

**BIG HORN COUNTY
HARDIN, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

**2810 CENTRAL AVENUE, SUITE B
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BIG HORN COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

John Pretty on Top

Sidney Fitzpatrick

Chad Fenner

Board Chairperson

Commissioner

Commissioner

ELECTED OFFICIALS

Kimberly Yarlott

Josephine Guptill

Lawrence Big Hair

Terry Bullis

Lance Pedersen

Sandra Watts

Karen Yarlott-Molina

Leroy Not Afraid

County Clerk and Recorder

County Treasurer

County Sheriff

Coroner

Interim County Attorney

County Superintendent

Clerk of District Court

Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Big Horn County
Hardin, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Horn County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government'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.

Basis for Qualified Opinions

Because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, the general fund, the road fund, the bridge fund, the federal mineral royalties fund and the aggregate remaining fund information.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the general fund, the road fund, the bridge fund, the federal mineral royalties fund and the aggregate remaining fund information for the government, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the public safety and FFA grant CIP funds (major funds) for the government, as of June 30, 2014, and the respective changes in financial position 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 the schedule of funding progress-other post employment benefits identified in the table of contents 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 government'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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 13, 2015, on our consideration of the government'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 the government's internal control over financial reporting and compliance.

Olness & Associates, PC

Billings, Montana
March 13, 2015

BIG HORN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of Big Horn County's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements and notes to the basic financial statements.

Financial Highlights

- Assets exceeded liabilities by \$48,825,384 (net position). This amount is classified as net investment in capital assets and restricted or unrestricted net position. Total net position increased \$3,068,764 as a result of this year's operations.
- During the year, our government had expenses that were \$3,332,394 more than the \$10,128,476 generated in taxes and other revenues for governmental programs.
- General fund fund balance increased from \$3,149,295 to \$3,761,365. The increase is partly due to a prior period adjustment of \$452,800. The prior period adjustment corrected the beginning allowance for the ambulance accounts receivable.
- The total governmental fund's fund balance increased \$243,257.
- At the present time, Big Horn County remains debt free.

Using this Audit Report

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer term view of the finances. For governmental funds, fund statements tell how these services were financed in the short term, as well as, what remains for future spending, fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of the Financial Statements

Government-Wide Financial Statements: One of the most important questions asked about Big Horn County's finances is "is the County as a whole better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about Big Horn County as a whole and about its Activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements (Statement of Net Position and Statement of Activities) report net position and the changes in it. You can think of Big Horn County's net position – the difference between assets and liabilities – as one way to measure the financial health, or financial position of Big Horn County. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the capital assets (County roads and bridges), to assess the overall health of Big Horn County.

The Statement of Net Position and the Statement of Activities, include governmental activities consisting of public safety, public works, culture and recreation, and general administration. Property and severance taxes, federal mineral royalty payments and state and federal grants finance most of these activities.

Fund Financial Statements: The fund financial statements provide detailed information about the most significant funds-not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds-Basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Position and the Statement of Activities) and governmental funds in reconciliations.

Fiduciary funds-Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purpose.

BIG HORN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The Government as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, assets exceeded liabilities by \$48,825,384 as of June 30, 2014. A recap of the County's net position and changes in net position follows:

Big Horn County's Net Position

	2014	2013	Change
Current and other assets	\$ 14,294,622	\$ 13,132,648	\$ 1,161,974
Capital assets	37,275,835	34,149,868	3,125,967
Total assets	51,570,457	47,282,516	4,287,941
Other liabilities	1,126,701	599,032	527,669
Long-term liabilities outstanding	1,618,372	1,342,288	276,084
Total liabilities	2,745,073	1,941,320	803,753
Net position:			
Net investment in capital assets	37,275,835	34,149,868	3,125,967
Restricted	4,408,988	4,494,630	(85,642)
Unrestricted	7,140,561	6,696,698	443,863
	\$ 48,825,384	\$ 45,341,196	\$ 3,484,188

Big Horn County's Changes in Net Position

	2014	2013	Change
Revenues:			
Program revenues:			
Charges for services	\$ 3,294,522	\$ 3,151,192	\$ 143,330
Operating grants and contributions	684,660	923,155	(238,495)
Capital grants and contributions	2,421,976	3,193,929	(771,953)
General revenues:			
Taxes	5,851,155	5,982,549	(131,394)
Licenses and permits	3,910	6,415	(2,505)
Intergovernmental	3,922,961	4,429,136	(506,175)
Interest	128,604	119,006	9,598
Miscellaneous	77,775	210,776	(133,001)
Gain on disposal of capital assets	144,071	92,626	51,445
Total revenues	16,529,634	18,108,784	(1,579,150)
Expenses:			
General government	2,779,687	2,597,804	181,883
Public safety	5,190,374	4,963,250	227,124
Public works	3,230,804	3,461,826	(231,022)
Public health	733,389	1,059,889	(326,500)
Social and economic services	696,397	467,864	228,533
Culture and recreation	635,789	672,558	(36,769)
Other current charges	194,430	224,698	(30,268)
Total expenses	13,460,870	13,447,889	12,981
Change in net position	3,068,764	4,660,895	\$ (1,592,131)
Net position, beginning	45,341,196	40,680,301	
Prior period adjustment	415,424	-	
Net position, ending	\$ 48,825,384	\$ 45,341,196	

BIG HORN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Of the County's total net position (\$48,825,384), our net investment in capital assets accounts for \$37,275,835 or 76%. Capital assets reflect the County's investments in land, buildings, improvements other than buildings, machinery and equipment and infrastructure. Big Horn County uses these capital assets to provide services to citizens and the community; consequently these assets are not available for future spending. Unrestricted net position accounts for \$7,140,561 or 15% of the total net position. Unrestricted net position is primarily used for cash flow purposes in between property tax collections, which are due in 50% installments on November 30 and May 31 of each year, and also against unforeseen costs or events. Restricted net position (\$4,408,988) or 9% represents resources that are subject to external restrictions on how they may be used.

Net position increased \$3,068,764 as a result of this year's operation. The increase can mainly be attributed to capital grants.

Fund Financial Statements

The fund financial statements provide detailed information about the major (most significant) funds. The general fund is always reported as a major fund. Governments may choose to report other governmental funds as major funds, even though they do not meet the qualifying test. To be reported as a major fund, a fund must meet the following criteria: total assets, liabilities, revenues, or expenditures of an individual governmental fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds.

Big Horn County has six governmental funds which are reported as major funds. These are: General, Road, Bridge, Public Safety (Law Enforcement), Federal Mineral Royalties and FAA Grant CIP funds.

General Fund: This is the primary operating fund For Big Horn County and includes such accounts as the Commissioners, Justice of the Peace, Clerk and Recorder, Treasurer, Elections, County Attorney, Building Operations, School Superintendent, Disaster & Emergency Services, Coroner, Sanitarian, Health Department, and Indigent Services. The General Fund fund balance as of June 30, 2014 was \$3,761,365, an increase of \$159,270 over the previous fiscal year. General fund revenues were \$5,213,048, an increase of \$40,871 over the prior year. Expenditures decreased \$53,741 over the prior year. The General fund had net transfers of \$882,979 into the fund to support operations.

Road Fund: Fund balance for the Road fund decreased \$18,382. The Road fund had transfers in of \$277,050 into the fund to support operations.

Bridge Fund: Fund balance for the Bridge fund decreased by \$68,776. Available fund balance was used to support current year operations.

Public Safety Fund: The Public Safety fund accounts for activities for law enforcement (sheriff's office), detention center (jail) operations and other public safety programs. The cost of providing public safety to residents increased by \$65,068 over the prior year. Revenues for the Public Safety fund decreased by \$183,609 over the prior year. Expenditures exceeded revenues by \$826,978. Part of the increase in expenditures is due to a legal opinion expressed by a former County Attorney regarding jurisdiction of Big Horn County law enforcement. As a result of the opinion, detainees eligible for treatment at Indian Health Service facilities were treated at medical facilities located in Hardin, Montana. The Public Safety fund had transfers in of \$892,046 to support operations. In the prior year, the Public Safety fund had transfers in of \$427,157.

Federal Mineral Royalties Fund: Fund balance for Federal Mineral Royalties fund decreased by \$38,009. The fund had capital outlay of \$1,848,047 and transfers out of \$1,376,117 to support operations of other funds.

FAA Grant Fund: The FAA Grant fund accounts for expenditures for creation of a new airport. Total expenditures of \$2,143,623 were classified as capital outlay.

General Fund Budgetary Highlights

There are no significant differences between the total original budget and the total final budget for the General fund as of June 30, 2014. \$2,625,078 in cash is available to fund the 2015 General fund budget. Each year, we strive to maintain an adequate reserve for the General fund.

Capital asset and Debt Administration

Capital Assets

Big Horn County's investment in capital assets (net of accumulated depreciation) as of June 30, 2014 was \$37,275,835 This net investment in capital assets includes land, buildings, improvements other than buildings, infrastructure and machinery and equipment.

Long-term Debt

Compensated absences are a liability of the County for unpaid vacation leave, sick leave and compensatory time earned by year-end. The amount of the liability generally increases on an annual basis as a result of increasing wages and general growth in the number of total hours of vacation and sick leave accrued. Other long-term obligations consist of other post-employment benefits. Total long-term liabilities at June 30, 2014 were \$1,618,372.

BIG HORN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Economic Factors and Next Year's Budget

The taxable value of property located in Big Horn County increased slightly from \$25,023,704 for fiscal year 2014 to \$25,114,400 for fiscal year 2015. The coal tax proceeds had a slight decrease with the coal bed methane revenues continuing to decline. Big Horn County will opt to float mills above the certified mill levy for FY2014-2015. We believe the levies and budgets established for FY2014-2015 will provide the essential services for the residents of Big Horn County. In a conscience effort, Big Horn County is utilizing the State Allocated Federal Mineral Royalties for necessary county-wide infrastructure improvements, acquisitions and maintenance needs without effecting property taxes.

Eligible county employees will receive a \$1 per hour salary increase. A longevity increase will be included for all eligible employees. Elected officials will receive \$1 per hour increase for FY2014-2015. Longevity increases will be included for eligible elected officials. Those road employees covered by the MPEA Bargaining Unit will receive a \$2 per hour salary increase, excluding the road secretary who will receive a \$1 per hour salary increase. The classified sheriff employees covered by the MPEA Bargaining Unit will receive a \$.50 per hour salary increase.

Big Horn County will pay the full premium up to \$663/month for all eligible county employees for health benefit coverage. Dependents will continue to be eligible for benefit coverage; however the additional premium will be paid by the employee. Those County employees opting for dental/vision coverage will solely be responsible for the premium.

BIG HORN COUNTY
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Cash and equivalents	\$ 3,704,169
Investments	8,062,179
Receivables:	
Taxes and assessments	238,277
Ambulance (net of allowance for uncollectibles of \$2,080,000)	732,241
Solid waste	371,715
Governments	860,055
Inventories	279,739
Prepays	46,247
Capital assets:	
Land and construction in progress	7,850,553
Capital assets, net of accumulated depreciation	<u>29,425,282</u>
 Total assets	 <u>51,570,457</u>
 LIABILITIES	
Accounts payable:	
Vendors	812,438
Unearned revenues	314,263
Long-term liabilities:	
Compensated absences:	
Due within one year	59,859
Due in more than one year	538,727
Other post employment benefits	<u>1,019,786</u>
 Total liabilities	 <u>2,745,073</u>
 NET POSITION	
Net investment in capital assets	37,275,835
Restricted for:	
General government	384,145
Public safety	1,155,468
Public works	1,655,180
Public health	137,743
Social and economic services	25,024
Culture and recreation	111,873
Housing and community development	83,615
Capital projects	855,940
Unrestricted	<u>7,140,561</u>
 Total net position	 <u><u>\$ 48,825,384</u></u>

BIG HORN COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,779,687	\$ 143,985	\$ 14,000	\$ -	\$ (2,621,702)
Public safety	5,190,374	2,444,498	168,738	111,168	(2,465,970)
Public works	3,230,804	555,077	163,656	2,284,008	(228,063)
Public health	733,389	100,478	234,617	-	(398,294)
Social and economic services	696,397	48,209	95,625	-	(552,563)
Culture and recreation	635,789	2,275	8,024	26,800	(598,690)
Other current charges	194,430	-	-	-	(194,430)
Total	13,460,870	3,294,522	684,660	2,421,976	(7,059,712)
General revenues:					
Property taxes					5,851,155
Licenses and permits					3,910
Intergovernmental					3,922,961
Investment and royalty earnings					128,604
Miscellaneous					77,775
Gain on disposal of capital assets					144,071
Total general revenues					10,128,476
Change in net position					3,068,764
Net position - beginning					45,341,196
Prior period adjustments					415,424
Net position - ending					\$ 48,825,384

BIG HORN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Road	Bridge	Public Safety	Federal Mineral Royalties	FFA Grant CIP	Total Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 903,160	\$ 127,486	\$ 108,658	\$ 215,801	\$ 1,521,355	\$ -	\$ 827,709	\$ 3,704,169
Investments	1,721,918	293,065	249,784	496,087	3,497,312	-	1,804,013	8,062,179
Receivables:								
Taxes and assessments	59,906	39,599	621	76,169	-	-	61,982	238,277
Governments	-	-	-	19,591	-	560,586	279,878	860,055
Ambulance (net of allowance for uncollectibles of \$2,080,000)	732,241	-	-	-	-	-	-	732,241
Solid waste	371,715	-	-	-	-	-	-	371,715
Inventories	31,993	55,563	104,591	-	60,000	-	27,592	279,739
Prepaid items	11,247	-	-	-	35,000	-	-	46,247
Total assets	\$ 3,832,180	\$ 515,713	\$ 463,654	\$ 807,648	\$ 5,113,667	\$ 560,586	\$ 3,001,174	\$ 14,294,622
LIABILITIES								
Accounts payable-vendors	\$ 10,909	\$ -	\$ -	\$ 58	\$ 210,014	\$ 560,586	\$ 30,871	\$ 812,438
Unearned revenues	-	62,406	224,797	-	-	-	27,060	314,263
Total liabilities	10,909	62,406	224,797	58	210,014	560,586	57,931	1,126,701
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-taxes and special assessments	59,906	39,599	621	76,169	-	-	61,982	238,277
Total deferred inflows of resources	59,906	39,599	621	76,169	-	-	61,982	238,277
FUND BALANCES								
Nonspendable:								
Prepaid items	11,247	-	-	-	35,000	-	-	46,247
Inventories	31,993	55,563	104,591	-	60,000	-	27,592	279,739
Restricted for:								
General government	-	-	-	-	-	-	377,015	377,015
Public safety	-	-	-	731,421	-	-	347,878	1,079,299
Public works	-	358,145	133,645	-	-	-	927,674	1,419,464
Public health	-	-	-	-	-	-	120,553	120,553
Social and economic services	-	-	-	-	-	-	25,024	25,024
Culture and recreation	-	-	-	-	-	-	81,961	81,961
Housing and community development	-	-	-	-	-	-	83,615	83,615
Capital projects	-	-	-	-	-	-	885,940	885,940
Committed for:								
General government	-	-	-	-	4,808,653	-	8,588	4,817,241
Culture and recreation	-	-	-	-	-	-	1,587	1,587
Unassigned	3,718,125	-	-	-	-	-	(6,166)	3,711,959
Total fund balances	3,761,365	413,708	238,236	731,421	4,903,653	-	2,881,261	12,929,644
Total liabilities, deferred inflows of resources and fund balances	\$ 3,832,180	\$ 515,713	\$ 463,654	\$ 807,648	\$ 5,113,667	\$ 560,586	\$ 3,001,174	\$ 14,294,622

BIG HORN COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances, governmental funds	\$ 12,929,644
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	37,275,835
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	238,277
Some liabilities, (such as compensated absences and other post employment benefits), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(1,618,372)</u>
Net position of governmental activities	<u><u>\$ 48,825,384</u></u>

BIG HORN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Road	Bridge	Public Safety	Federal Mineral Royalties	FFA Grant CIP	Total Nonmajor Funds	Total Governmental Funds
REVENUES								
Taxes/assessments	\$ 2,602,993	\$ 1,228,069	\$ 85,497	\$ 882,454	\$ -	\$ -	\$ 1,171,773	\$ 5,970,786
Fines and forfeitures	44,381	-	-	11,681	-	-	-	56,062
Licenses and permits	150	-	-	3,760	-	-	-	3,910
Intergovernmental	74,481	98,749	1	139,713	3,617,668	2,117,728	952,982	7,001,322
Charges for services	2,424,977	-	-	509,368	-	-	208,860	3,143,205
Investment and royalty earnings	17,364	9,597	3,255	6,325	72,953	-	19,110	128,604
Miscellaneous	48,702	5,737	-	1,269	39,174	-	11,168	106,050
Total revenues	5,213,048	1,342,152	88,753	1,554,570	3,729,795	2,117,728	2,363,893	16,409,939
EXPENDITURES								
Current:								
General government	2,327,039	-	-	-	254,937	-	22,948	2,604,924
Public safety	2,169,673	-	-	2,381,548	9,049	-	70,716	4,630,986
Public works	634,269	1,585,291	102,754	-	62,519	-	164,567	2,549,400
Public health	272,355	-	-	-	2,209	-	290,881	565,445
Social and economic services	253,378	-	-	-	200,000	-	148,060	601,438
Culture and recreation	77,805	-	-	-	14,926	-	386,220	478,951
Other current charges	185,508	-	-	-	-	-	8,922	194,430
Capital outlay	16,730	52,293	54,775	-	1,848,047	2,143,623	425,640	4,541,108
Total expenditures	5,936,757	1,637,584	157,529	2,381,548	2,391,687	2,143,623	1,517,954	16,166,682
Excess (deficiency) of revenues over expenditures	(723,709)	(295,432)	(68,776)	(826,978)	1,338,108	(25,895)	845,939	243,257
OTHER FINANCING SOURCES (USES)								
Transfers in	933,805	277,050	-	892,046	-	23,717	471,914	2,598,532
Transfers out	(50,826)	-	-	-	(1,376,117)	-	(1,171,589)	(2,598,532)
Total other financing sources (uses)	882,979	277,050	-	892,046	(1,376,117)	23,717	(699,675)	-
Net change in fund balances	159,270	(18,382)	(68,776)	65,068	(38,009)	(2,178)	146,264	243,257
Fund balances - beginning	3,149,295	432,090	307,012	666,353	4,979,035	2,178	2,735,000	12,270,963
Prior period adjustments	452,800	-	-	-	(37,373)	-	(3)	415,424
Fund balances - ending	\$ 3,761,365	\$ 413,708	\$ 238,236	\$ 731,421	\$ 4,903,653	\$ -	\$ 2,881,261	\$ 12,929,644

BIG HORN COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 243,257
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.</p>	
This is the amount by which capital outlay (\$4,541,108) exceeded depreciation (\$1,559,212) in the current period.	2,981,896
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold.</p>	
	144,071
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	(24,376)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>	
Other post employment benefits	(200,401)
Compensated absences	(75,683)
	(276,084)
Change in net position of governmental activities	\$ 3,068,764

BIG HORN COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>External Investment Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,930,936	\$ 268,447
Investments	3,552,095	-
Taxes and assessments receivable	-	<u>828,731</u>
 Total assets	 <u>6,483,031</u>	 <u>\$ 1,097,178</u>
LIABILITIES		
Accounts payable:	-	\$ 70,080
Due to governments:		
Special districts	-	51,043
State	-	249,476
Schools	-	457,049
Cities/towns	-	<u>269,530</u>
 Total liabilities	 <u>-</u>	 <u>\$ 1,097,178</u>
NET POSITION		
Held in trust for external participants	<u>\$ 6,483,031</u>	

BIG HORN COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

	<u>External Investment Trust</u>
ADDITIONS	
Contributions	<u>\$ 1,789,755</u>
Total contributions	<u>1,789,755</u>
Investment earnings:	
Interest	<u>6,747</u>
Total net investment earnings	<u>6,747</u>
Total additions	<u>1,796,502</u>
DEDUCTIONS	
Withdrawals	<u>2,169,855</u>
Total deductions	<u>2,169,855</u>
Change in net position	(373,353)
Net position - beginning	<u>6,856,384</u>
Net position - ending	<u><u>\$ 6,483,031</u></u>

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major:

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The bridge fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned bridges.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The federal mineral royalty fund accounts for resources accumulated from the State of Montana for mineral royalty payments. Payments made from the fund are at the discretion of the Board of County Commissioners.

The FFA grant CIP fund accounts for resources accumulated and payments made related to state and federal grants for airport improvements.

Additionally, the government reports the following fund types:

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 35% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government does not charge an administrative fee to participants in the pool.

Receivables

Ambulance receivables are shown net of an allowance for uncollectibles. Other receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

accounting principles.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Government-wide and governmental fund inventories are recorded as expenses when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	50
Machinery and equipment	5-15
Infrastructure	30

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the Clerk and Recorder and/or County Commissioners to assign fund balance. There was no assigned fund balance in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Planning (\$33), Recreational Trails (\$3), M CH (\$6,110) and Refunding Bonds (\$20) funds had deficit fund balances as of June 30, 2014. The deficits occurred because current year expenditures exceeded revenues. Management expects to eliminate the deficits through a transfer from the general fund.

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 11,766,348
Fiduciary funds	<u>6,751,478</u>
	<u>\$ 18,517,826</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 600	\$ -	\$ 600
Cash in banks:			
Demand deposits	(859,441)	-	(859,441)
Time deposits	-	1,086,378	1,086,378
Brokers:			
Money market	2,662	-	2,662
U.S. Government securities	-	10,527,896	10,527,896
Short-term Investment Program (STIP)	1,372,615	-	1,372,615
Repurchase agreements	6,387,116	-	6,387,116
	<u>\$ 6,903,552</u>	<u>\$ 11,614,274</u>	<u>\$ 18,517,826</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$893,582 of the government's bank balance of \$1,434,233 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 893,582</u>
--	-------------------

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Time deposits	.15 to 3.05%	Various	\$ 1,086,378	\$ 1,086,378	\$ 1,086,378	9.35%
U.S. government securities	Various	Various	10,542,000	10,527,896	10,475,639	90.65%
				<u>\$ 11,614,274</u>	<u>\$ 11,562,017</u>	

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment 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.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 6,387,116	\$ 6,387,116	\$ 6,387,116
Brokers:					
U.S. Government securities	1,000,000	-	9,527,896	10,527,896	10,475,639
Money market	2,662	-	-	2,662	2,662
	<u>\$ 1,002,662</u>	<u>\$ -</u>	<u>\$ 15,915,012</u>	16,917,674	16,865,417
Uncategorized: STIP				<u>1,372,615</u>	<u>1,372,615</u>
				<u>\$ 18,290,289</u>	<u>\$ 18,238,032</u>

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2014:

	Internal	External	Total
Net position - beginning of year	\$ 11,288,950	\$ 6,856,384	\$ 18,145,334
Contributions from participants	3,896,268	1,789,755	5,686,023
Investment earnings	113,283	6,747	120,030
Distributions to participants	(3,263,706)	(2,169,855)	(5,433,561)
Net position - end of year	<u>\$ 12,034,795</u>	<u>\$ 6,483,031</u>	<u>\$ 18,517,826</u>

Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
General	\$ 933,805	\$ (50,826)
Road	277,050	-
Public safety	892,046	-
Federal Mineral Royalties	-	(1,376,117)
FFA Grant CIP	23,717	-
Nonmajor governmental funds	471,914	(1,171,589)
	<u>\$ 2,598,532</u>	<u>\$ (2,598,532)</u>

Transfers use revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Additionally, transfers are made to fund health insurance, grant matching and capital improvements.

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 1,420,059	\$ -	\$ -	\$ 1,420,059
Construction-in-progress	3,490,616	2,939,878	-	6,430,494
Total capital assets, not being depreciated	<u>4,910,675</u>	<u>2,939,878</u>	<u>-</u>	<u>7,850,553</u>
Capital assets, being depreciated				
Buildings/improvements	21,830,842	18,875	-	21,849,717
Improvements other than buildings	6,353,558	85,289	-	6,438,847
Machinery and equipment	12,670,422	1,556,926	(352,575)	13,874,773
Infrastructure	7,689,678	156,640	-	7,846,318
Total capital assets, being depreciated	<u>48,544,500</u>	<u>1,817,730</u>	<u>(352,575)</u>	<u>50,009,655</u>
Less accumulated depreciation for:				
Buildings/improvements	(10,785,908)	(321,756)	-	(11,107,664)
Improvements other than buildings	(575,387)	(211,431)	-	(786,818)
Machinery and equipment	(7,541,425)	(923,400)	280,146	(8,184,679)
Infrastructure	(402,587)	(102,625)	-	(505,212)
Total accumulated depreciation	<u>(19,305,307)</u>	<u>(1,559,212)</u>	<u>280,146</u>	<u>(20,584,373)</u>
Total capital assets, being depreciated, net	<u>29,239,193</u>	<u>258,518</u>	<u>(72,429)</u>	<u>29,425,282</u>
Capital assets, net	<u>\$ 34,149,868</u>	<u>\$ 3,198,396</u>	<u>\$ (72,429)</u>	<u>\$ 37,275,835</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 114,139
Public safety	409,429
Public works	635,225
Public health	172,677
Social and economic	76,975
Culture and recreation	150,767
	<u>\$ 1,559,212</u>

Long-Term Debt

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 522,903	\$ 75,683	\$ -	\$ 598,586	\$ 59,859
	<u>\$ 522,903</u>	<u>\$ 75,683</u>	<u>\$ -</u>	<u>\$ 598,586</u>	<u>\$ 59,859</u>

Compensated absences are generally liquidated in the fund where the employee's wage is charged.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from correcting the beginning allowance account for the ambulance receivable and correct grant expenditures paid from the incorrect fund

Interlocal Agreements

The County provides law enforcement services to the City of Hardin. For fiscal year 2014, the City paid \$425,000 for these services. Additionally, the County has agreements with other governmental and nongovernmental entities to provide solid waste disposal services.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$850,000, primarily for construction projects at the airport and fairgrounds.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
SRS	10.115%	9.245%	19.360%
PERS	8.070%	7.900%	15.970%

PERS:

On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2014, 2013 and 2012 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	2014	2013	2012
SRS	\$ 677,732	\$ 203,866	\$ 169,233
PERS	197,828	593,299	526,503
	\$ 875,560	\$ 797,165	\$ 695,736

Post-Retirement Healthcare Plan

Plan Description. The government provides postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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 the changes on the government's net OPEB obligation to the postemployment benefit plan:

Annual required contribution	\$ 295,575
Interest on net OPEB obligation	34,824
Adjustment to annual required contribution	(27,313)
Annual OPEB cost (expense)	303,086
Contributions made	(102,685)
Increase in net OPEB obligation	200,401
Net OPEB obligation - beginning of year	819,385
Net OPEB obligation - end of year	\$ 1,019,786

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding two years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2014	\$ 303,086	0%	\$ 1,019,786
2013	299,421	0%	819,385
2012	299,495	0%	604,698

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was \$3,280,129 and the actuarial value of assets is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,280,129.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the July 1, 2011 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.25% investment rate of return which is based on the expected long term investment return of the employer's own investments used to pay plan benefits and an annual healthcare cost trend rate of 12% reduced by decrements of .5% to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years.

BIG HORN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

BIG HORN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 2,632,687	\$ 2,632,687	\$ 2,602,993
Fines and forfeitures	52,500	52,500	44,381
Licenses and permits	-	-	150
Intergovernmental	70,166	70,166	74,481
Charges for services	2,582,095	2,582,095	2,424,977
Investment and royalty earnings	15,000	15,000	17,364
Miscellaneous	42,000	42,000	48,702
Total revenues	<u>5,394,448</u>	<u>5,394,448</u>	<u>5,213,048</u>
EXPENDITURES			
Current:			
General government	2,581,473	2,581,473	2,327,039
Public safety	2,438,315	2,438,315	2,169,673
Public works	706,706	706,706	634,269
Public health	357,435	357,435	272,355
Social and economic services	251,878	251,878	253,378
Culture and recreation	81,643	81,643	77,805
Other current charges	242,000	242,000	185,508
Capital outlay	-	-	16,730
Total expenditures	<u>6,659,450</u>	<u>6,659,450</u>	<u>5,936,757</u>
Excess (deficiency) of revenues over expenditures	<u>(1,265,002)</u>	<u>(1,265,002)</u>	<u>(723,709)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	10,000	10,000	-
Transfers in	939,698	939,698	933,805
Transfers out	(61,500)	(61,500)	(50,826)
Total other financing sources (uses)	<u>888,198</u>	<u>888,198</u>	<u>882,979</u>
Net change in fund balance	<u>\$ (376,804)</u>	<u>\$ (376,804)</u>	159,270
Fund balance - beginning			3,149,295
Prior period adjustments			<u>452,800</u>
Fund balance - ending			<u>\$ 3,761,365</u>

BIG HORN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,236,586	\$ 1,236,586	\$ 1,228,069
Intergovernmental	100,000	100,000	98,749
Investment earnings	17,000	17,000	9,597
Miscellaneous	10,000	10,000	5,737
Total revenues	<u>1,363,586</u>	<u>1,363,586</u>	<u>1,342,152</u>
EXPENDITURES			
Current:			
Public works	1,513,683	1,513,683	1,585,291
Capital outlay	100,000	100,000	52,293
Total expenditures	<u>1,613,683</u>	<u>1,613,683</u>	<u>1,637,584</u>
Excess (deficiency) of revenues over expenditures	<u>(250,097)</u>	<u>(250,097)</u>	<u>(295,432)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	10,000	10,000	-
Transfers in	291,376	291,376	277,050
Total other financing sources	<u>301,376</u>	<u>301,376</u>	<u>277,050</u>
Net change in fund balance	<u>\$ 51,279</u>	<u>\$ 51,279</u>	(18,382)
Fund balance - beginning			<u>432,090</u>
Fund balance - ending			<u>\$ 413,708</u>

BIG HORN COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Bridge Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 85,120	\$ 85,120	\$ 85,497
Intergovernmental	-	-	1
Investment earnings	3,000	3,000	3,255
Total revenues	<u>88,120</u>	<u>88,120</u>	<u>88,753</u>
EXPENDITURES			
Current:			
Public works	266,387	266,387	102,754
Capital outlay	119,888	119,888	54,775
Total expenditures	<u>386,275</u>	<u>386,275</u>	<u>157,529</u>
Net change in fund balance	<u>\$ (298,155)</u>	<u>\$ (298,155)</u>	(68,776)
Fund balance - beginning			<u>307,012</u>
Fund balance - ending			<u>\$ 238,236</u>

BIG HORN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 889,160	\$ 889,160	\$ 882,454
Fines and forfeitures	12,000	12,000	11,681
Licenses and permits	5,000	5,000	3,760
Intergovernmental	139,694	139,694	139,713
Charges for services	498,000	498,000	509,368
Investment and royalty earnings	7,000	7,000	6,325
Miscellaneous	-	-	1,269
Total revenues	<u>1,550,854</u>	<u>1,550,854</u>	<u>1,554,570</u>
EXPENDITURES			
Current:			
Public safety	<u>2,505,316</u>	<u>2,505,316</u>	<u>2,381,548</u>
Total expenditures	<u>2,505,316</u>	<u>2,505,316</u>	<u>2,381,548</u>
Excess (deficiency) of revenues over expenditures	<u>(954,462)</u>	<u>(954,462)</u>	<u>(826,978)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>924,112</u>	<u>924,112</u>	<u>892,046</u>
Total other financing sources	<u>924,112</u>	<u>924,112</u>	<u>892,046</u>
Net change in fund balance	<u>\$ (30,350)</u>	<u>\$ (30,350)</u>	65,068
Fund balance - beginning			<u>666,353</u>
Fund balance - ending			<u>\$ 731,421</u>

BIG HORN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Federal Mineral Royalties Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 3,497,845	\$ 3,497,845	\$ 3,617,668
Investment earnings	85,000	85,000	72,953
Miscellaneous	95,000	95,000	39,174
Total revenues	<u>3,677,845</u>	<u>3,677,845</u>	<u>3,729,795</u>
EXPENDITURES			
Current:			
General government	1,265,000	1,265,000	254,937
Public safety	100,000	100,000	9,049
Public works	300,000	300,000	62,519
Public health	183,000	183,000	2,209
Social and economic services	-	-	200,000
Culture and recreation	100,000	100,000	14,926
Capital outlay	5,204,423	5,204,423	1,848,047
Total expenditures	<u>7,152,423</u>	<u>7,152,423</u>	<u>2,391,687</u>
Excess (deficiency) of revenues over expenditures	<u>(3,474,578)</u>	<u>(3,474,578)</u>	<u>1,338,108</u>
OTHER FINANCING USES			
Transfers out	(1,352,400)	(1,352,400)	(1,376,117)
Total other financing uses	<u>(1,352,400)</u>	<u>(1,352,400)</u>	<u>(1,376,117)</u>
Net change in fund balance	<u>\$ (4,826,978)</u>	<u>\$ (4,826,978)</u>	<u>(38,009)</u>
Fund balance - beginning			4,979,035
Prior period adjustments			<u>(37,373)</u>
Fund balance - ending			<u>\$ 4,903,653</u>

BIG HORN COUNTY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

For the year ended June 30, 2014, expenditures exceeded appropriations in the Road (\$17,720), MCH (\$3,861), Aging CII (\$412) and Refunding Bonds (\$583) funds.

BIG HORN COUNTY
 SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	\$ -	\$ 3,280,129	\$ 3,280,129	-	\$ 4,948,999	0.662786337
6/30/2013	-	2,049,106	2,049,106	-	4,758,653	0.430606308
6/30/2012	-	2,820,642	2,820,642	-	4,575,628	0.616449152

OTHER SUPPLEMENTARY INFORMATION

BIG HORN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
<u>U.S. Department of Transportation:</u>								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA13NM-2013	\$ 2,456,788	\$ -	\$ 1,452,142	\$ 2,010,883	\$ (1,845)	\$ (560,586)
Airport Improvement Program	20.106	DOT-FA12NM-2012	2,733,698	(201,482)	201,482	-	-	-
Total direct programs				(201,482)	1,653,624	2,010,883	(1,845)	(560,586)
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE 2(973)	281,385	-	-	-	-	-
Highway Planning and Construction	20.205	STPE 2(976)	43,000	-	-	8,658	-	(8,658)
Subtotal				-	-	8,658	-	(8,658)
Passed through the Montana Department of Fish, Wildlife and Parks, State Parks Division:								
Recreational Trails Program	20.219	RTP 2011-01A	10,395	(7,164)	-	-	7,164	-
Recreational Trails Program	20.219	RTP 2011-01	19,250	(19,250)	19,250	-	-	-
Subtotal				(26,414)	19,250	-	7,164	-
Total U.S. Department of Transportation				(227,896)	1,672,874	2,019,541	5,319	(569,244)
<u>U.S. Department of the Interior:</u>								
Passed through the Montana Department of Fish, Wildlife and Parks:								
Outdoor Recreation, Acquisition, Development and Planning	15.916	30-00717	75,000	(30,213)	-	-	30,213	-
Total U.S. Department of the Interior				(30,213)	-	-	30,213	-
<u>U.S. Department of Agriculture:</u>								
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-14-020	6,800	-	-	6,800	-	(6,800)
Total U.S. Department of Agriculture				-	-	6,800	-	(6,800)
<u>U.S. Department of Justice:</u>								
Direct Programs:								
Public Safety Partnership and Community Policing Grants	16.710	2011-UM-WX-0105	224,740	(645)	37,362	51,408	-	(14,691)
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0518	205,240	(1,168)	1,168	-	-	-
Total U.S. Department of Justice				(1,813)	38,530	51,408	-	(14,691)
<u>U.S. Department of Homeland Security:</u>								
Passed through the Montana Department of Military Affairs-Disaster & Emergency Services Division:								
Homeland Security Grant Program	97.067	EMW-2012-SS-00143-S01	111,168	-	43,168	111,168	-	(68,000)
Subtotal				-	43,168	111,168	-	(68,000)
Disaster Grants - Public Assistance	97.036	FEMA-1996-DR-MT	848,134	169,208	-	-	-	169,208
Subtotal				169,208	-	-	-	169,208
Total U.S. Department of Homeland Security				169,208	43,168	111,168	-	101,208

BIG HORN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
U.S. Department of Health and Human Services:								
Passed through the Montana Department of Public Health and Human Services:								
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	13-07-5-31-020-0	159,768	28,415	44,768	57,631	-	15,552
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	14-07-5-01-083-0	165,000	-	29,750	18,242	-	11,508
Subtotal				<u>28,415</u>	<u>74,518</u>	<u>75,873</u>	<u>-</u>	<u>27,060</u>
Maternal and Child Health Services Block Grant to the States	93.994	14-07-5-01-002-0	20,980	-	16,784	18,090	1,306	-
Maternal and Child Health Services Block Grant to the States	93.994	13-07-5-01-002-0	20,528	(4,407)	-	-	4,407	-
Subtotal				<u>(4,407)</u>	<u>16,784</u>	<u>18,090</u>	<u>5,713</u>	<u>-</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	14-07-4-31-152-0	12,800	-	6,300	-	(6,300)	-
Subtotal				<u>-</u>	<u>6,300</u>	<u>-</u>	<u>(6,300)</u>	<u>-</u>
Immunization Grants	93.268	13-07-4-31-101-0	6,202	-	3,101	755	(2,346)	-
Immunization Grants	93.268	14-07-4-31-152-0	6,202	-	3,101	1,999	(1,102)	-
Subtotal				<u>-</u>	<u>6,202</u>	<u>2,754</u>	<u>(3,448)</u>	<u>-</u>
Public Health Emergency Preparedness	93.069	14-07-6-11-002-0	32,668	-	25,316	26,044	728	-
Public Health Emergency Preparedness	93.069	13-07-6-11-002-0	43,210	(9,762)	9,724	-	38	-
Subtotal				<u>(9,762)</u>	<u>35,040</u>	<u>26,044</u>	<u>766</u>	<u>-</u>
Passed through Area II Agency on Aging: Special Programs for the Aging-								
Title III, Part C-Nutrition Services	93.045	2012-005	33,738	-	33,738	33,738	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2012-005	15,112	-	15,112	15,112	-	-
Aging cluster subtotal				<u>-</u>	<u>48,850</u>	<u>48,850</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>14,246</u>	<u>187,694</u>	<u>171,611</u>	<u>(3,269)</u>	<u>27,060</u>
Total Federal Awards				<u>\$ (76,468)</u>	<u>\$ 1,942,266</u>	<u>\$ 2,360,528</u>	<u>\$ 32,263</u>	<u>\$ (462,467)</u>

Note to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of cash receipts and federal expenditures related to the County's federal award programs. This schedule is presented in accordance with grant terms and conditions, which are not on the accrual basis of accounting as contemplated by generally accepted accounting principles.

BIG HORN COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL
AWARD FINDINGS AND QUESTIONED COSTS

2013-13.ALL MAJOR FEDERAL PROGRAMS

Criteria: The auditors were engaged to assist in the preparation of the government's financial statements and schedule of expenditures of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: We did not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: We are a small organization with limited resources.

Effect: It is common within the governmental sector to rely the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The auditors recommended that we continue to read our draft financial statements and SEFA and ensure the quality of the document and the preparer.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The auditors recommended that we continue to evaluate our segregation of duties and when possible assign tasks to strengthen controls.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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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

To the Board of County Commissioners
Big Horn County
Hardin, 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, each major fund, and the aggregate remaining fund information of Big Horn County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 13, 2015. The report on governmental activities, the general fund, the road fund, the bridge fund, the federal mineral royalties fund and aggregate remaining fund information was qualified because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit retroactive tests of inventory quantities.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-001 through 2014-005)

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2014-006 through 2014-008)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-008.

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 (CONTINUED)

The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses/questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Olness & Associates, PC

Billings, Montana
March 13, 2015

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners
Big Horn County
Hardin, Montana

Report on Compliance for Each Major Federal Program

We have audited Big Horn County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the government's major federal program for the year ended June 30, 2014. The government's major federal program is 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 the government'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 government'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 the major federal program. However, our audit does not provide a legal determination of the government's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing 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 government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-009 to be a material weakness.

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

O'neal & Associates, PC

Billings, Montana
March 13, 2015

BIG HORN COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? √ yes no
- Significant deficiency(ies) identified? √ yes none reported
- Noncompliance material to the financial statements noted? √ yes no

FEDERAL AWARDS:

Internal control over major programs:

- Material weaknesses identified? √ yes no
- Significant deficiency(ies) identified? yes √ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? √ yes no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? yes √ no

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements and schedule of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and SEFA and ensure the quality of the document and the preparer.

Client Response: The County will continue to read the draft financial statements and schedule of federal awards to ensure the quality of the document and the preparer. Prior to sending the financial statements to the state, the Board of

BIG HORN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Commissioners, Elected Officials, and department heads will be given the opportunity to question the Accounting Office during a hearing.

2014-002. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Client Response: The County will evaluate its segregation of duties and when possible assign tasks to strengthen controls.

2014-003. PUBLIC WORKS INVENTORY

Criteria: Maintenance of perpetual inventory records serves as a check on employees, provide information essential to adequate purchasing control, and be particularly useful in taking of physical inventories.

Condition: A perpetual inventory system was developed by the accounting department and was used by the road and bridge departments; however, use of the perpetual inventory system by the road and bridge departments was discontinued.

Cause: Unknown.

Effect: Internal control is weakened.

Recommendation: The road and bridge departments should begin to use the perpetual inventory system developed by the accounting department. The year-end physical count should be compared to the perpetual inventory records and differences, if any, resolved.

Client Response: The perpetual inventory system will be re-established to track items with a value of \$50 or more.

2014-004. TIMELY DEPOSITS-JUSTICE OF THE PEACE

Criteria: Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through deposit, custody, and disbursement.

Condition: Justice of the Peace collections were not always deposited in a timely manner

Cause: Unknown

Effect: Exposes the government to risk of loss or theft.

Recommendation: The Justice of the Peace office should make deposits on a daily basis.

Client Response: The Justice of the Peace Office will deposit money on weekly basis or when the deposit reaches \$1,500.

2014-005. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: The Montana Supreme Court Administrator's Office Full Court Accounting Responsibility & Compliance Guidelines that have been adopted by the Courts of Limited Jurisdiction Automation Committee outlines court personnel accounting responsibilities. The guidelines require court personnel to develop and maintain a system of internal controls to safeguard court resources, check the accuracy of clerical entries, promote operational efficiency, and encourage adherence to prescribed accounting procedures. Effective internal control over time pay accounts requires a reconciliation of the monthly time pay activity to the beginning and ending time pay balances to be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful

BIG HORN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

tool in evaluating and monitoring outstanding time pay balances.

Condition: The Justice of the Peace office does not perform a monthly time pay account reconciliation.

Cause: Unknown.

Effect: Not reconciling the time pay accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace office should prepare a formal reconciliation of time pay activity to the beginning and ending time pay balances on a monthly basis. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

Client Response: The time pay report that is currently generated by the Full Court Software is inadequate to track and make decisions regarding time pay. The County will give its input for to improve the upcoming replacement for the current Full Court software. The Justice of the Peace staff is now able to export the full report in to Excel and filter for relevant data.

2014-006. EXPENDITURES LIMITED TO APPROPRIATIONS

Criteria: Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund. (MCA 7-6-4005)

Condition: For the year ended June 30, 2014, expenditures exceeded appropriations in the Road (\$17,720), MCH (\$3,861), Aging CII (\$412) and Refunding Bonds (\$583) funds.

Cause: Unknown.

Effect: Noncompliance with laws and regulations.

Recommendation: Budget amendments should be developed in accordance with state statute and posted to the accounting records at year-end so that an individual fund is not overspent.

Client Response: The County will at year-end review the expenditure reports and make the appropriate budget amendments as needed.

2014-007. INVENTORY OF COUNTY TOOLS AND EQUIPMENT

Criteria: Section 7-8-2111, MCA, requires the Board of County Commissioners to biennially prepare and file with the County Clerk and Recorder an inventory covering all county tools, machinery, and equipment.

Condition: A complete inventory of tools, machinery and equipment and buildings was not completed by the road and bridge department.

Cause: Unknown.

Effect: Noncompliance with state statute. Additionally, there is a possibility that the County may be over or under insured as a result of disposal or addition of capital assets that the insurance company is not aware of.

Recommendation: The road and bridge department should perform a physical count of county-owned assets to comply with Montana Code Annotated and to ensure county-owned assets are adequately insured.

Client Response: The road and bridge department will conduct an inventory of all equipment and tools with a replacement value of \$500 or more.

2014-008. COMPETITIVE BIDDING

Criteria: Section 7-5-2301, MCA, specifies a contract for any purchase in excess of \$80,000 may not be entered into by a county governing body without first publishing a notice calling for bids.

Condition: The County purchased road vehicles amounting to \$82,606 without going through the formal bid process.

Cause: Unknown

Effect: Noncompliance with state procurement statutes.

BIG HORN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-2301, MCA.

Client Response: The County is aware of bidding requirements. The accounting office will monitor expenditures of \$80,000 or more for compliance with statute.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-009. ALL MAJOR PROGRAMS AS DESCRIBED IN SECTION I-SUMMARY OF AUDITOR RESULTS

Findings 2014-001 and 2014-002 apply to all major programs.

BIG HORN COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISLCOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISLCOSURE
2013-3. PUBLIC WORKS INVENTORY	NOT IMPLEMENTED
2013-4. REVIEW OF AMBULANCE CHARGES AND WRITE-OFFS	IMPLEMENTED
2013-5. TAX ABATEMENTS/CORRECTIONS	IMPLEMENTED
2013-6. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED
2013-7. CREDIT CARD CHARGES NOT SUPPORTED	IMPLEMENTED
2013-8. DISASTER GRANTS – PUBLIC ASSISTANCE	NOT APPLICABLE TO FISCAL YEAR 2014
2013-9. EXPENDITURES LIMITED TO APPROPRIATIONS	NOT IMPLEMENTED
2013-10. INVENTORY OF COUNTY TOOLS AND EQUIPMENT	PARTIALLY IMPLEMENTED
2013-11. STATE PREVAILING WAGE RATES	IMPLEMENTED
2013-12. COMPETITIVE BIDDING	NOT IMPLEMENTED