532</u>	\$ <u>1,742,870</u>	\$ <u>14,617,402</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>FEMA Blacktail Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 1,485,363	\$ 789,493	\$ 300,750	\$ -	\$ 1,760,280	\$ 4,335,886
Taxes and assessments receivable, net	78,140	32,064	88,271	-	162,319	360,794
Due from other funds	1,716	-	-	-	-	1,716
Due from other governments	-	-	-	-	36,158	36,158
Total assets	<u>\$ 1,565,219</u>	<u>\$ 821,557</u>	<u>\$ 389,021</u>	<u>\$ -</u>	<u>\$ 1,958,757</u>	<u>\$ 4,734,554</u>
Current liabilities:						
Accounts payable	\$ 47	\$ -	\$ -	\$ -	\$ -	\$ 47
Accrued payables	30,259	10,670	20,300	-	19,396	80,625
Due to other funds	-	-	-	839,239	1,716	840,955
Due to other governments	-	-	339	-	4,276	4,615
Total liabilities	<u>\$ 30,306</u>	<u>\$ 10,670</u>	<u>\$ 20,639</u>	<u>\$ 839,239</u>	<u>\$ 25,388</u>	<u>\$ 926,242</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 78,140	\$ 32,064	\$ 88,271	\$ -	\$ 162,319	\$ 360,794
Total deferred inflows of resources	<u>\$ 78,140</u>	<u>\$ 32,064</u>	<u>\$ 88,271</u>	<u>\$ -</u>	<u>\$ 162,319</u>	<u>\$ 360,794</u>
FUND BALANCES						
Restricted	\$ -	\$ 778,823	\$ 280,111	\$ -	\$ 1,773,088	\$ 2,832,022
Unassigned fund balance	1,456,773	-	-	(839,239)	(2,038)	615,496
Total fund balance	<u>\$ 1,456,773</u>	<u>\$ 778,823</u>	<u>\$ 280,111</u>	<u>\$ (839,239)</u>	<u>\$ 1,771,050</u>	<u>\$ 3,447,518</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 3,447,518
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,331,237
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	360,794
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,265,017)
Total net position - governmental activities	<u>\$ 12,874,532</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>FEMA Blacktail Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 749,734	\$ 634,907	\$ 730,055	\$ -	\$ 1,262,826	\$ 3,377,522
Licenses and permits	8,810	-	-	-	5,210	14,020
Intergovernmental	1,316,226	1,102,168	8,403	-	673,662	3,100,459
Charges for services	176,392	36,834	159,399	-	450,313	822,938
Fines and forfeitures	67,681	-	-	-	1,506	69,187
Miscellaneous	35,574	15,239	2,121	-	117,313	170,247
Investment earnings	9,226	-	-	-	447	9,673
Total revenues	<u>\$ 2,363,643</u>	<u>\$ 1,789,148</u>	<u>\$ 899,978</u>	<u>\$ -</u>	<u>\$ 2,511,277</u>	<u>\$ 7,564,046</u>
EXPENDITURES						
General government	\$ 1,799,621	\$ -	\$ -	\$ -	\$ 156,597	\$ 1,956,218
Public safety	101,585	-	1,221,197	-	355,411	1,678,193
Public works	-	1,217,777	-	22,694	617,522	1,857,993
Public health	13,424	-	-	-	411,428	424,852
Social and economic services	11,622	-	-	-	97,145	108,767
Culture and recreation	-	-	-	-	218,485	218,485
Housing and community development	-	-	-	-	33,924	33,924
Debt service - principal	-	280,362	-	-	36,272	316,634
Debt service - interest	-	25,414	-	-	4,406	29,820
Miscellaneous	-	-	-	-	156,964	156,964
Capital outlay	-	149,826	36,002	-	668,469	854,297
Total expenditures	<u>\$ 1,926,252</u>	<u>\$ 1,673,379</u>	<u>\$ 1,257,199</u>	<u>\$ 22,694</u>	<u>\$ 2,756,623</u>	<u>\$ 7,636,147</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 437,391</u>	<u>\$ 115,769</u>	<u>\$ (357,221)</u>	<u>\$ (22,694)</u>	<u>\$ (245,346)</u>	<u>\$ (72,101)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -	\$ 629,379	\$ 629,379
Proceeds from the sale of general capital asset disposition	-	38,000	-	-	-	38,000
Transfers in	155,925	57,588	312,723	-	577,159	1,103,395
Transfers out	(379,100)	(300,000)	-	-	(424,295)	(1,103,395)
Total other financing sources (uses)	<u>\$ (223,175)</u>	<u>\$ (204,412)</u>	<u>\$ 312,723</u>	<u>\$ -</u>	<u>\$ 782,243</u>	<u>\$ 667,379</u>
Net Change in Fund Balance	<u>\$ 214,216</u>	<u>\$ (88,643)</u>	<u>\$ (44,498)</u>	<u>\$ (22,694)</u>	<u>\$ 536,897</u>	<u>\$ 595,278</u>
Fund balances - beginning	\$ 1,135,394	\$ 867,466	\$ 324,609	\$ (816,545)	\$ 1,324,717	\$ 2,835,641
Restatements	107,163	-	-	-	(90,564)	16,599
Fund balances - beginning, restated	<u>\$ 1,242,557</u>	<u>\$ 867,466</u>	<u>\$ 324,609</u>	<u>\$ (816,545)</u>	<u>\$ 1,234,153</u>	<u>\$ 2,852,240</u>
Fund balance - ending	<u>\$ 1,456,773</u>	<u>\$ 778,823</u>	<u>\$ 280,111</u>	<u>\$ (839,239)</u>	<u>\$ 1,771,050</u>	<u>\$ 3,447,518</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 595,278
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	854,296
- Depreciation expense	(802,219)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Proceeds from the sale of capital assets	(38,000)
- Gain on the sale of capital assets	1,527
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	26,680
The change in compensated absences is shown as an expense in the Statement of Activities	
	(15,515)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	316,634
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:	
- Proceeds from the sale of long-term debt	(629,379)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(170,254)
Change in net position - Statement of Activities	\$ <u>139,048</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Statement of Net Position
Proprietary Fund
June 30, 2014

		<u>Business-Type Activities - Enterprise Fund</u>
		<u>Solid Waste</u>
ASSETS		
Current assets:		
Cash and investments	\$	576,374
Taxes and assessments receivable, net		48,729
Due from other funds		839,239
Total current assets	\$	<u>1,464,342</u>
Noncurrent assets:		
Capital assets - land	\$	202,144
Capital assets - depreciable, net		583,484
Total noncurrent assets	\$	<u>785,628</u>
Total assets	\$	<u>2,249,970</u>
LIABILITIES		
Current liabilities:		
Accrued payables	\$	6,126
Current portion of compensated absences payable		21,317
Total current liabilities	\$	<u>27,443</u>
Noncurrent liabilities:		
Landfill closure postclosure liability	\$	408,497
Other post employment benefit liability		49,904
Noncurrent portion of compensated absences		21,256
Total noncurrent liabilities	\$	<u>479,657</u>
Total liabilities	\$	<u>507,100</u>
NET POSITION		
Net investment in capital assets	\$	785,628
Unrestricted		957,242
Total net position	\$	<u>1,742,870</u>
Total liabilities and net position	\$	<u>2,249,970</u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

		<u>Business-Type Activities - Enterprise Fund</u>
		<u>Solid Waste</u>
OPERATING REVENUES		
Charges for services	\$	771,650
Miscellaneous revenues		17,100
Total operating revenues	\$	<u>788,750</u>
OPERATING EXPENSES		
Personal services	\$	315,573
Supplies		261,423
Purchased services		40,022
Fixed charges		27,608
Depreciation		81,873
Total operating expenses	\$	<u>726,499</u>
Operating income (loss)	\$	<u>62,251</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue		2,368
Total non-operating revenues (expenses)	\$	<u>2,368</u>
Income (loss) before contributions and transfers	\$	<u>64,619</u>
Change in net position	\$	<u>64,619</u>
Net Position - Beginning of the year	\$	1,678,251
Net Position - End of the year	\$	<u><u>1,742,870</u></u>

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2014

	<u>Solid Waste</u>
Cash flows from operating activities:	
Cash received from providing services	\$ 768,693
Cash received from miscellaneous sources	17,100
Cash payments to suppliers	(261,423)
Cash payments for professional services	(40,022)
Cash payments to employees	(301,799)
Net cash provided (used) by operating activities	<u>\$ 182,549</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (32,852)
Net cash provided (used) by capital and related financing activities	<u>\$ (32,852)</u>
Cash flows from non-capital financing activities:	
Short term loan to governmental funds	\$ (839,239)
Net cash provided (used) from non-capital financing activities	<u>\$ (839,239)</u>
Cash flows from investing activities:	
Interest on investments	\$ 2,368
Net cash provided (used) by investing activities	<u>\$ 2,368</u>
Net increase (decrease) in cash and cash equivalents	\$ (687,174)
Cash and cash equivalents at beginning	<u>1,263,548</u>
Cash and cash equivalents at end	<u><u>\$ 576,374</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 62,251
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	81,873
Other post-employment benefits	10,867
Changes in assets and liabilities:	
Increase in landfill closure/postclosure liability	27,608
Increase in receivables	(2,957)
Increase in compensated absences	6,203
Decrease in accrued payables	(3,296)
Net cash provided (used) by operating activities	<u><u>\$ 182,549</u></u>

See accompanying notes to the financial statements

Beaverhead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	<u>Investment Trust Funds</u>		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS					
Cash and short-term investments	\$ 4,215,705	\$	5,303	\$	5,382,539
Other receivables	-		-		229
Taxes receivable	-		-		971,268
Total assets	<u>\$ 4,215,705</u>	<u>\$</u>	<u>5,303</u>	<u>\$</u>	<u>6,354,036</u>
LIABILITIES					
Warrants payable	-	\$	-	\$	293,803
Due to others	-		-		6,060,233
Total liabilities	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>6,354,036</u>
NET POSITION					
Assets held in trust	<u>\$ 4,215,705</u>	<u>\$</u>	<u>5,303</u>		

See accompanying Notes to the Financial Statements

Beaverhead County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 481,343	\$ -
Investment earnings:		
Interest and change in fair value of investments	8,821	-
Total additions	<u>\$ 490,164</u>	<u>\$ -</u>
DEDUCTIONS		
Distributions from investment trust fund	\$ 1,152,287	\$ -
Change in net position	<u>\$ (662,123)</u>	<u>\$ -</u>
Net Position - Beginning of the year	\$ 4,877,828	\$ 5,303
Net Position - End of the year	<u>\$ 4,215,705</u>	<u>\$ 5,303</u>

See accompanying Notes to the Financial Statements

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This standard is effective for fiscal year ending June 30, 2012.

Financial Reporting Entity

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the County appointed a voting majority of the component units' board; the County is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

Primary Government

The County is a political subdivision of the State of Montana governed by an elected three-member Board of Commissioners duly elected by the registered voters of the County. The County is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as 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 or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmaturing interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

measurable and available only when cash is received by the government.

Major Funds:

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds.

Road – A special revenue fund that accounts for the accounts for the activities of the Count’s road maintenance and construction operations.

Public Safety – A special revenue fund that is used to account for revenues and expenditures for public safety.

FEMA Blacktail Bridge – A capital projects fund that is used to account for revenues and expenditures for the Blacktail Bridge project.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The County reports the following major proprietary funds:

Solid Waste Fund – An enterprise fund that accounts for the activities of the County’s solid waste service.

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government.

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the County as an agent for individuals, private organizations, other local governmental entities and the County’s claims and payroll clearing funds

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	\$
Petty Cash	800
Cash in banks:	
Demand deposits	3,094,210
Savings deposits	10,864,759
Time deposits	555,772
Credit Union Deposits	218
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	48
Total	\$ 14,515,807

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2014:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 907,892,295	A1	44
Corporate Commercial Paper	150,768,775	A1	105
Corporate Variable-Rate	663,143,336	A3	41
Certificates of Deposit Fixed Rate	50,000,000	A1	222
Certificates of Deposit Variable-Rate	435,974,196	A2	35
Other Asset Backed	17,987,295	BBB-	NA
U.S. Government Agency Fixed	25,000,000	A1	3
U.S. Government Agency Variable -Rate	182,700,345	A1	17
Money Market Funds (Unrated)	168,232,935	NR	1
Money Market Funds (Rated)	15,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>29,561,449</u>	<u>NR</u>	<u>4</u>
Total Investments	<u>\$ 2,646,260,626</u>		<u>43</u>
Securities Lending Collateral Investment Pool	<u>\$ 7,182,928</u>	NR	*

“*As of June 30, 2013, the Securities Lending Quality Trust liquidity pool had an average duration of 48 days and an average weighted final maturity of 99 days for U.S. dollar collateral. The duration pool had an average duration of 36 days and an average weighted final maturity of 679 days for U.S. dollar collateral.”

Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

Custodial Credit Risk

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 government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 the government's bank balance of \$14,707,054 was exposed to custodial credit risk as follows:

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 1,013,830
Collateralized	
- Collateral held by the pledging bank's trust department but not in the County's name.	10,101,820
Uninsured and uncollateralized	<u>3,591,404</u>
Total deposits and investments	<u><u>\$ 14,707,054</u></u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2014, did not meet the amount required by State statutes.

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has one pooled investment trust fund, one is invested in certificates of deposit, savings deposits, money market accounts, and the State Short-Term Investment Pool (STIP). The pooled funds invested in STIP are carried at fair value, and the pooled funds invested in non-negotiable certificates of deposit are carried at cost, which approximates fair value.

The County invests funds for one external entity. These investments are reported in an individually directed investment trust fund. The investments are non-negotiable certificates of deposit and carried at cost which approximates fair value.

Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2014 to support the value of the shares in the pool.

BEAVERHEAD COUNTY, MONTANA
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As noted below State statutes limit the type of investments but provide no other regulatory oversight.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

Condensed statements of investments pools

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2014.

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 7,400,010
Equity of external pool participants	4,215,705
Total equity	\$ <u><u>11,615,715</u></u>

Condensed Statement of Changes in Net Assets

	External	Internal
Investment earnings	\$ 8,821	\$ 15,535
Contributions to trust	481,343	1,538,719
Distributions paid	(1,152,287)	(812,230)
Net change in net assets	\$ (662,123)	\$ 742,024
Net assets at beginning of year	4,877,828	6,657,985
Net assets at end of year	\$ 4,215,705	\$ 7,400,009

Cash equivalents

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

BEAVERHEAD COUNTY, MONTANA
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Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased

NOTE 5. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20 – 60 years
Improvements	20 – 50 years
Equipment	5 – 20 years
Infrastructure	10 – 50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance		Additions		Deletions		Restatements		Transfers		Balance
	<u>July 1, 2013</u>										<u>June 30, 2014</u>
Capital assets not being depreciated:											
Land	\$ 449,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	449,795
Construction in progress	198,710	85,216	-	-	-	-	-	(198,710)	-	-	85,216
Total capital assets not being depreciated	<u>\$ 648,505</u>	<u>\$ 85,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (198,710)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>535,011</u>
Other capital assets:											
Buildings	\$ 1,901,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,901,860
Improvements other than buildings	4,545,266	18,490	-	-	-	-	-	-	-	-	4,563,756
Machinery and equipment	2,528,494	810,331	(445,386)	-	-	-	-	(53,125)	-	-	2,840,314
Furniture and Equipment	493,208	-	-	-	-	-	-	46,125	-	-	539,333
Vehicles	1,580,414	-	(191,606)	-	-	-	-	7,000	-	-	1,395,808
Infrastructure	7,397,876	-	-	-	-	-	-	198,710	-	-	7,596,586
Total other capital assets at historical cost	<u>\$ 18,447,118</u>	<u>\$ 828,821</u>	<u>\$ (636,992)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,837,657</u>
Less: accumulated depreciation	(7,791,282)	(802,219)	540,778	11,292	-	-	-	-	-	-	(8,041,431)
Total	<u>\$ 11,304,341</u>	<u>\$ 111,818</u>	<u>\$ (96,214)</u>	<u>\$ 11,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,331,237</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 61,669
Public safety	38,914
Public works	673,381
Culture and recreation	22,190
Housing and community development	<u>6,065</u>
Total governmental activities depreciation expense	<u>\$802,219</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance		Additions		Deletions		Balance
	<u>July 1, 2013</u>						<u>June 30, 2014</u>
Capital assets not being depreciated:							
Land	\$ 202,144	\$ -	\$ -	\$ -	\$ -	\$ -	202,144
Total capital assets not being depreciated	<u>\$ 202,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>202,144</u>
Other capital assets:							
Buildings	\$ 134,982	\$ -	\$ -	\$ -	\$ -	\$ -	134,982
Machinery and equipment	1,900,991	32,852	(247,731)	-	-	-	1,686,112
Total other capital assets at historical cost	<u>\$ 2,035,973</u>	<u>\$ 32,852</u>	<u>\$ (247,731)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,821,094</u>
Less: accumulated depreciation	\$ (1,403,468)	\$ (81,873)	\$ 247,731	\$ -	\$ -	\$ -	(1,237,610)
Total	<u>\$ 834,649</u>	<u>\$ (49,021)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>785,628</u>

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

	Balance				Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2014</u>	<u>One Year</u>
Contracted debt	\$ 1,033,618	\$ 629,379	\$ (292,841)	\$ 1,393	\$ 1,371,549	\$ 230,406
Compensated absences	262,651	15,515	-	-	278,166	182,502
Intercap loans	110,076	-	(23,793)	-	86,283	24,950
Other post-employment benefits*	358,765	170,254	-	-	529,019	-
Total	<u>\$ 1,765,110</u>	<u>\$ 815,148</u>	<u>\$ (316,634)</u>	<u>\$ 1,393</u>	<u>\$ 2,265,017</u>	<u>\$ 437,858</u>

*See Note 7

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

	Balance		Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>June 30, 2014</u>	<u>One Year</u>
Compensated absences	\$ 36,370	\$ 6,203	\$ 42,573	\$ 21,317
Other post-employment benefits*	39,037	10,867	49,904	-
Total	<u>\$ 75,407</u>	<u>\$ 17,070</u>	<u>\$ 92,477</u>	<u>\$ 21,317</u>

*See Note 7

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Parks and Recreation	7/1/04	6.50%	12 yrs	7/14/16	Varies	\$ 40,126
Fairgrounds stalls	10-31-05	5.00%	10 yrs	6/10/15	Varies	4,371
Aeronautics	1/28/09	1.63%	10 yrs	2/28/19	Varies	29,385
FEMA Blacktail Bridge	6/30/11	2.25%	10 yrs	6/30/21	Varies	725,774
Graders	10/1/13	2.65%	5 yrs	1/10/19	Varies	571,893
Total						<u>\$ 1,371,549</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

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For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2015	\$ 230,406	\$ 33,045
2016	232,119	26,865
2017	229,546	20,518
2018	226,356	14,788
2019	232,074	9,230
2020	107,899	4,355
2021	110,341	1,913
2022	2,808	24
Total	<u>\$ 1,371,549</u>	<u>\$ 110,738</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Fairgrounds Restrooms	6/2/06	1-4.85%	10 yrs	8/15/16	Varies	\$ 31,941
Land Road Easements	11-16/07	1-7.85%	10 yrs	2/15/18	Varies	<u>54,342</u>
Total						<u>\$ 86,286</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2015	\$ 24,950	\$ 801
2016	26,163	549
2017	20,606	284
2018	14,564	110
Total	<u>\$ 86,283</u>	<u>\$ 1,744</u>

BEAVERHEAD COUNTY, MONTANA
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Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,237,642
Actuarial value of plan assets	\$ <u> -</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u><u>1,237,642</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,883,727
UAAL as a percentage of covered payroll	66%

BEAVERHEAD COUNTY, MONTANA
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Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	181,121
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	181,121
Contributions made	\$	-
Increase in net OPEB obligation	\$	181,121
Net OPEB obligation - beginning of year	\$	397,802
Net OPEB obligation - end of year	\$	<u>578,923</u>

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2012	3.8%
2013	4.0%
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

BEAVERHEAD COUNTY, MONTANA
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NOTE 8. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that Beaverhead County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and post-closure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. The \$408,497 reported as landfill closure and post-closure liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 25.4% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$1,199,136 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure in 2014. The County expects to close the landfill in the year 2064. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Deficit cash	General- Major Governmental	Emergency Disaster	\$ 1,504
Deficit Cash	General – Major Governmental	Weed Grant	212
Deficit Cash	Solid Waste – Major Proprietary	FEMA Blacktail Bridge	400,000
Deficit Cash	Solid Waste – Major Proprietary	FEMA Blacktail Bridge	<u>439,239</u>
Total			<u>\$ 840,955</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Allocation of Insurance	General- Major Governmental	Health Insurance Above Cap – Nonmajor Governmental	\$ 155,925
Allocation of Insurance	Road – Major Governmental	Health Insurance Above Cap – Nonmajor Governmental	57,588
PILT Distribution	Bridge – Nonmajor Governmental	PILT – Nonmajor Governmental	20,000
Allocation of Insurance	Bridge – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	15,349

BEAVERHEAD COUNTY, MONTANA
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Allocation of Insurance	Weed – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	13,839
Dyers Road	Weed – Nonmajor Governmental	Weed Grant – Nonmajor Governmental	6,240
Overtime	Weed – Nonmajor Governmental	Weed Grant – Nonmajor Governmental	7,500
Fair Awards	Fair Awards – Nonmajor Governmental	Fair – Nonmajor Governmental	9,046
Allocation of Insurance	District Court – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	15,349
PILT Distribution	Parks & Recreation – Nonmajor Governmental	PILT – Nonmajor Governmental	30,000
Allocation of Insurance	Emergency/Disaster – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	263
Allocation of Insurance	Public Health – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	20,984
PILT Distribution	Senior Citizens – Nonmajor Governmental	PILT- Nonmajor Governmental	4,100
Allocation of Insurance	Extension – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	7,640
PILT Distribution	Public Safety – Major Governmental	PILT – Nonmajor Governmental	200,000
Allocation of Insurance	Public Safety – Major Governmental	Health Insurance Above Cap – Nonmajor Governmental	112,723
PILT Distribution	Employee Liability – Nonmajor Governmental	PILT – Nonmajor Governmental	25,000
Allocation of Insurance	911 Emergency – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	1,812
PILT Distribution	TSEP – Nonmajor Governmental	PILT – Nonmajor Governmental	15,000
PILT Distribution	Interoperability Montana – Nonmajor Governmental	PILT – Nonmajor Governmental	25,000

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Allocation of Insurance	Dare – Nonmajor Governmental	Health Insurance Above Cap – Nonmajor Governmental	37
PILT Distribution	Jackson Sewer – Nonmajor Governmental	PILT – Nonmajor Governmental	20,000
Road Equipment	Road Equipment CIP – Nonmajor Governmental	Road – Major Governmental	265,000
PILT Distribution	Courthouse CIP – Nonmajor Governmental	PILT – Nonmajor Governmental	30,000
PILT Distribution	County Vehicle CIP – Nonmajor Governmental	PILT – Nonmajor Governmental	10,000
Road Building	Road Building – Nonmajor Governmental	Road – Major Governmental	<u>35,000</u>
Total			<u>\$ 1,103,395</u>

NOTE 10. STATE-WIDE RETIREMENT PLANS

All full-time County employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS) and Sheriffs Retirement System (SRS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

	<u>PERS**</u>	<u>SRS</u>
Employer	7.90%	10.115%
Employee	6.90%*	9.245%
State	0.10%	-

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the County's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The Entity's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>SRS</u>
2012	\$154,061	\$ 49,550
2013	\$159,784	\$ 48,803
2014	\$190,353	\$ 52,635

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The Entity offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Entity employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Beaverhead County Road Department

Members of the International Union of Operating Engineers participate in the Central Pension Fund of the International Union of Operating Engineers. The plan is available only to those in the Road Department and under union contract

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 778,823	Public Works
Public Safety	280,111	Public Safety
All Other	397,865	General Government
	335,485	Public Safety
	787,453	Public Works
	116,924	Public Health

BEAVERHEAD COUNTY, MONTANA
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 June 30, 2014

23,108	Social & Economic
99,586	Culture & Recreation
<u>12,667</u>	Housing & Development
<u>\$2,832,022</u>	

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Emergency Disaster	\$ 1,513	Expenditures exceeded cash available	Receipt of grant funds
Weed Grant FEMA Blacktail	\$ 525	Expenditures exceeded cash available	Receipt of grant funds
Bridge	\$ 839,239	See note 17	See note 17

NOTE 14. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net assets.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 1,975	Correct prior year revenues
General	(109,138)	*
State Mineral Royalties	109,138	*
Livestock Special Deputy	(18,574)	Current year revenue adjustment
Governmental	(11,292)	Capital asset corrections
Governmental	<u>1,393</u>	Long term debt corrections
	<u>\$ (26,498)</u>	

* To reclass the Mineral Royalty fund to the General Fund per GASB #54.

NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

Beaverhead County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also serves as a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

BEAVERHEAD COUNTY, MONTANA
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June 30, 2014

NOTE 16. RISK MANAGEMENT

The County faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Insurance Pools:

County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, has entered into an agreement with a private management firm to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 48 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Joint Powers Insurance Trust.

BEAVERHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 17. SUBSEQUENT EVENTS

Forest Reserve Payments

In January 2015, the payments were announced for the new fiscal year, and these payments do not include additional funding from the Secure Rural Schools and Community Self-Determination Act (SRS). The SRS Act expired in September 2014, and the program was not reauthorized for fiscal year 2015. With the SRS not being reauthorized, the payments revert back to the pre-existing law under the 1908 Act that mandates the payments to states from receipts from national forests in each state. The amount of funding expected to be distributed to 41 States in 2015 is slightly over \$50,000,000 compared to over \$328,000,000 in 2014. The estimated amount to be distributed to the State of Montana in 2015 is only \$2,230,173. This significant decrease in funding will affect Beaverhead County as a significant amount of revenues reported in the Road Fund in 2014 were from the Forest Service payments.

Blacktail Deer Creek Stream Rehabilitation and Bridge Replacement Project

Beaverhead County was awarded through the U.S. Department of Homeland Security a FEMA Pre-Disaster Mitigation Grant (PDM-PJ-MT-2005-002) in August of 2006. Other funding sources were also secured as well as a commitment of Beaverhead County and City of Dillon funds. The engineering firm of Robert Peccia & Associates was retained in November of 2007.

The project is located in the City of Dillon along the reach of Blacktail Deer Creek between Orr Street and Helena street and consists of: Removal of in stream obstructions, stream reconstruction and rehabilitation, removal of an irrigation diversion structure, replacing an irrigation crossing structure, replacing the Railroad Avenue and Reeder Street bridges, retaining walls and sheet piling, replaced of the pedestrian bridges, relocation of a critical City water/fire main, reconstruction of associated streets, sidewalks and parking lot, and other work incidental thereto.

Numerous public hearings and meetings were held throughout the design phase of the project which culminated in a public notice for invitation to bid for the construction of the project. The bids were received and opened publicly on August 10, 2009 with the actual notice of award to the lowest bidder, Coleman Construction, Inc. on August 24, 2009.

The total project was determined to be substantially complete by the Project Engineer on August 11, 2010. Several punch list items still remain incomplete including the close-out report and as built information required from the contractor pursuant to the project's Streamwork 124 permit.

The contractor has submitted claims in addition to the approved contract with change orders in the amount of \$1,619,594.68. These claims were rejected by the Project Engineer and Beaverhead County and have been the object of two mediations. In March of 2013 Beaverhead County made a settlement payment in the amount of \$450,000. This amount was reported as an expenditure in the FEMA Blacktail Deer Creek fund leading to an increase in the negative cash and deficit from the 2012.

Currently, the County has made the decision to obtain an intercap loan for \$1,000,000 to cover the amount of the cash deficit that is in the FEMA Blacktail Deer Creek fund. This decision was made after the County received information that it had lost the case. As of March 2015, the County has not made any draw downs on this loan.

**REQUIRED SUPPLEMENTAL
INFORMATION**

**Beaverhead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 678,605	\$ 678,605	\$ 749,734	\$ 71,129
Licenses and permits	9,950	9,950	8,810	(1,140)
Intergovernmental	510,687	510,687	561,056	50,369
Charges for services	165,106	165,106	176,392	11,286
Fines and forfeitures	64,000	64,000	67,681	3,681
Miscellaneous	44,000	44,000	35,574	(8,426)
Investment earnings	15,000	15,000	9,226	(5,774)
Amounts available for appropriation	<u>\$ 1,487,348</u>	<u>\$ 1,487,348</u>	<u>\$ 1,608,473</u>	<u>\$ 121,125</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,044,528	\$ 2,044,528	\$ 1,799,621	\$ 244,907
Public safety	100,500	100,500	101,585	(1,085)
Public works	-	-	-	-
Public health	13,500	13,500	13,424	76
Social and economic services	15,000	15,000	11,622	3,378
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	42,000	42,000	-	42,000
Total charges to appropriations	<u>\$ 2,215,528</u>	<u>\$ 2,215,528</u>	<u>\$ 1,926,252</u>	<u>\$ 289,276</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	450,059	450,059	455,984	5,925
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 450,059</u>	<u>\$ 450,059</u>	<u>\$ 455,984</u>	<u>\$ 5,925</u>
Net change in fund balance			<u>\$ 138,205</u>	
Fund balance - beginning of the year			\$ 456,235	
Restatements			<u>(1,975)</u>	
Fund balance - beginning of the year - restated			<u>\$ 454,260</u>	
Fund balance - end of the year			<u><u>\$ 592,465</u></u>	

Beaverhead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 619,098	\$ 619,098	\$ 634,907	\$ 15,809
Licenses and permits	-	-	-	-
Intergovernmental	1,514,061	1,514,061	1,102,168	(411,893)
Charges for services	25,194	25,194	36,834	11,640
Fines and forfeitures	-	-	-	-
Miscellaneous	38,000	38,000	15,239	(22,761)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 2,196,353</u>	<u>\$ 2,196,353</u>	<u>\$ 1,789,148</u>	<u>\$ (407,205)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,238,200	1,238,200	1,217,777	20,423
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	282,000	282,000	280,362	1,638
Debt service - interest	32,000	32,000	25,414	6,586
Capital outlay	710,000	710,000	149,826	560,174
Total charges to appropriations	<u>\$ 2,262,200</u>	<u>\$ 2,262,200</u>	<u>\$ 1,673,379</u>	<u>\$ 588,821</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	-	-	38,000	38,000
Transfers in	60,000	60,000	57,588	(2,412)
Transfers out	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	<u>\$ (240,000)</u>	<u>\$ (240,000)</u>	<u>\$ (204,412)</u>	<u>\$ 35,588</u>
Net change in fund balance			<u>\$ (88,643)</u>	
Fund balance - beginning of the year			\$ 867,466	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 867,466</u>	
Fund balance - end of the year			<u><u>\$ 778,823</u></u>	

Beaverhead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Public Safety			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 738,859	\$ 738,859	\$ 730,055	\$ (8,804)
Licenses and permits	-	-	-	-
Intergovernmental	13,500	13,500	8,403	(5,097)
Charges for services	216,000	216,000	159,399	(56,601)
Fines and forfeitures	-	-	-	-
Miscellaneous	4,000	4,000	2,121	(1,879)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 972,359</u>	<u>\$ 972,359</u>	<u>\$ 899,978</u>	<u>\$ (72,381)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,391,700	1,391,700	1,221,197	170,503
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	36,000	36,000	36,002	(2)
Total charges to appropriations	<u>\$ 1,427,700</u>	<u>\$ 1,427,700</u>	<u>\$ 1,257,199</u>	<u>\$ 170,501</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	320,000	320,000	312,723	(7,277)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 312,723</u>	<u>\$ (7,277)</u>
Net change in fund balance			<u>\$ (44,498)</u>	
Fund balance - beginning of the year			\$ 324,609	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 324,609</u>	
Fund balance - end of the year			<u>\$ 280,111</u>	

Beaverhead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2014

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,608,473	\$ 1,789,148	\$ 899,978
Combined funds (GASBS 54) revenues	755,170		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 2,363,643</u>	<u>\$ 1,789,148</u>	<u>\$ 899,978</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,926,252	\$ 1,673,379	\$ 1,257,199
Combined funds (GASBS 54) expenditures	-		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,926,252</u>	<u>\$ 1,673,379</u>	<u>\$ 1,257,199</u>

Beaverhead County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 291,727	\$ 291,727	0%	\$ 1,548,135	18.8%
July 1, 2012		\$ 1,237,642	\$ 1,237,642	0%	\$ 1,883,727	65.7%

SINGLE AUDIT SECTION

Beaverhead County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure June 30, 2014
<u>U.S. Department of Agriculture</u>			
<i>Direct:</i>			
School and Roads - Grants to States	10.665	N/A	\$ 805,040
<i>Passed through Montana Department of Agriculture</i>			
Cooperative Forestry Assistance	10.664	10-DG-1101000-007	5,630
Cooperative Forestry Assistance	10.664	09-DG-1101000-006	1,262
Forest Health Protection	10.680	12-DG-1101000-017	26,403
Forest Health Protection	10.680	11-DG-1101000-016	6,705
Forest Health Protection	10.680	N/A	9,786
Total U.S. Department of Agriculture			\$ 854,826
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation:</i>			
Highway Planning and Construction	20.205	STPE1(59)	\$ 16,009
<i>Passed through Federal Highway Administration, Western Federal Lands Highway Division:</i>			
Highway Planning and Construction	20.205	DTFH-13-E-00022	189,691
Total U.S. Department of Transportation			\$ 205,700
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Department of Health and Human Services:</i>			
Public Health Emergency Preparedness	93.069	14-07-6-11-001-0	\$ 42,590
Immunization Cooperative Agreements	93.268	14-07-4-31-100-0	3,685
Maternal and Child Health Services Block Grant to States	93.994	14-07-5-01-001-0	7,931
Total U.S. Department of Transportation			\$ 54,206
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	\$ 33,291
Total Federal Financial Assistance			\$ 1,148,023

N/A = Not Applicable or Not Available

BEAVERHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2014

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Beaverhead County, Montana, and is presented on the modified 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 preparation of, the basic financial statements.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**INDEPENDENT AUDITOR'S 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**

Board of County Commissioners
Beaverhead County
Dillion, Montana

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Beaverhead County, Montana, as of and for the Year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Beaverhead County's basic financial statements and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaverhead County, Montana'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 Beaverhead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Beaverhead County's internal control over financial reporting.

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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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 charged with governance.

Our consideration of internal control 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 the Beaverhead County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 or other matters 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 control 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.

Derring, Downey and Associates, CPAs, P.C.

March 27, 2015

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of County Commissioners
Beaverhead County
Dillion, Montana

Report on Compliance for Each Major Federal Program

We have audited Beaverhead County, Montana'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 Beaverhead County's major federal programs for the Year ended June 30, 2014. The County'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaverhead County, Montana'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 County'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 of County's compliance.

Opinion on Each Major Federal Program

In our opinion, Beaverhead County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the Year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Beaverhead County, Montana 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, we considered the County'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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 County'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 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, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 the 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.

Denning, Downey and Associates, CPA's, P.C.

March 27, 2015

BEAVERHEAD COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no findings or questioned costs reported

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Beaverhead County
Dillion, Montana

The prior audit report contained 5 recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Cash Reconciling Procedures	Implemented
Negative Cash Balances	Implemented
Internal Controls – Fair	Not Repeated
Inadequate Pledged Securities	Implemented
Forest Reserve Expenditures	Implemented

Denning, Downey and Associates, CPA's, P.C.

March 27, 2015