

BROADWATER COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

AUDIT REPORT

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

BROADWATER COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

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BROADWATER COUNTY, MONTANA

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BROADWATER COUNTY, MONTANA

ORGANIZATION

Fiscal Years Ended June 30, 2013 and 2014

BOARD OF COUNTY COMMISSIONERS

Laura Obert	Chairperson
Elaine Gravely	Commissioner
Franklin Slifka	Commissioner

COUNTY OFFICIALS

Cory Swanson	County Attorney
Doug Ellis	Clerk and Recorder/Treasurer/Superintendent of Schools/Elections Administrator

Valerie Hornsveld	Clerk of District Clerk
Kirk Flynn	Justice of the Peace
Brenda Ludwig	Sheriff
Debbie Kelley	Accounting Manager

Broadwater County

Management's Discussion & Analysis – June 30, 2014

In 1999, the Governmental Accounting Standard Board (GASB) issued a new accounting standard that essentially revised the form of governmental entities' financial statements. Broadwater County implemented the new financial report for Fiscal Year ending June 30, 2004. The following discussion and analysis of Broadwater County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2014. Reading this narrative in conjunction with the governing body's transmittal letter on page 1 and the County's financial statements should give you a complete overview of the activities and financial status of Broadwater County.

Financial Highlights

The assets of Broadwater County exceeded its liabilities. Total net position were \$11,253,351.

- ✓ The total fiscal year end governmental fund balance was \$4,719,325.
- ✓ The unassigned general fund balance at fiscal year-end was \$1,568,561. More information regarding the general fund and other funds such as public safety, detention, road and solid waste balances is contained in the Economic Factors and Future Outlook section ward the end of the management discussion and analysis (MD&A).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of the following three components:

1. Government-wide Financial statements
2. Fund Financial Statements
3. Notes to the Financial Statements

Other supplementary information is also included at the end of the financial section.

Government Wide Financial Statements

The Government Wide Financial statements are designed to provide readers with a broad overview of the County's finances using the accrual basis of accounting, the basis of accounting used by most private sector businesses.

The **Statement of Net Position** presents information on all of the County's assets and liabilities or per GASBS No. 65, classifies them as deferred outflows or deferred inflows of resources effective fiscal year ending June 30, 2014. The difference between the inflows and outflows are reported as net position. Over time, increases and decreases in net position may provide an indication of whether the County's financial position is staying the same, improving or deteriorating.

The **Statement of Activities** presents information reflecting how the County's net assets have changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes are earned but unused vacation leave).

The Government Wide Financial statements distinguish functions of the County that are **Governmental activities** principally supported by taxes, intergovernmental revenues, and other non-exchange revenues. Examples of government activities are public safety, culture and recreational services, economic development and public works. **Business type activities** are financed in whole or in part by fees charged to external parties for goods or services. Examples of business type activities are Solid Waste and the Silos Recreation area.

Fund Financial Statements

Traditional users of the County's financial statements will find the Fund Financial Statement presentation more familiar. With GASB 34, the focus is now on major funds rather than fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria:

1. Total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total (assets, liabilities etc.) for that fund type (i.e., governmental or enterprise funds) and,
2. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into two categories: Governmental funds and Proprietary funds.

Governmental Funds

Governmental funds are used to report those same functions reported as governmental activities in the Government Wide Financial statements. However, unlike the government wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measureable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long term debt and similar long term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. To facilitate this comparison, reconciliation is provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Road, Public Safety, Detention Center, and Deep Creek Project funds. These 5 funds are considered to the major funds. Data from other governmental funds is combined into a single, aggregated presentation and individual fund data for each of these non-major funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The Basic Governmental Fund Financial statements can be found on pages 17-24 of this report.

Proprietary Funds

The County maintains two enterprise proprietary funds. The Proprietary Fund Financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business type activities in the government wide financial statements. The County uses enterprise funds to account for its Solid Waste and Silos Recreation Area operations.

Proprietary funds provide the same type of information as the Government Wide Financial statements only in more detail. The Basic Proprietary Fund Financial statements can be found on pages 25-30.

Government Wide Financial Analysis

The County has presented its financial statements under the reporting model required by GASB 34.

Net position over time may serve useful as the indicator of a government's financial position. The net position for the fiscal year ending June 30, 2014 are \$10,152,369 (assets exceeded liabilities).

The County's largest portion of net assets reflects investment in capital assets, land, and construction in progress, buildings, equipment and vehicles. These assets are used to provide services to the citizens of Broadwater County and are not available for future spending. The County's investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following MD & A Comparison report Table 1 presents condensed financial information on the County's Net Position and Table 2 presents condensed financial information on the County's Changes in Net Position as of and for the fiscal year end June 30, 2014.

Broadwater County, Montana
MD & A Comparisons
June 30, 2013

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY13	FY12	Change	FY13	FY12	Change
			Inc (Dec)			Inc (Dec)
Current and other assets	\$ 5,089,251	\$ 4,950,191	\$ 139,060	\$ 367,894	\$ 310,155	\$ 57,739
Capital assets	5,496,089	5,516,200	(20,111)	442,708	477,649	(34,941)
Total assets	\$ 10,585,340	\$ 10,466,391	\$ 118,949	\$ 810,602	\$ 787,804	\$ 22,798
Long-term debt outstanding	\$ 486,583	\$ 323,186	\$ 163,397	\$ 79,142	\$ 14,191	\$ 64,951
Other liabilities	207,254	258,150	(50,896)	16,010	16,261	(251)
Total liabilities	\$ 693,837	\$ 581,336	\$ 112,501	\$ 95,152	\$ 30,452	\$ 64,700
Net investment in capital assets	\$ 5,496,089	\$ 5,516,200	\$ (20,111)	\$ 442,708	\$ 477,649	\$ (34,941)
Restricted	4,255,935	2,864,031	1,391,904	272,742	-	272,742
Unrestricted (deficit)	139,479	1,504,824	(1,365,345)	-	279,703	(279,703)
Total net position	\$ 9,891,503	\$ 9,885,055	\$ 6,448	\$ 715,450	\$ 757,352	\$ (41,902)

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY13	FY12	Change	FY13	FY12	Change
			Inc (Dec)			Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,161,834	\$ 839,382	\$ 322,452	\$ 372,732	\$ 363,886	\$ 8,846
Operating grants and contributions	663,165	646,835	16,330	-	-	-
Capital grants and contributions	18,385	60,105	(41,720)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,243,577	2,156,936	86,641	5,423	5,342	81
Miscellaneous	88,483	293,417	(204,934)	-	18,196	(18,196)
Interest/investment earnings	13,915	16,459	(2,544)	3,005	3,412	(407)
PILT	553,314	535,924	17,390	-	-	-
State entitlement	412,708	389,778	22,930	-	-	-
Intergovernmental agreement	14,941	14,430	511	-	-	-
Planning fees	14,560	13,040	1,520	-	-	-
Contributions & donations	200	515	(315)	-	-	-
Total revenues	\$ 5,185,082	\$ 4,966,821	\$ 218,261	\$ 381,160	\$ 390,836	\$ (9,676)
Program expenses						
General government	\$ 1,301,882	\$ 1,286,926	\$ 14,956			
Public safety	1,801,630	1,564,725	236,905			
Public works	857,533	900,602	(43,069)			
Public health	287,700	311,508	(23,808)			
Social and economic services	102,038	93,291	8,747			
Culture and recreation	122,614	118,444	4,170			
Housing and community development	-	4,699	(4,699)			
Miscellaneous	696,313	633,047	63,266			
Solid Waste				\$ 433,615	\$ 370,870	\$ 62,745
Ambulance				-	13	(13)
Silo's Recr				3,312	9,585	(6,273)
Total expenses	\$ 5,169,710	\$ 4,913,242	\$ 256,468	\$ 436,927	\$ 380,468	\$ 56,459
Excess (deficiency) before special items and transfers	\$ 15,372	\$ 53,579	\$ (38,207)	\$ (55,767)	\$ 10,368	\$ (66,135)
Transfers - net	(13,875)	-	(13,875)	13,875	-	13,875
Increase (decrease) in net position	\$ 1,497	\$ 53,579	\$ (52,082)	\$ (41,892)	\$ 10,368	\$ (52,260)

Broadwater County, Montana
MD & A Comparisons
June 30, 2014

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
	Current and other assets	\$ 5,069,068	\$ 5,089,251	\$ (20,183)	\$ 321,775	\$ 367,894
Capital assets	5,389,690	5,496,089	(106,399)	500,476	442,708	57,768
Total assets	\$ 10,458,758	\$ 10,585,340	\$ (126,582)	\$ 822,251	\$ 810,602	\$ 11,649
Long-term debt outstanding	\$ 836,061	\$ 631,108	\$ 204,953	\$ 205,520	\$ 92,560	\$ 112,960
Other liabilities	73,897	62,729	11,168	13,162	2,592	10,570
Total liabilities	\$ 909,958	\$ 693,837	\$ 216,121	\$ 218,682	\$ 95,152	\$ 123,530
Net investment in capital assets	\$ 5,389,690	\$ 5,496,089	\$ (106,399)	\$ 459,117	\$ 442,708	\$ 16,409
Restricted	3,386,711	2,989,545	397,166	-	-	-
Unrestricted (deficit)	772,399	1,405,869	(633,470)	144,452	272,742	(128,290)
Total net position	\$ 9,548,800	\$ 9,891,503	\$ (342,703)	\$ 603,569	\$ 715,450	\$ (111,881)

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
	Revenues					
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,335,946	\$ 1,161,834	\$ 174,112	\$ 440,470	\$ 372,732	\$ 67,738
Operating grants and contributions	670,442	663,165	7,277	-	-	-
Capital grants and contributions	78,673	18,385	60,288	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,326,879	2,243,577	83,302	5,905	5,423	482
Miscellaneous	103,164	88,483	14,681	-	-	-
Interest/investment earnings	23,854	13,915	9,939	2,752	3,005	(253)
PILT	572,853	553,314	19,539	-	-	-
State entitlement	431,000	412,708	18,292	-	-	-
Intergovernmental agreement	14,000	14,941	(941)	-	-	-
Planning fees	6,332	14,560	(8,228)	-	-	-
Contributions & donations	425	200	225	-	-	-
Total revenues	\$ 5,563,568	\$ 5,185,082	\$ 378,486	\$ 449,127	\$ 381,160	\$ 67,967
Program expenses						
General government	\$ 1,794,826	\$ 1,301,882	\$ 492,944			
Public safety	1,927,227	1,801,630	125,597			
Public works	849,527	857,533	(8,006)			
Public health	342,019	287,700	54,319			
Social and economic services	102,783	102,038	745			
Culture and recreation	140,849	122,614	18,235			
Miscellaneous	749,040	696,313	52,727			
Solid Waste				\$ 539,924	\$ 433,615	\$ 106,309
Silo's Recr				21,084	3,312	17,772
Total expenses	\$ 5,906,271	\$ 5,169,710	\$ 736,561	\$ 561,008	\$ 436,927	\$ 124,081
Excess (deficiency) before special items and transfers	\$ (342,703)	\$ 15,372	\$ (358,075)	\$ (111,881)	\$ (55,767)	\$ (56,114)
Transfers - net	-	(13,875)	13,875	-	13,875	(13,875)
Increase (decrease) in net position	\$ (342,703)	\$ 1,497	\$ (344,200)	\$ (111,881)	\$ (41,892)	\$ (69,989)

GOVERNMENTAL ACTIVITIES

Net position in governmental activities' decreased by \$370,361 during fiscal year 2014. Program revenues in the capital grants and contributions column include grants from federal and state sources.

BUSINESS-TYPE ACTIVITIES

Net position in business type activities' decreased by \$111,881 during the fiscal year 2014.

Financial Analysis of the County's Funds

As noted previously, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The total fund balance for governmental funds for the fiscal year ended 2014 was \$4,719,325. A fund balance of \$3,194,014 has been reserved for other projects.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the Government Wide Financial statements, but in more detail.

General Fund Budgetary Highlights

No significant variances existed between the final revenue budget and the actuals.

No significant variances existed between the final expenditure budget and the actuals.

Capital Asset and Debt Administration

Capital Assets

Broadwater County has set the capitalization threshold for reporting capital assets at \$5,000. The County's investment in capital assets for its governmental and business type activities includes buildings, equipment, and improvements other than building. A reduction in assets was due to depreciation. As of June 30, 2014, the total balance was \$5,389,690.

Debt Administration (liabilities)

The County entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13. The Solid Waste department leased a new skid steer on March 24, 2014, at an original cost of \$54,250.

Economic Factors and Future Outlook

Property taxes are not keeping up with inflation. The recommended maximum reserve of 33% of the annual budget was maintained for FY14. These reserves are necessary because the first installment of property taxes is due November of each year and property taxes are the major source of income for these funds. Cash balances decrease between July 1st and November 30th. Therefore, the reserves are needed to pay expenditures of these 5 months.

The annual budget assures the efficient, effective and economic uses of the County's resources, as well as ensuring projects and objectives are carried out according to prioritized planning. Through the budget, the County Commissioners set the direction of the County and allocate its resources accordingly.

The following factors were considered in preparing the budget for the 2014 fiscal year:

- ✓ Road equipment continues to deteriorate. A plan has been established to rotate the old equipment out and new equipment in. The many subdivisions that have developed within the County put added wear and tear on County roads. This has created a need for an additional machine operator but there is no additional revenue in the budget to allow for an increase in staff.
- ✓ The taxable valuation of the County Wide taxing jurisdiction \$187.00 per mill from FY 13 to FY 14. This was a result of lost business tax revenues from the change in business equipment tax from SB372 and SB 96. However, most of that money comes back from the State to the County in the form of an Entitlement Share.
- ✓ MCA 15-10-420, as amended by SDB 491, mandated we reduce our permissive medical levy (fund 2372) to reach a target goal by FY 2014. The target was reached and the County was allowed to mill 25.05 mills for the permissive medical and 19.18 mills for the employer contribution to health insurance (fund 2371). Both were based on the County wide valuation of 1 mill equaling \$13,346.00 per mill.
- ✓ County employees' salaries have been lower than average for many years. The County employees received a \$.45 per hour increase during FY14. This was approved for the elected officials by the County Compensation Board. The elected officials then recommended it be given to all County employees. This increase in base salaries/wages is to assist the County in retaining employee's long term and cut down on staffing turnover by making wages more competitive.
- ✓ Protested taxes continue to have a negative effect on Cash balances for many funds. Potential growth in the County slowed down as a result of the County being saturated by subdivisions and the overall state of the economy in the United States. When the market slowed down a few years ago, sales of lots nearly ceased. Furthermore, a Supreme Court decision lost by Department of Revenue has resulted in lower tax rates for unsold subdivision lots. The Clerk and Recorder revenue is down along with that of the Planning Department.

As the County entered Fiscal Year 14 (FY14), revenue was adversely affected by subdivision properties disputing taxes of fully developed land vs. agriculture land. Reserves are set at the maximum level allowed by law in an effort to ensure adequate cash flow throughout the year. However, between delinquent taxes and protested taxes, there is not always adequate cash flow in every fund. The County is committed to maintain a long term Capital Improvements Plan, with a primary function of protecting and replacing infrastructure and equipment.

In summary, Broadwater County has continued to maintain services at previous year levels. Frequently, the county is faced with the need to run special mill levy elections to improve/expand the services provided to our community, such as our school, hospital, and fire department. However, in FY 09 two mill levy elections failed. One in FY13 failed. The following is a summary of required annual tax per fiscal year since 2003 for property valued at \$100,000:

- FY 2003 required annual taxes of \$1,164.62
- FY 2004 required annual taxes of \$1,137.81
- FY 2005 required annual taxes of \$1,068.55
- FY 2006 required annual taxes of \$1,072.68
- FY 2007 required annual taxes of \$1,048.33
- FY 2008 required annual taxes of \$1,076.84
- FY 2009 required annual taxes of \$1,020.68
- FY 2010 required annual taxes of \$ 893.26
- FY 2011 required annual taxes of \$ 829.00
- FY 2012 required annual taxes of \$ 835.25
- FY 2013 required annual taxes of \$ 720.00

Cumulative effects of several legislative bills in recent years have changed the methodology in how taxable values are calculated. Examples of those changes include, but aren't limited to- tax exempt statuses, lower business equipment tax, the class of property, and reclassifications of unsold subdivided lands.

The changes in how Broadwater County calculates the property tax due are based on the *fair market value* of the home or property in question, as determined by the Broadwater County Property Tax Assessor, an employee of the Montana Department of Revenue. Each property is individually taxed each year, and any improvements or additions made to your property may increase its appraised value. The median value for FY 2014 was \$159,700 and estimated annual taxes of \$1,142.00.

All figures are based on buildings and land only. NO fees are included.

Financial Contact

The County's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning any of the information presented in this report or requesting additional information should be sent to Broadwater County Accounting Manager, 515 Broadway, Townsend, MT 59644.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Broadwater County
Townsend, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Broadwater County, Montana, as of and for the years ended June 30, 2013 and 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Broadwater County, Montana, as of and for the years ended June 30, 2013 and 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Broadwater County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 9, 64 through 76, and 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015 on our consideration of the Broadwater County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broadwater County, Montana's internal control over financial reporting and compliance.

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

March 26, 2015

Broadwater County, Montana
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,452,341	\$ 231,736	\$ 4,684,077
Taxes and assessments receivable, net	316,223	131,878	448,101
Accounts receivable - net	-	372	372
Notes and loans receivable	120,000	-	120,000
Interest receivable	2,700	-	2,700
Due from other governments	194,500	3,908	198,408
Inventories	3,457	-	3,457
Total current assets	<u>\$ 5,089,221</u>	<u>\$ 367,894</u>	<u>\$ 5,457,115</u>
Noncurrent assets			
Restricted cash and investments	\$ 30	\$ -	\$ 30
Capital assets - land	263,404	2,959	266,363
Capital assets - depreciable, net	5,232,685	439,749	5,672,434
Total noncurrent assets	<u>\$ 5,496,119</u>	<u>\$ 442,708</u>	<u>\$ 5,938,827</u>
Total assets	<u>\$ 10,585,340</u>	<u>\$ 810,602</u>	<u>\$ 11,395,942</u>
LIABILITIES			
Current liabilities			
Accrued payroll	\$ 62,729	\$ 2,592	\$ 65,321
Current portion of compensated absences payable	144,525	13,418	157,943
Total current liabilities	<u>\$ 207,254</u>	<u>\$ 16,010</u>	<u>\$ 223,264</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 455,239	\$ 76,271	\$ 531,510
Noncurrent portion of compensated absences	31,344	2,871	34,215
Total noncurrent liabilities	<u>\$ 486,583</u>	<u>\$ 79,142</u>	<u>\$ 565,725</u>
Total liabilities	<u>\$ 693,837</u>	<u>\$ 95,152</u>	<u>\$ 788,989</u>
NET POSITION			
Net investment in capital assets	\$ 5,496,089	\$ 442,708	\$ 5,938,797
Restricted for general government	136,091	-	136,091
Restricted for public safety	1,493,322	-	1,493,322
Restricted for public works	746,183	-	746,183
Restricted for public health	231,686	-	231,686
Restricted for social and economic services	72,761	-	72,761
Restricted for culture and recreation	139,479	-	139,479
Restricted for miscellaneous purposes	402,082	-	402,082
Unrestricted	1,173,810	272,742	1,446,552
Total net position	<u>\$ 9,891,503</u>	<u>\$ 715,450</u>	<u>\$ 10,606,953</u>
Total liabilities and net position	<u>\$ 10,585,340</u>	<u>\$ 810,602</u>	<u>\$ 11,395,942</u>

See accompanying Notes to the Financial Statements

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,337,519	\$ 195,299	\$ 4,532,818
Taxes and assessments receivable, net	248,188	122,775	370,963
Accounts receivable - net	-	2,893	2,893
Notes and loans receivable	228,728	-	228,728
Interest receivable	2,700	-	2,700
Due from other governments	251,933	808	252,741
Total current assets	<u>\$ 5,069,068</u>	<u>\$ 321,775</u>	<u>\$ 5,390,843</u>
Noncurrent assets			
Capital assets - land	\$ 263,404	\$ 2,959	\$ 266,363
Capital assets - construction in progress	78,673	-	78,673
Capital assets - depreciable, net	5,047,613	497,517	5,545,130
Total noncurrent assets	<u>\$ 5,389,690</u>	<u>\$ 500,476</u>	<u>\$ 5,890,166</u>
Total assets	<u>\$ 10,458,758</u>	<u>\$ 822,251</u>	<u>\$ 11,281,009</u>
LIABILITIES			
Current liabilities			
Accrued payroll	\$ 73,897	\$ 3,762	\$ 77,659
Short term loan payable	-	9,400	9,400
Current portion of long-term capital liabilities	-	11,313	11,313
Current portion of compensated absences payable	174,793	19,207	194,000
Total current liabilities	<u>\$ 248,690</u>	<u>\$ 43,682</u>	<u>\$ 292,372</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 620,267	\$ 140,449	\$ 760,716
Noncurrent portion of long-term capital liabilities	-	30,046	30,046
Noncurrent portion of compensated absences	41,001	4,505	45,506
Total noncurrent liabilities	<u>\$ 661,268</u>	<u>\$ 175,000</u>	<u>\$ 836,268</u>
Total liabilities	<u>\$ 909,958</u>	<u>\$ 218,682</u>	<u>\$ 1,128,640</u>
NET POSITION			
Net investment in capital assets	\$ 5,389,690	\$ 459,117	\$ 5,848,807
Restricted for general government	226,411	-	226,411
Restricted for public safety	1,359,236	-	1,359,236
Restricted for public works	1,011,778	-	1,011,778
Restricted for public health	231,438	-	231,438
Restricted for social and economic services	71,288	-	71,288
Restricted for culture and recreation	125,314	-	125,314
Restricted for Miscellaneous purposes	361,246	-	361,246
Unrestricted	772,399	144,452	916,851
Total net position	<u>\$ 9,548,800</u>	<u>\$ 603,569</u>	<u>\$ 10,152,369</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 1,301,882	\$ 193,928	\$ 17,209	\$ -	\$ (1,090,745)	\$ -	\$ (1,090,745)
Public safety	1,801,630	772,044	294,113	-	(735,473)	-	(735,473)
Public works	857,533	57,399	238,183	-	(561,951)	-	(561,951)
Public health	287,700	91,729	113,660	-	(82,311)	-	(82,311)
Social and economic services	102,038	-	-	-	(102,038)	-	(102,038)
Culture and recreation	122,614	46,734	-	18,385	(57,495)	-	(57,495)
Miscellaneous	696,313	-	-	-	(696,313)	-	(696,313)
Total governmental activities	\$ <u>5,169,710</u>	\$ <u>1,161,834</u>	\$ <u>663,165</u>	\$ <u>18,385</u>	\$ <u>(3,326,326)</u>	\$ <u>-</u>	\$ <u>(3,326,326)</u>
Business-type activities:							
Solid Waste	\$ 433,615	\$ 368,449	\$ -	\$ -	\$ -	\$ (65,166)	\$ (65,166)
Silo's Recr	3,312	4,283	-	-	-	971	971
Total business-type activities	\$ <u>436,927</u>	\$ <u>372,732</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(64,195)</u>	\$ <u>(64,195)</u>
Total primary government	\$ <u>5,606,637</u>	\$ <u>1,534,566</u>	\$ <u>663,165</u>	\$ <u>18,385</u>	\$ <u>(3,326,326)</u>	\$ <u>(64,195)</u>	\$ <u>(3,390,521)</u>
General Revenues:							
Property taxes for general purposes					\$ 2,243,577	\$ 5,423	\$ 2,249,000
Miscellaneous					88,483	-	88,483
Interest/investment earnings					13,915	3,005	16,920
PILT					553,314	-	553,314
State entitlement					412,708	-	412,708
Intergovernmental agreement					14,941	-	14,941
Planning fees					14,560	-	14,560
Contributions & donations					200	-	200
Transfers - net					(13,875)	13,875	-
Total general revenues, special items and transfers					\$ <u>3,327,823</u>	\$ <u>22,303</u>	\$ <u>3,350,126</u>
Change in net position					\$ <u>1,497</u>	\$ <u>(41,892)</u>	\$ <u>(40,395)</u>
Net position - beginning					\$ 9,885,055	\$ 757,352	\$ 10,642,407
Restatements					4,951	(10)	4,941
Net position - beginning - restated					\$ <u>9,890,006</u>	\$ <u>757,342</u>	\$ <u>10,647,348</u>
Net position - end					\$ <u>9,891,503</u>	\$ <u>715,450</u>	\$ <u>10,606,953</u>

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 1,794,826	\$ 279,609	\$ 18,112	\$ -	\$ (1,497,105)	\$ -	\$ (1,497,105)
Public safety	1,927,227	961,944	178,509	-	(786,774)	-	(786,774)
Public works	849,527	29,301	365,230	78,673	(376,323)	-	(376,323)
Public health	342,019	11,839	107,591	-	(222,589)	-	(222,589)
Social and economic services	102,783	-	1,000	-	(101,783)	-	(101,783)
Culture and recreation	140,849	53,253	-	-	(87,596)	-	(87,596)
Miscellaneous	749,040	-	-	-	(749,040)	-	(749,040)
Total governmental activities	\$ <u>5,906,271</u>	\$ <u>1,335,946</u>	\$ <u>670,442</u>	\$ <u>78,673</u>	\$ <u>(3,821,210)</u>	\$ <u>-</u>	\$ <u>(3,821,210)</u>
Business-type activities:							
Solid Waste	\$ 539,924	\$ 376,662	\$ -	\$ -	\$ -	\$ (163,262)	\$ (163,262)
Silo's Recr	21,084	63,808	-	-	-	42,724	42,724
Total business-type activities	\$ <u>561,008</u>	\$ <u>440,470</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(120,538)</u>	\$ <u>(120,538)</u>
Total primary government	\$ <u>6,467,279</u>	\$ <u>1,776,416</u>	\$ <u>670,442</u>	\$ <u>78,673</u>	\$ <u>(3,821,210)</u>	\$ <u>(120,538)</u>	\$ <u>(3,941,748)</u>
General Revenues:							
Property taxes for general purposes					\$ 2,326,879	\$ 5,905	\$ 2,332,784
Miscellaneous					103,164	-	103,164
Interest/investment earnings					23,854	2,752	26,606
PILT					572,853	-	572,853
State entitlement					431,000	-	431,000
Intergovernmental agreement					14,000	-	14,000
Planning fees					6,332	-	6,332
Contributions & donations					425	-	425
Total general revenues, special items and transfers					\$ <u>3,478,507</u>	\$ <u>8,657</u>	\$ <u>3,487,164</u>
Change in net position					\$ <u>(342,703)</u>	\$ <u>(111,881)</u>	\$ <u>(454,584)</u>
Net position - beginning					\$ <u>9,891,503</u>	\$ <u>715,450</u>	\$ <u>10,606,953</u>
Net position - end					\$ <u>9,548,800</u>	\$ <u>603,569</u>	\$ <u>10,152,369</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Employer Contribution Group Health</u>	<u>Permissive Medical Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 1,529,180	\$ 400,380	\$ 376,285	\$ 328,772	\$ 111,111	\$ 153,527	\$ 1,553,086	\$ 4,452,341
Taxes and assessments receivable, net	76,579	37,681	54,658	6,908	35,790	50,081	54,526	316,223
Notes and loans receivable	120,000	-	-	-	-	-	-	120,000
Interest receivable	2,700	-	-	-	-	-	-	2,700
Due from other funds	21,564	-	-	-	-	-	-	21,564
Due from other governments	60,495	510	24,577	50,644	-	-	58,274	194,500
Inventories	-	3,457	-	-	-	-	-	3,457
Total current assets	<u>\$ 1,810,518</u>	<u>\$ 442,028</u>	<u>\$ 455,520</u>	<u>\$ 386,324</u>	<u>\$ 146,901</u>	<u>\$ 203,608</u>	<u>\$ 1,665,886</u>	<u>\$ 5,110,785</u>
Noncurrent assets:								
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 30
Advances to other funds	10,293	-	-	-	-	-	-	10,293
Total noncurrent assets	<u>\$ 10,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 10,323</u>
Total assets	<u>\$ 1,820,811</u>	<u>\$ 442,028</u>	<u>\$ 455,520</u>	<u>\$ 386,324</u>	<u>\$ 146,901</u>	<u>\$ 203,608</u>	<u>\$ 1,665,916</u>	<u>\$ 5,121,108</u>
LIABILITIES								
Current liabilities:								
Accrued payroll	\$ 17,939	\$ 3,909	\$ 15,848	\$ 5,292	\$ 12,064	\$ -	\$ 7,677	\$ 62,729
Due to other funds	-	-	-	-	-	-	21,564	21,564
Total current liabilities	<u>\$ 17,939</u>	<u>\$ 3,909</u>	<u>\$ 15,848</u>	<u>\$ 5,292</u>	<u>\$ 12,064</u>	<u>\$ -</u>	<u>\$ 29,241</u>	<u>\$ 84,293</u>
Noncurrent liabilities:								
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,293	\$ 10,293
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,293</u>	<u>\$ 10,293</u>
Total liabilities	<u>\$ 17,939</u>	<u>\$ 3,909</u>	<u>\$ 15,848</u>	<u>\$ 5,292</u>	<u>\$ 12,064</u>	<u>\$ -</u>	<u>\$ 39,534</u>	<u>\$ 94,586</u>
Deferred inflows of resources	<u>\$ 76,579</u>	<u>\$ 37,681</u>	<u>\$ 54,658</u>	<u>\$ 6,908</u>	<u>\$ 35,790</u>	<u>\$ 50,081</u>	<u>\$ 55,201</u>	<u>\$ 316,898</u>
FUND BALANCES								
Nonspendable	\$ -	\$ 3,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,457
Restricted	-	396,981	385,014	374,124	99,047	153,527	1,572,641	2,981,334
Unassigned fund balance	1,726,293	-	-	-	-	-	(1,460)	1,724,833
Total fund balance	<u>\$ 1,726,293</u>	<u>\$ 400,438</u>	<u>\$ 385,014</u>	<u>\$ 374,124</u>	<u>\$ 99,047</u>	<u>\$ 153,527</u>	<u>\$ 1,571,181</u>	<u>\$ 4,709,624</u>
Total liabilities and fund balance	<u>\$ 1,744,232</u>	<u>\$ 404,347</u>	<u>\$ 400,862</u>	<u>\$ 379,416</u>	<u>\$ 111,111</u>	<u>\$ 153,527</u>	<u>\$ 1,610,715</u>	<u>\$ 4,804,210</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Deep Creek Bridges Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 1,245,212	\$ 544,946	\$ 294,226	\$ 359,579	\$ (27,658)	\$ 1,921,214	\$ 4,337,519
Taxes and assessments receivable, net	55,494	28,388	45,758	5,871	-	112,677	248,188
Notes and loans receivable	228,728	-	-	-	-	-	228,728
Interest receivable	2,700	-	-	-	-	-	2,700
Due from other funds	86,651	-	-	-	-	-	86,651
Due from other governments	20,200	-	3,275	99,113	78,672	50,673	251,933
Total current assets	<u>\$ 1,638,985</u>	<u>\$ 573,334</u>	<u>\$ 343,259</u>	<u>\$ 464,563</u>	<u>\$ 51,014</u>	<u>\$ 2,084,564</u>	<u>\$ 5,155,719</u>
Noncurrent assets:							
Advances to other funds	<u>\$ 10,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,293</u>
Total assets	<u>\$ 1,649,278</u>	<u>\$ 573,334</u>	<u>\$ 343,259</u>	<u>\$ 464,563</u>	<u>\$ 51,014</u>	<u>\$ 2,084,564</u>	<u>\$ 5,166,012</u>
Current liabilities:							
Accrued payroll	\$ 25,223	\$ 5,631	\$ 21,040	\$ 11,070	\$ -	\$ 10,933	\$ 73,897
Due to other funds	-	-	-	-	51,014	35,637	86,651
Total current liabilities	<u>\$ 25,223</u>	<u>\$ 5,631</u>	<u>\$ 21,040</u>	<u>\$ 11,070</u>	<u>\$ 51,014</u>	<u>\$ 46,570</u>	<u>\$ 160,548</u>
Noncurrent liabilities:							
Advances payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,293</u>	<u>\$ 10,293</u>
Total liabilities	<u>\$ 25,223</u>	<u>\$ 5,631</u>	<u>\$ 21,040</u>	<u>\$ 11,070</u>	<u>\$ 51,014</u>	<u>\$ 56,863</u>	<u>\$ 170,841</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	<u>\$ 55,494</u>	<u>\$ 28,388</u>	<u>\$ 45,758</u>	<u>\$ 5,871</u>	<u>\$ -</u>	<u>\$ 112,677</u>	<u>\$ 248,188</u>
FUND BALANCES							
Restricted	\$ -	\$ 539,315	\$ 276,461	\$ 447,622	\$ -	\$ 1,930,619	\$ 3,194,017
Unassigned fund balance	1,568,561	-	-	-	-	(15,595)	1,552,966
Total fund balance	<u>\$ 1,568,561</u>	<u>\$ 539,315</u>	<u>\$ 276,461</u>	<u>\$ 447,622</u>	<u>\$ -</u>	<u>\$ 1,915,024</u>	<u>\$ 4,746,983</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2013

Total fund balances - governmental funds	\$ 4,709,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,496,089
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	316,898
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(631,108)
Total net position - governmental activities	\$ <u>9,891,503</u>

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	\$ 4,746,983
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,389,690
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	248,188
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(836,061)
Total net position - governmental activities	\$ <u>9,548,800</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Employer Contribution Group Health</u>	<u>Permissive Medical Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 612,093	\$ 269,962	\$ 295,736	\$ 93,776	\$ 258,606	\$ 316,614	\$ 411,812	\$ 2,258,599
Licenses and permits	153,776	-	3,775	-	-	-	-	157,551
Intergovernmental	732,017	248,519	15,658	-	4,723	5,210	582,424	1,588,551
Charges for services	165,077	35,614	350,827	501,305	-	-	144,641	1,197,464
Fines and forfeitures	51,082	-	-	-	-	-	6,506	57,588
Miscellaneous	12,215	401	562	-	-	-	15,656	28,834
Investment earnings	8,252	-	-	-	-	-	7,425	15,677
Total revenues	<u>\$ 1,734,512</u>	<u>\$ 554,496</u>	<u>\$ 666,558</u>	<u>\$ 595,081</u>	<u>\$ 263,329</u>	<u>\$ 321,824</u>	<u>\$ 1,168,464</u>	<u>\$ 5,304,264</u>
EXPENDITURES								
General government	\$ 974,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,805	\$ 1,140,944
Public safety	66,182	-	877,720	469,754	-	-	240,921	1,654,577
Public works	-	420,076	-	-	-	-	217,641	637,717
Public health	133,516	-	-	-	-	-	152,378	285,894
Social and economic services	5,600	-	-	-	-	-	95,613	101,213
Culture and recreation	-	-	-	-	-	-	105,551	105,551
Miscellaneous	-	-	-	-	268,680	294,056	117,886	680,622
Capital outlay	-	55,576	-	-	-	-	297,502	353,078
Total expenditures	<u>\$ 1,179,437</u>	<u>\$ 475,652</u>	<u>\$ 877,720</u>	<u>\$ 469,754</u>	<u>\$ 268,680</u>	<u>\$ 294,056</u>	<u>\$ 1,394,297</u>	<u>\$ 4,959,596</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 555,075</u>	<u>\$ 78,844</u>	<u>\$ (211,162)</u>	<u>\$ 125,327</u>	<u>\$ (5,351)</u>	<u>\$ 27,768</u>	<u>\$ (225,833)</u>	<u>\$ 344,668</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from the sale of general capital asset disposition	\$ 550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550
Transfers in	-	8,970	38,322	155,928	-	-	270,295	473,515
Transfers out	(347,390)	-	(140,000)	-	-	-	-	(487,390)
Total other financing sources (uses)	<u>\$ (346,840)</u>	<u>\$ 8,970</u>	<u>\$ (101,678)</u>	<u>\$ 155,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,295</u>	<u>\$ (13,325)</u>
Net Change in Fund Balance	<u>\$ 208,235</u>	<u>\$ 87,814</u>	<u>\$ (312,840)</u>	<u>\$ 281,255</u>	<u>\$ (5,351)</u>	<u>\$ 27,768</u>	<u>\$ 44,462</u>	<u>\$ 331,343</u>
Fund balances - beginning	\$ 1,518,058	\$ 312,624	\$ 697,854	\$ 92,869	\$ 104,398	\$ 125,759	\$ 1,521,768	\$ 4,373,330
Restatements	-	-	-	-	-	-	4,951	4,951
Fund balances - beginning, restated	<u>\$ 1,518,058</u>	<u>\$ 312,624</u>	<u>\$ 697,854</u>	<u>\$ 92,869</u>	<u>\$ 104,398</u>	<u>\$ 125,759</u>	<u>\$ 1,526,719</u>	<u>\$ 4,378,281</u>
Fund balance - ending	<u>\$ 1,726,293</u>	<u>\$ 400,438</u>	<u>\$ 385,014</u>	<u>\$ 374,124</u>	<u>\$ 99,047</u>	<u>\$ 153,527</u>	<u>\$ 1,571,181</u>	<u>\$ 4,709,624</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Deep Creek Bridges Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 697,916	\$ 263,896	\$ 325,748	\$ 97,165	\$ -	\$ 1,007,817	\$ 2,392,542
Licenses and permits	15,240	-	2,380	-	-	750	18,370
Intergovernmental	788,988	247,267	111,163	-	78,673	539,543	1,765,634
Charges for services	164,342	1,576	272,144	689,799	-	152,367	1,280,228
Fines and forfeitures	68,422	-	-	-	-	7,626	76,048
Miscellaneous	10,948	-	2,898	-	-	20,341	34,187
Investment earnings	15,478	-	-	-	-	8,376	23,854
Total revenues	<u>\$ 1,761,334</u>	<u>\$ 512,739</u>	<u>\$ 714,333</u>	<u>\$ 786,964</u>	<u>\$ 78,673</u>	<u>\$ 1,736,820</u>	<u>\$ 5,590,863</u>
EXPENDITURES							
General government	\$ 1,376,121	\$ -	\$ -	\$ -	\$ -	\$ 208,844	\$ 1,584,965
Public safety	81,391	-	962,886	606,453	-	128,814	1,779,544
Public works	-	364,754	-	-	-	261,528	626,282
Public health	149,626	-	-	-	-	190,586	340,212
Social and economic services	4,310	-	-	-	-	97,648	101,958
Culture and recreation	-	-	-	-	-	120,653	120,653
Miscellaneous	-	-	-	-	-	749,040	749,040
Capital outlay	55,235	7,853	-	24,366	78,673	84,723	250,850
Total expenditures	<u>\$ 1,666,683</u>	<u>\$ 372,607</u>	<u>\$ 962,886</u>	<u>\$ 630,819</u>	<u>\$ 78,673</u>	<u>\$ 1,841,836</u>	<u>\$ 5,553,504</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 94,651</u>	<u>\$ 140,132</u>	<u>\$ (248,553)</u>	<u>\$ 156,145</u>	<u>\$ -</u>	<u>\$ (105,016)</u>	<u>\$ 37,359</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ 88,745	\$ 140,000	\$ -	\$ -	\$ 297,300	\$ 526,045
Transfers out	(252,383)	(90,000)	-	(82,647)	-	(101,015)	(526,045)
Total other financing sources (uses)	<u>\$ (252,383)</u>	<u>\$ (1,255)</u>	<u>\$ 140,000</u>	<u>\$ (82,647)</u>	<u>\$ -</u>	<u>\$ 196,285</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (157,732)</u>	<u>\$ 138,877</u>	<u>\$ (108,553)</u>	<u>\$ 73,498</u>	<u>\$ -</u>	<u>\$ 91,269</u>	<u>\$ 37,359</u>
Fund balances - beginning	\$ 1,726,293	\$ 400,438	\$ 385,014	\$ 374,124	\$ -	\$ 1,823,755	\$ 4,709,624
Fund balance - ending	<u>\$ 1,568,561</u>	<u>\$ 539,315</u>	<u>\$ 276,461</u>	<u>\$ 447,622</u>	<u>\$ -</u>	<u>\$ 1,915,024</u>	<u>\$ 4,746,983</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 331,343
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	353,078
- Depreciation expense	(394,044)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Loss on deletion of capital assets	(15,691)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Donated capital assets	36,546
- Long-term receivables (deferred revenue)	(156,278)
The change in compensated absences is shown as an expense in the Statement of Activities	11,571
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(165,028)
Change in net position - Statement of Activities	\$ <u><u>1,497</u></u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds \$ 37,359

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	250,850
- Depreciation expense	(398,664)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Donated capital assets	41,415
- Long-term receivables (deferred revenue)	(68,710)

The change in compensated absences is shown as an expense in the Statement of Activities	(39,925)
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(165,028)
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Change in net position - Statement of Activities	\$ <u><u>(342,703)</u></u>
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See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 230,200	\$ 1,536	\$ 231,736
Taxes and assessments receivable, net	131,878	-	131,878
Accounts receivable - net	372	-	372
Due from other governments	1,923	1,985	3,908
Total current assets	<u>\$ 364,373</u>	<u>\$ 3,521</u>	<u>\$ 367,894</u>
Noncurrent assets:			
Capital assets - land	\$ 2,959	\$ -	\$ 2,959
Capital assets - depreciable, net	439,749	-	439,749
Total noncurrent assets	<u>\$ 442,708</u>	<u>\$ -</u>	<u>\$ 442,708</u>
Total assets	<u>\$ 807,081</u>	<u>\$ 3,521</u>	<u>\$ 810,602</u>
LIABILITIES			
Current liabilities:			
Accrued payroll	\$ 2,592	\$ -	\$ 2,592
Current portion of compensated absences payable	13,418	-	13,418
Total current liabilities	<u>\$ 16,010</u>	<u>\$ -</u>	<u>\$ 16,010</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 76,271	\$ -	\$ 76,271
Noncurrent portion of compensated absences	2,871	-	2,871
Total noncurrent liabilities	<u>\$ 79,142</u>	<u>\$ -</u>	<u>\$ 79,142</u>
Total liabilities	<u>\$ 95,152</u>	<u>\$ -</u>	<u>\$ 95,152</u>
NET POSITION			
Net investment in capital assets	\$ 442,708	\$ -	\$ 442,708
Unrestricted	269,221	3,521	272,742
Total net position	<u>\$ 711,929</u>	<u>\$ 3,521</u>	<u>\$ 715,450</u>
Total liabilities and net position	<u>\$ 807,081</u>	<u>\$ 3,521</u>	<u>\$ 810,602</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 201,462	\$ (6,163)	\$ 195,299
Taxes and assessments receivable, net	122,775	-	122,775
Accounts receivable - net	2,893	-	2,893
Due from other governments	-	808	808
Total current assets	\$ 327,130	\$ (5,355)	\$ 321,775
Noncurrent assets:			
Capital assets - land	\$ 2,959	\$ -	\$ 2,959
Capital assets - depreciable, net	436,517	61,000	497,517
Total noncurrent assets	\$ 439,476	\$ 61,000	\$ 500,476
Total assets	\$ 766,606	\$ 55,645	\$ 822,251
LIABILITIES			
Current liabilities:			
Accrued payroll	\$ 3,762	\$ -	\$ 3,762
Short term loan payable	-	9,400	9,400
Current portion of long-term capital liabilities	11,313	-	11,313
Current portion of compensated absences payable	19,207	-	19,207
Total current liabilities	\$ 34,282	\$ 9,400	\$ 43,682
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 140,449	\$ -	\$ 140,449
Noncurrent portion of long-term capital liabilities	30,046	-	30,046
Noncurrent portion of compensated absences	4,505	-	4,505
Total noncurrent liabilities	\$ 175,000	\$ -	\$ 175,000
Total liabilities	\$ 209,282	\$ 9,400	\$ 218,682
NET POSITION			
Net investment in capital assets	\$ 398,117	\$ 61,000	\$ 459,117
Unrestricted	159,207	(14,755)	144,452
Total net position	\$ 557,324	\$ 46,245	\$ 603,569
Total liabilities and net position	\$ 766,606	\$ 55,645	\$ 822,251

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 358,423	\$ 4,283	\$ 362,706
Miscellaneous revenues	10,026	-	10,026
Total operating revenues	<u>\$ 368,449</u>	<u>\$ 4,283</u>	<u>\$ 372,732</u>
OPERATING EXPENSES			
Personal services	\$ 193,393	\$ -	\$ 193,393
Supplies	43,286	340	43,626
Purchased services	149,145	2,972	152,117
Fixed charges	200	-	200
Depreciation	47,591	-	47,591
Total operating expenses	<u>\$ 433,615</u>	<u>\$ 3,312</u>	<u>\$ 436,927</u>
Operating income (loss)	<u>\$ (65,166)</u>	<u>\$ 971</u>	<u>\$ (64,195)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes/assessments revenue	\$ 5,423	\$ -	\$ 5,423
Interest revenue	3,005	-	3,005
Total non-operating revenues (expenses)	<u>\$ 8,428</u>	<u>\$ -</u>	<u>\$ 8,428</u>
Income (loss) before contributions and transfers	\$ (56,738)	\$ 971	\$ (55,767)
Transfers in	13,875	-	13,875
Change in net position	<u>\$ (42,863)</u>	<u>\$ 971</u>	<u>\$ (41,892)</u>
Net Position - Beginning of the year	\$ 754,792	\$ 2,560	\$ 757,352
Restatements	-	(10)	(10)
Net Position - Beginning of the year - Restated	<u>\$ 754,792</u>	<u>\$ 2,550</u>	<u>\$ 757,342</u>
Net Position - End of the year	<u>\$ 711,929</u>	<u>\$ 3,521</u>	<u>\$ 715,450</u>

See accompanying Notes to the Financial Statements

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

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
OPERATING REVENUES			
Charges for services	\$ 19,079	\$ 2,808	\$ 21,887
Miscellaneous revenues	18,237	61,000	79,237
Special assessments	339,346	-	339,346
Total operating revenues	<u>\$ 376,662</u>	<u>\$ 63,808</u>	<u>\$ 440,470</u>
OPERATING EXPENSES			
Personal services	\$ 233,079	\$ -	\$ 233,079
Supplies	60,542	-	60,542
Purchased services	177,690	21,084	198,774
Building materials	874	-	874
Fixed charges	5,157	-	5,157
Depreciation	61,082	-	61,082
Total operating expenses	<u>\$ 538,424</u>	<u>\$ 21,084</u>	<u>\$ 559,508</u>
Operating income (loss)	<u>\$ (161,762)</u>	<u>\$ 42,724</u>	<u>\$ (119,038)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes/assessments revenue	\$ 5,905	\$ -	\$ 5,905
Intergovernmental revenue	2,752	-	2,752
Donation	(1,500)	-	(1,500)
Total non-operating revenues (expenses)	<u>\$ 7,157</u>	<u>\$ -</u>	<u>\$ 7,157</u>
Income (loss) before contributions and transfers	<u>\$ (154,605)</u>	<u>\$ 42,724</u>	<u>\$ (111,881)</u>
Change in net position	<u>\$ (154,605)</u>	<u>\$ 42,724</u>	<u>\$ (111,881)</u>
Net Position - Beginning of the year	\$ 711,929	\$ 3,521	\$ 715,450
Net Position - End of the year	<u>\$ 557,324</u>	<u>\$ 46,245</u>	<u>\$ 603,569</u>

See accompanying Notes to the Financial Statements

Broadwater County
Statement of Cash Flows
Proprietary Fund Types
Fiscal Year Ended June 30, 2013

Business - Type Activities - Enterprise Funds

	<u>Solid Waste</u>	<u>Nonmajor Enterprise</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from providing services	\$ 351,677	\$ 4,283	\$ 355,960
Cash received from miscellaneous sources	8,103	-	8,103
Cash payments to suppliers	(43,486)	(2,325)	(45,811)
Cash payments for professional services	(149,145)	(2,972)	(152,117)
Cash payments to employees	(128,693)	-	(128,693)
Net cash provided (used) by operating activities	<u>\$ 38,456</u>	<u>\$ (1,014)</u>	<u>\$ 37,442</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (12,650)	\$ -	\$ (12,650)
Principal paid on debt	(95,000)	-	(95,000)
Net cash provided (used) by capital and related financing activities	<u>\$ (107,650)</u>	<u>\$ -</u>	<u>\$ (107,650)</u>
Cash flows from non-capital financing activities:			
Tax levies and contributions from the County	\$ 5,423	\$ -	\$ 5,423
Cash received from governmental funds	13,875	-	13,875
Net cash provided (used) from non-capital financing activities	<u>\$ 19,298</u>	<u>\$ -</u>	<u>\$ 19,298</u>
Cash flows from investing activities:			
Interest on investments	\$ 3,005	\$ -	\$ 3,005
Net cash provided (used) by investing activities	<u>\$ 3,005</u>	<u>\$ -</u>	<u>\$ 3,005</u>
Net increase (decrease) in cash and cash equivalents	\$ (46,891)	\$ (1,014)	\$ (47,905)
Cash and cash equivalents at beginning	<u>277,091</u>	<u>2,550</u>	<u>279,641</u>
Cash and cash equivalents at end	<u><u>\$ 230,200</u></u>	<u><u>\$ 1,536</u></u>	<u><u>\$ 231,736</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (65,166)	\$ 971	\$ (64,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	47,591	-	47,591
Other post-employment benefits	64,178	-	64,178
Changes in assets and liabilities:			-
Decrease in accounts receivable	549	-	549
Increase in taxes and assessment receivable	(7,295)	-	(7,295)
Increase in due from other governments	(1,923)	(1,985)	(3,908)
Decrease in compensated absences	(323)	-	(323)
Increase in accrued wages payable	845	-	845
Net cash provided (used) by operating activities	<u>\$ 38,456</u>	<u>\$ (1,014)</u>	<u>\$ 37,442</u>

See accompanying notes to the financial statements

Broadwater County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2014

	Business - Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 16,558	\$ 2,808	\$ 19,366
Cash received from special assessments	348,449	-	348,449
Cash received from miscellaneous sources	20,160	61,000	81,160
Cash payments to suppliers	(66,573)	1,177	(65,396)
Cash payments for professional services	(177,690)	(11,684)	(189,374)
Cash payments to employees	(160,308)	-	(160,308)
Net cash provided (used) by operating activities	\$ (19,404)	\$ 53,301	\$ 33,897
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (57,850)	\$ (61,000)	\$ (118,850)
Principal paid on debt	(12,891)	-	(12,891)
Proceeds from bonds, loans and advances	54,250	-	54,250
Net cash provided (used) by capital and related financing activities	\$ (16,491)	\$ (61,000)	\$ (77,491)
Cash flows from or to non-capital financing activities:			
Tax levies and contributions from the County	\$ 5,905	\$ -	\$ 5,905
Cash donations	(1,500)	-	(1,500)
Cash received from other sources	2,752	-	2,752
Net cash provided (used) from non-capital financing activities	\$ 7,157	\$ -	\$ 7,157
Net increase (decrease) in cash and cash equivalents	\$ (28,738)	\$ (7,699)	\$ (36,437)
Cash and cash equivalents at beginning	230,200	1,536	231,736
Cash and cash equivalents at end	\$ 201,462	\$ (6,163)	\$ 195,299
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (161,762)	\$ 42,724	\$ (119,038)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	61,082	-	61,082
Other post-employment benefits	64,178	-	64,178
Changes in assets and liabilities:			
Increase in accounts receivable	(2,521)	-	(2,521)
Decrease in taxes and assessment receivable	9,103	-	9,103
Decrease in due from other governments	1,923	1,177	3,100
Increase in compensated absences	7,423	-	7,423
Increase in short term loans payable	-	9,400	9,400
Increase in accrued wages payable	1,170	-	1,170
Net cash provided (used) by operating activities	\$ (19,404)	\$ 53,301	\$ 33,897

See accompanying notes to the financial statements

Broadwater County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and short-term investments	\$ 4,902,343	\$ 396,221	\$ 240,591
Other receivables	-	-	57,050
Taxes receivable	-	-	849,985
Trust restricted cash	-	2,639,004	-
Total assets	\$ 4,902,343	\$ 3,035,225	\$ 1,147,626
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ 150,183
Due to others	-	-	997,443
Total liabilities	\$ -	\$ -	\$ 1,147,626
NET POSITION			
Assets held in trust	\$ 4,902,343	\$ 3,035,225	

See accompanying Notes to the Financial Statements

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

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 4,227,277	\$ 351,979	\$ 414,741
Other receivables	-	9,400	113,242
Taxes receivable	-	-	669,550
Trust restricted cash	-	2,848,049	-
Total assets	<u>\$ 4,227,277</u>	<u>\$ 3,209,428</u>	<u>\$ 1,197,533</u>
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ 442,299
Accounts payable	-	-	26,607
Due to others	-	-	728,627
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,533</u>
NET POSITION			
Assets held in trust	<u>\$ 4,227,277</u>	<u>\$ 3,209,428</u>	

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 3,228,181	\$ -
Investment earnings:		
Interest and change in fair value of investments	367,527	398,574
Total additions	\$ 3,595,708	\$ 398,574
DEDUCTIONS		
Administrative expenses	\$ -	\$ 34,705
Distributions from investment trust fund	2,350,894	-
Other expenditures	-	86,009
Total deductions	\$ 2,350,894	\$ 120,714
Change in net position	\$ 1,244,814	\$ 277,860
Net Position - Beginning of the year	\$ 3,657,529	\$ 2,757,365
Net Position - End of the year	\$ 4,902,343	\$ 3,035,225

See accompanying Notes to the Financial Statements

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

	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 2,360,125	\$ -
Contributions	-	100,000
Total contributions	2,360,125	100,000
Investment earnings:		
Interest and change in fair value of investments	\$ 25,949	\$ 340,229
Net investment earnings	\$ 25,949	\$ 340,229
Total additions	\$ 2,386,074	\$ 440,229
DEDUCTIONS		
Distributions from investment trust fund	\$ 3,061,140	\$ -
Other expenditures	-	266,026
Total deductions	\$ 3,061,140	\$ 266,026
Change in net position	\$ (675,066)	\$ 174,203
Net Position - Beginning of the year	\$ 4,902,343	\$ 3,035,225
Net Position - End of the year	\$ 4,227,277	\$ 3,209,428

See accompanying Notes to the Financial Statements

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

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

Major Funds:

The County reports the following major governmental funds:

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

Road – A special revenue fund used to account for road department activity.

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Public Safety– A special revenue fund used to account for the activities for the public safety office.

Detention Center– A special revenue fund used to account for the resources and expenditures for the confinement of lawfully committed persons.

Employer Contribution Group Health – A special revenue fund used to account for the authorized levies used in supporting the medical insurance expenditures of the County.

Permissive Medical Levy – A special revenue fund used to account for the permissive levies used in supporting the medical insurance expenditures of the County.

Deep Creek Bridges Project – This fund is used to account resources and expenditures for the restoration of the County bridges and roads in the Deep Creek Canyon.

Proprietary Funds:

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

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

Major Funds:

The County reports the following major proprietary funds:

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

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Fiduciary Funds

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

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

Private-purpose Trust – To account for the Canyon Ferry Broadwater County Trust.

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2013 and 2014, are as follows:

	<u>2013</u>	<u>2014</u>
<u>Cash on hand and deposits:</u>		
Cash on hand	\$ 1,650	\$ 1,650
Cash in banks:		
Demand deposits	704,251	805,576
Time deposits	2,700,000	2,700,000
<u>Investments:</u>		
State Short-Term Investment Pool (STIP)	3,587,610	1,789,968
U.S. Government Securities	3,229,750	4,229,750
Canyon Ferry Trust Investments***	2,639,005	2,848,049
Total	\$ <u>12,862,266</u>	\$ <u>12,374,993</u>

*** The Canyon Ferry Trust is made up several different investments, presented in detail below.

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Canyon Ferry Trust

	<u>2013</u>	<u>2014</u>
<u>Cash on hand and deposits:</u>		
Cash in banks:		
Cash equivalents	101,489	92,891
Time deposits	354,438	676,872
<u>Investments:</u>		
U.S. Government Securities	27,418	26,256
Fixed Income Securities	366,959	138,130
Common Stock	1,788,701	1,913,900
Total	\$ 2,639,005	\$ 2,848,049

Credit Risk

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

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

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

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

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

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

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

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

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

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2013:

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

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

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

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 777,417,680	A1	30
Corporate Commercial Paper	138,958,389	A1	39
Corporate Variable-Rate	658,894,083	A1	38
Certificates of Deposit Fixed Rate	100,000,000	A1	219
Certificates of Deposit Variable-Rate	391,996,239	A1+	32
Other Asset Backed	38,440,281	NR	NA
U.S. Government Agency Fixed	75,003,275	A1+	194
U.S. Government Agency Variable -Rate	200,003,406	A1+	31
Money Market Funds (Unrated)	133,439,814	NR	1
Money Market Funds (Rated)	21,000,000	A1+	1
 Total Investments	 <u>\$ 2,535,153,167</u>	 A1	 <u>43</u>
 Securities Lending Collateral Investment Pool	 <u>\$ 1,861,748</u>	 NR	 *

“*As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of 41 days and an average weighted final maturity of 114 days for U.S. dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 548 days for U.S. dollar collateral.”

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2013 and 2014 the government's bank balance was exposed to custodial credit risk as follows:

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	June 30, 2013	June 30, 2014
	<u>Balance</u>	<u>Balance</u>
<u>Depository Account</u>		
Insured	\$ 2,933,368	\$ 2,939,608
- Collateral held by the pledging bank's trust department but not in the County's name.	450,000	450,000
Uninsured and uncollateralized	693,369	143,474
Total deposits and investments	<u>\$ 4,076,737</u>	<u>\$ 3,533,082</u>

Canyon Ferry Trust

	June 30, 2013	June 30, 2014
	<u>Balance</u>	<u>Balance</u>
<u>Depository Account</u>		
Insured	\$ 455,927	\$ 769,763
- Collateral held by the pledging bank's trust department but not in the County's name.	-	-
Total deposits and investments	<u>\$ 455,927</u>	<u>\$ 769,763</u>

Deposit Security

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

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

The amount of collateral held for County deposits at June 30, 2013 and 2014, equaled or exceeded the amount required by State statutes for 2014 and did not meet the amount required by State statutes for 2013.

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. The following is a list of individual investments as of June 30, 2013 and 2014 alone with their related interest rates and maturity dates.

<u>Investment - 2013</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Federal National Mortgage Association	0.80%	12/27/2017	1,000,000
Federal National Mortgage Association	0.80%	2/20/2018	500,000
Federal National Mortgage Association	1.00%	10/11/2017	500,000
Federal National Mortgage Association	0.75%	3/20/2018	499,750
Federal Farm Credit Bank	1.375%	6/25/2018	730,000
			<u>\$ 3,229,750</u>

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<u>Investment - 2014</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Federal National Mortgage Association	0.625%	12/27/2017	\$ 1,000,000
Federal National Mortgage Association	0.60%	12/27/2017	1,000,000
Federal National Mortgage Association	0.80%	2/20/2018	500,000
Federal National Mortgage Association	1.00%	10/11/2017	500,000
Federal National Mortgage Association	0.75%	3/20/2018	499,750
Federal Farm Credit Bank	1.375%	6/25/2018	730,000
			<u>\$ 4,229,750</u>

Canyon Ferry Trust – June 30, 2013

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Federal Farm Credit Note	5.50%	6/8/2015	\$ 27,418
GE Capital Financial	1.30%	6/16/2014	125,726
Goldman Sachs Group	4.75%	7/15/2013	50,070
Goldman Sachs Group	5.15%	1/15/2014	51,055
HSBC Financial Corporation	4.35%	10/15/2014	25,930
JP Morgan Chase	3.45%	3/1/2016	52,154
Sherwin Williams	3.125%	12/15/2014	62,024
			<u>\$ 394,377</u>

Canyon Ferry Trust – June 30, 2014

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Federal Farm Credit Note	5.50%	6/8/2015	\$ 26,256
HSBC Financial Corporation	4.35%	10/15/2014	25,219
JP Morgan Chase	3.45%	3/1/2016	52,176
Sherwin Williams	3.125%	12/15/2014	60,735
			<u>\$ 164,386</u>

Concentration of Credit Risk

The government places no limit on the amount the entity may invest in any one issuer. The government's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

Canyon Ferry Trust – June 30, 2013	% of credit risk
Common Stock	68%
Canyon Ferry Trust – June 30, 2014	% of credit risk
Common Stock	67%

Cash and Investment Pool

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." In addition, investments are separately held by several of the government's funds. The deposits and investments of the Broadwater County Canyon Ferry Trust Fund are held separately from those of other government funds.

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Investment in the Treasurer's Pools

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

The County has one pooled investment trust fund, invested in STIP, demand deposits and U.S. Government Securities. The pooled funds invested in STIP are carried at fair value.

Investment Income

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

Condensed statements of investments pools

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2013 and 2014.

2013

Statement of Net Position

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 4,615,017
Equity of external pool participants	4,902,343
Total equity	\$ 9,517,360

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 30,825	\$ 28,728
Contributions to trust	3,564,883	2,971,945
Distributions paid	(2,350,894)	(2,446,128)
Net change in net assets	\$ 1,244,814	\$ 554,545
Net assets at beginning of year	3,657,529	4,060,472
Net assets at end of year	\$ 4,902,343	\$ 4,615,017

BROADWATER COUNTY, MONTANA
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2014

Statement of Net Position

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 4,492,441
Equity of external pool participants	4,227,277
Total equity	\$ 8,719,718

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 25,949	\$ 28,061
Contributions to trust	2,360,125	2,708,701
Distributions paid	(3,061,140)	(2,859,338)
Net change in net assets	\$ (675,066)	\$ (122,576)
Net assets at beginning of year	4,902,343	4,615,017
Net assets at end of year	\$ 4,227,277	\$ 4,492,441

Cash equivalents

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

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2013. These amounts are reported within the cash/investment account on the Statement of Net Position.

Description	Amount
Trust agreement of trust fund	\$ <u>2,639,005</u>

The following restricted cash/investments were held by the County as of June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Position.

Description	Amount
Trust agreement of trust fund	\$ <u>2,848,049</u>

NOTE 4. RECEIVABLES

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

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

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

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

NOTE 5. INVENTORIES

In governmental funds, the consumption method is used in which the cost is recorded as expenditures when individual items are consumed. The First-In, First-Out (FIFO) valuation method is used to value the inventory.

NOTE 6. CAPITAL ASSETS

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

Buildings	50 years
Improvements	20 – 30 years
Equipment	5 – 20 years

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2013 and 2011 Basic Financial Statements.

A summary of changes in governmental capital assets for June 30, 2013 was as follows:

Governmental activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Donated Assets</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 263,404	\$ -	\$ -	\$ -	\$ 263,404
Other capital assets:					
Buildings	\$ 4,498,953	\$ -	\$ -	\$ -	\$ 4,498,953
Improvements other than buildings	260,636	26,688	-	-	287,324
Machinery and equipment	4,088,217	326,390	-	(84,072)	4,330,535
Infrastructure	987,460	-	36,546	-	1,024,006
Total other capital assets at historical cost	\$ 9,835,266	\$ 353,078	\$ 36,546	\$ (84,072)	\$ 10,140,818
Less: accumulated depreciation	\$ (4,582,470)	\$ (394,044)	\$ -	\$ 68,381	\$ (4,908,133)
Total	<u>\$ 5,516,200</u>	<u>\$ (40,966)</u>	<u>\$ 36,546</u>	<u>\$ (15,691)</u>	<u>\$ 5,496,089</u>

Governmental activities depreciation expense for June 30, 2013 was charged to functions as follows:

Governmental Activities:	
General government	\$ 7,481
Public safety	147,053
Public works	219,816
Public health	1,806
Social and economic services	825
Culture and recreation	<u>17,063</u>
Total governmental activities depreciation expense	<u>\$ 394,044</u>

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A summary of changes in governmental capital assets for June 30, 2014 was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Donated Assets</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 263,404	\$ -	\$ -	\$ -	\$ 263,404
Construction in Progress	-	78,673	-	-	78,673
Total capital assets not being depreciated	<u>\$ 263,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,077</u>
Other capital assets:					
Buildings	\$ 4,498,953	\$ -	\$ -	\$ -	\$ 4,498,953
Improvements other than buildings	287,324	38,690	-	-	326,014
Machinery and equipment	4,330,535	133,487	41,415	(46,525)	4,458,912
Infrastructure	1,024,006	-	-	-	1,024,006
Total other capital assets at historical cost	<u>\$ 10,140,818</u>	<u>\$ 172,177</u>	<u>\$ 41,415</u>	<u>\$ (46,525)</u>	<u>\$ 10,307,885</u>
Less: accumulated depreciation	<u>\$ (4,908,133)</u>	<u>\$ (398,664)</u>	<u>\$ -</u>	<u>\$ 46,525</u>	<u>\$ (5,260,272)</u>
Total	<u><u>\$ 5,496,089</u></u>	<u><u>\$ (226,487)</u></u>	<u><u>\$ 41,415</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,389,690</u></u>

Governmental activities depreciation expense for June 30, 2014 was charged to functions as follows:

Governmental Activities:	
General government	\$ 4,908
Public safety	147,683
Public works	223,245
Public health	1,807
Social and economic services	825
Culture and recreation	20,196
Total governmental activities depreciation expense	<u>\$ 398,664</u>

A summary of changes in business-type capital assets for June 30, 2013 was as follows:

Business-type activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:			
Land	\$ 2,959	\$ -	\$ 2,959
Total capital assets not being depreciated	<u>\$ 2,959</u>	<u>\$ -</u>	<u>\$ 2,959</u>
Other capital assets:			
Buildings	\$ 238,595	\$ -	\$ 238,595
Improvements other than buildings	161,471	-	161,471
Machinery and equipment	569,924	12,650	582,574
Total other capital assets at historical cost	<u>\$ 969,990</u>	<u>\$ 12,650</u>	<u>\$ 982,640</u>
Less: accumulated depreciation	<u>\$ (495,300)</u>	<u>\$ (47,591)</u>	<u>\$ (542,891)</u>
Total	<u><u>\$ 477,649</u></u>	<u><u>\$ (34,941)</u></u>	<u><u>\$ 442,708</u></u>

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

A summary of changes in business-type capital assets for June 30, 2014 was as follows:

Business-type activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 2,959	\$ -	\$ 2,959
Total capital assets not being depreciated	<u>\$ 2,959</u>	<u>\$ -</u>	<u>\$ 2,959</u>
Other capital assets:			
Buildings	\$ 238,595	\$ -	\$ 238,595
Improvements other than buildings	161,471	61,000	222,471
Machinery and equipment	582,574	57,850	640,424
Total other capital assets at historical cost	<u>\$ 982,640</u>	<u>\$ 118,850</u>	<u>\$ 1,101,490</u>
Less: accumulated depreciation	<u>\$ (542,891)</u>	<u>\$ (61,082)</u>	<u>\$ (603,973)</u>
Total	<u><u>\$ 442,708</u></u>	<u><u>\$ 57,768</u></u>	<u><u>\$ 500,476</u></u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 187,440	\$ -	\$ (11,571)	\$ 175,869	\$ 144,525
Advances	12,321		(2,028)	10,293	-
Other post-employment benefits*	290,211	165,028	-	455,239	-
Total	<u>\$ 489,972</u>	<u>\$ 165,028</u>	<u>\$ (13,599)</u>	<u>\$ 641,401</u>	<u>\$ 144,525</u>

*See Note 8

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

Governmental Activities:

	Balance			Balance	
	<u>July 1, 2013</u>	<u>Additions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
Compensated absences	\$ 175,869	\$ 39,925	\$ 215,794	\$ 174,793	
Advances	10,293		10,293	-	
Other post-employment benefits*	455,239	165,028	620,267	-	
Total	<u>\$ 641,401</u>	<u>\$ 204,953</u>	<u>\$ 846,354</u>	<u>\$ 174,793</u>	

*See Note 8

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

Business-type Activities:

	Balance			Balance	Due Within
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>	<u>One Year</u>
Compensated absences	\$ 16,611	\$ -	\$ (322)	\$ 16,289	\$ 13,418
Advances	95,000	-	(95,000)	-	-
Other post-employment benefits*	12,093	64,178	-	76,271	-
Total	<u>\$ 123,704</u>	<u>\$ 64,178</u>	<u>\$ (95,322)</u>	<u>\$ 92,560</u>	<u>\$ 13,418</u>

*See Note 8

Business-type Activities:

	Balance			Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>
Compensated absences	\$ 16,289	\$ 7,423	\$ -	\$ 23,712	\$ 13,418
Capital Lease	-	54,250	(12,891)	41,359	11,313
Other post-employment benefits*	76,271	64,178	-	140,449	-
Total	<u>\$ 92,560</u>	<u>\$ 125,851</u>	<u>\$ (12,891)</u>	<u>\$ 205,520</u>	<u>\$ 24,731</u>

*See Note 8

Capital Leases

The County has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2014

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Capitalized Original Cost</u>	<u>Remaining Payments as of June 30, 2014</u>
Skid Steer Loader	03/24/2014	3.75%	\$ <u>54,250</u>	\$ <u>41,359</u>
Reported in business-type activities.				

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 11,313	\$ 1,578
2016	11,744	1,146
2017	18,302	698
Total	\$ <u>41,359</u>	\$ <u>3,422</u>

Compensated Absences

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

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

Funding Status and funding Progress. The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$	1,232,624
Actuarial value of plan assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	1,232,624
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	1,930,707
UAAL as a percentage of covered payroll		64%

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

Annual Required Contribution (ARC)	\$	229,206
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	229,206
Contributions made	\$	-
Increase in net OPEB obligation	\$	229,206
Net OPEB obligation - beginning of year 2013	\$	302,304
Net OPEB obligation - end of year 2013	\$	531,510
Annual Required Contribution (ARC)	\$	229,206
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	229,206
Contributions made	\$	-
Increase in net OPEB obligation	\$	229,206
Net OPEB obligation - beginning of year 2014	\$	531,510
Net OPEB obligation - end of year 2014	\$	760,716

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2014

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	1.77%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2012	3.80%
2013	4.00%
2014	7.80%
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and thereafter	6.90%

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To cover a negative cash balance	General Fund – Major Governmental	Homeland Security – Nonmajor Governmental	\$ <u>21,564</u>
Advances to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To cover shortage of grant funds	WIC Fund – Nonmajor Governmental	General – Major Governmental	\$ 7,288
To cover shortage of grant funds	WIC Fund – Nonmajor Governmental	General – Major Governmental	<u>3,005</u>
			\$ <u>10,293</u>

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

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

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To cover a negative cash balance	General Fund – Major Governmental	Homeland Security – Nonmajor Governmental	\$ 21,564
PILT transfer to cover negative cash balance	General Fund – Major Governmental	Immunization – Nonmajor Governmental	2,432
PILT transfer to cover negative cash balance	General Fund – Major Governmental	Rescued Animals – Nonmajor Governmental	11,642
PILT transfer to cover negative cash balance	General Fund – Major Governmental	Deep Creek Bridges Project – Major Governmental	<u>51,014</u>
			<u>\$ 86,652</u>
Advances to/from other funds:			
Purpose	Receivable Fund	Payable Fund	Amount
To cover shortage of grant funds	WIC Fund – Nonmajor Governmental	General – Major Governmental	\$ 7,288
To cover shortage of grant funds	WIC Fund – Nonmajor Governmental	General – Major Governmental	<u>3,005</u>
			<u>\$ 10,293</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2013:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Budgeted Transfer	Liability Insurance – Nonmajor Governmental	PILT* – Major Governmental	\$ 109,544
Budgeted Transfer	Public Safety – Major Governmental	PILT* – Major Governmental	17,266
Budgeted Transfer	Juvenile Detention – Nonmajor Governmental	PILT* – Major Governmental	11,303
Budgeted Transfer	Detention Center – Major Governmental	PILT* – Major Governmental	9,134
Budgeted Transfer	Arbitration Award – Nonmajor Governmental	PILT* – Major Governmental	75,872
Budgeted Transfer	CIP Interop Communication – Nonmajor Governmental	PILT* – Major Governmental	15,000
Budgeted Transfer	CIP Sheriff Vehicle Replace – Nonmajor Governmental	PILT* – Major Governmental	40,000
Budgeted Transfer	CIP Library – Nonmajor Governmental	PILT* – Major Governmental	2,500
Budgeted Transfer	Road – Major Governmental	General – Major Governmental	8,970
Budgeted Transfer	Weed – Nonmajor Governmental	General – Major Governmental	1,564
Budgeted Transfer	Fair – Nonmajor Governmental	General – Major Governmental	416

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

Budgeted Transfer	Airport – Nonmajor Governmental	General – Major Governmental	292
Budgeted Transfer	District Court – Nonmajor Governmental	General – Major Governmental	3,321
Budgeted Transfer	Mosquito – Nonmajor Governmental	General – Major Governmental	95
Budgeted Transfer	Planning Bridge – Nonmajor Governmental	General – Major Governmental	1,175
Budgeted Transfer	Extention – Nonmajor Governmental	General – Major Governmental	1,946
Budgeted Transfer	Public Safety – Major Governmental	General – Major Governmental	21,056
Budgeted Transfer	Detention Center – Major Governmental	General – Major Governmental	6,794
Budgeted Transfer	Econ Dev – Nonmajor Governmental	General – Major Governmental	8
Budgeted Transfer	Museum – Nonmajor Governmental	General – Major Governmental	382
Budgeted Transfer	WIC – Nonmajor Governmental	General – Major Governmental	597
Budgeted Transfer	MCH – Nonmajor Governmental	General – Major Governmental	3,525
Budgeted Transfer	Home Health – Nonmajor Governmental	General – Major Governmental	2,431
Budgeted Transfer	Immunization – Nonmajor Governmental	General – Major Governmental	324
Budgeted Transfer	Solid Waste – Major Proprietary	General – Major Governmental	13,875
Deputy Salary	Detention Center – Major Governmental	Public Safety – Major Governmental	<u>140,000</u>
			<u>\$ 487,390</u>

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

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Budgeted Transfer	MCH – Nonmajor Governmental	General – Major Governmental	\$ 4,410
Budgeted Transfer	Home Health – Nonmajor Governmental	General – Major Governmental	2,463
Capital Outlay	CIP Road – Nonmajor Governmental	Airport – Nonmajor Governmental	90,000
Capital Outlay	CIP Airport – Nonmajor Governmental	Library – Nonmajor Governmental	11,611
Capital Outlay	CIP Library – Nonmajor Governmental	Emergency Disaster – Nonmajor Governmental	659

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2014

Budgeted Transfer	Road – Major Governmental	Detention Center – Major Governmental	88,745
Budgeted Transfer	Public Safety – Major Governmental	PILT* – Major Governmental	82,647
Budgeted Transfer	Comprehensive Insurance – Major Governmental	PILT* – Major Governmental	122,792
Budgeted Transfer	Public Safety – Major Governmental	PILT* – Major Governmental	57,353
Budgeted Transfer	CIP All – Nonmajor Governmental	PILT* – Major Governmental	60,000
Budgeted Transfer	CIP Sheriff Vehicle Replace – Nonmajor Governmental	PILT* – Major Governmental	2,865
Budgeted Transfer	CIP Sheriff Weapons/Equipment – Nonmajor Governmental	PILT* – Major Governmental	2,500
			<u>\$ 526,045</u>

*- reported with General Fund as part of GASB 54 requirement

NOTE 10. STATE-WIDE RETIREMENT PLANS

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

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013 and 2014 for the defined benefit plans, were:

	<u>PERS**</u>	<u>SRS</u>
Employer	7.07%	10.115%
Employee	6.90%*	9.425%
State	0.10%	-

* For PERS members hired after 7/1/2011 that rate is 7.9%

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2014

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the County's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The County's contributions for the years ended June 30, 2011, 2012, 2013 and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>SRS</u>
2011	\$ 87,967	\$ 68,297
2012	\$ 95,098	\$ 62,732
2013	\$ 94,733	\$ 70,001
2014	\$ 117,874	\$ 78,978

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance – June 30, 2013

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ <u>3,457</u>	Inventory

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2014

Restricted Fund Balance – June 30, 2013

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 396,981	Public Works
Public Safety	385,014	Public Safety
Detention Center	374,124	Public Safety
Group Health	99,047	General Government
Permissive Levy	153,527	General Government
All Other Aggregate:		
	252,062	Public works
	227,756	Public Health
	114,169	Culture and Recreation
	497,061	Public Safety
	185,434	General Government
	<u>59,698</u>	Social and Economic Services
Total	<u>\$ 2,744,873</u>	

Committed Fund Balance – June 30, 2013

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate:	<u>\$ 236,461</u>	Capital Outlay

Restricted Fund Balance – June 30, 2014

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 539,315	Public Works
Public Safety	276,41	Public Safety
Detention Center	447,622	Public Safety
All Other Aggregate:		
	278,623	Public works
	225,144	Public Health
	114,169	Culture and Recreation
	547,308	Public Safety
	419,820	General Government
	<u>61,119</u>	Social and Economic Services
Total	<u>\$2,910,018</u>	

Committed Fund Balance - 2014

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate:	<u>\$ 283,999</u>	Capital Outlay

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

The following deficit fund balances were noted for fiscal year ended June 30, 2014:

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Rescued Animals	\$ 12,307	Negative cash with unpaid payables	Future donation or transfers

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

NOTE 14. RELATED PARTY TRANSACTIONS

The County hired Paradigm Communications and Preparedness Solutions, LLC (PCPS) to compliance Fleet Mapping Project. The DES Coordinator of the County, Bill Fleiner, was part of management of PCPS. The amount paid from Title III Forest Reserve Funds was \$7,465 in Fiscal Year Ended June 30, 2013. Total amount paid to PCPS in Fiscal Year Ended June 30, 2013 was \$29,370.

NOTE 15. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Law Enforcement Services

The County participated in a law enforcement service agreement with the City of Townsend for the fiscal year ended June 30, 2013 & 2014. Broadwater County was paid \$213,126 in 2013 and \$217,389 in 2014 by the City of Townsend for providing law enforcement services.

Townsend City-County Airport

Broadwater County and the City of Townsend agreed to give the responsibility of the City-County Airport general operations to the City-County Airport Board which is a joint board consisting of members appointed by the governing body to plan, acquire, establish, develop, construct, enlarge, improve, maintain, equip, operate, regulate, protect and police any airport or air navigation facility or airport hazard to be jointly acquired, controlled and operated. The County is the fiscal agent with the City paying the County an approved budget amount each fiscal year. The County was paid \$14,448 in 2013 and \$14,000 in 2014.

Canyon Ferry-Broadwater County Trust

In 1999 Congress crated the Canyon Ferry-Broadwater County Trust. Section of 1008 of P.L. 105-277 required the county commissioners to establish a nonprofit charitable permanent perpetual public trust fund. IN 2001 \$3,000,000 was deposited into the trust fund for the following purposes:

- A. Principal – A sum not to exceed \$500,000 may be expended from the corpus to pay for the planning and construction of a harbor at the Silos recreation area.
- B. Interest – The balance of the Trust shall be held and the income shall be expended annually for the improvement of access to the portions of the Reservoir lying within Broadwater County, Montana, and for the creation and improvement of new and existing recreational areas within Broadwater County.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

The Commissioners shall appoint an advisory committee consisting of, not fewer than 3, nor more than 5 persons. The advisory committee shall meet on a regular basis to establish priorities and make requests for the disbursement of funds to the Trust manager. The advisory committee shall recommend only such expenditures as are approved by the Commissioners. Neither the corpus nor the income of the Trust shall be used to reduce or replace the regular operating expenses of the Secretary of the Reservoir, unless approved by the Commissioners.

County Attorney Services

The County participated in an interlocal agreement for the fiscal year ended June 30, 2013 & 2014, consolidating the duties of the City of Townsend with those of the Broadwater County Attorney to cut costs and increase prosecutorial efficiency. The County was paid \$18,563 in 2013 and \$18,187 in 2014 by the City of Townsend.

NOTE 16. JOINTLY GOVERNED ORGANIZATIONS

An organization that is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility.

Broadwater Community Library

The County Commissioners of Broadwater County and the Board of Trustees of Townsend Public Schools entered into an interlocal agreement to support the functions of the joint school-public library to all residents of Broadwater County. The joint school-public library is known as the Broadwater Community Library. The financial activity is accounted for as Interlocal Agreement Trust Fund (an expendable trust) by the District.

NOTE 17. RISK MANAGEMENT

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

Insurance Policies:

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

Insurance Pools:

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

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

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

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

NOTE 18. SUBSEQUENT EVENTS

Loan to Hospital

During the 2013 fiscal year, the County agreed to loan the local hospital \$120,000 to assist in its operations. Per the agreement the payment would be treated as a loan to be paid back, but could be renegotiated upon the hospital fulfilling certain contingencies. In January of 2015, was determined that the hospital had met all the contingencies outlined and the loan would be forgiven and treated as a contribution to the hospital.

Intercap Loan

In February of 2015, the County was approved to receive an intercap loan totaling \$400,000 from the Montana Board of Investments intercap loan program. The loan will be used to complete the construction of a new building within the County. The building will be used for additional office space, storage, and vehicle maintenance.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

NOTE 19. PENDING LITIGATION

The following is a list of litigation pending against the County:

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
Sheriff's Office vs Broadwater County	Not Stated	Unknown
Natalie Wenzel vs Broadwater County	Not Stated	Unknown

**REQUIRED SUPPLEMENTAL
INFORMATION**

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 730,665	\$ 730,665	\$ 612,093	\$ (118,572)
Licenses and permits	16,050	16,050	153,776	137,726
Intergovernmental	201,134	201,134	177,193	(23,941)
Charges for services	128,319	144,819	165,077	20,258
Fines and forfeitures	62,800	62,800	51,082	(11,718)
Miscellaneous	11,116	12,516	12,215	(301)
Investment earnings	-	-	5,552	5,552
Amounts available for appropriation	<u>\$ 1,150,084</u>	<u>\$ 1,167,984</u>	<u>\$ 1,176,988</u>	<u>\$ 9,004</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,085,208	\$ 1,034,817	\$ 923,820	\$ 110,997
Public safety	76,558	78,900	66,182	12,718
Public works	-	-	-	-
Public health	146,820	151,444	133,516	17,928
Social and economic services	5,800	5,800	5,600	200
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 1,314,386</u>	<u>\$ 1,270,961</u>	<u>\$ 1,129,118</u>	<u>\$ 141,843</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 550	\$ 550
Transfers in	132,800	132,800	132,800	-
Transfers out	(5,951)	(67,276)	(66,771)	505
Total other financing sources (uses)	<u>\$ 126,849</u>	<u>\$ 65,524</u>	<u>\$ 66,579</u>	<u>\$ 1,055</u>
Net change in fund balance			<u>\$ 114,449</u>	
Fund balance - beginning of the year			<u>\$ 488,577</u>	
Fund balance - end of the year			<u><u>\$ 603,026</u></u>	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 250,602	\$ 250,602	\$ 269,962	\$ 19,360
Licenses and permits	-	-	-	-
Intergovernmental	220,940	248,519	248,519	-
Charges for services	2,150	35,196	35,614	418
Fines and forfeitures	-	-	-	-
Miscellaneous	1,000	1,000	401	(599)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 474,692</u>	<u>\$ 535,317</u>	<u>\$ 554,496</u>	<u>\$ 19,179</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	430,921	477,128	420,076	57,052
Public health	-	-	-	-
Social and economic services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	125,000	148,901	55,576	93,325
Total charges to appropriations	<u>\$ 555,921</u>	<u>\$ 626,029</u>	<u>\$ 475,652</u>	<u>\$ 150,377</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	9,483	8,970	(513)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 9,483</u>	<u>\$ 8,970</u>	<u>\$ (513)</u>
Net change in fund balance			<u>\$ 87,814</u>	
Fund balance - beginning of the year			<u>\$ 312,624</u>	
Fund balance - end of the year			<u><u>\$ 400,438</u></u>	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Public Safety			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 249,271	\$ 249,271	\$ 295,736	\$ 46,465
Licenses and permits	1,600	3,300	3,775	475
Intergovernmental	103,483	107,245	15,658	(91,587)
Charges for services	268,126	268,126	350,827	82,701
Fines and forfeitures	-	-	-	-
Miscellaneous	2,000	2,000	562	(1,438)
Investment earnings	-	-	-	-
Amounts available for appropriation	\$ 624,480	\$ 629,942	\$ 666,558	\$ 36,616
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	963,468	1,007,252	877,720	129,532
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 963,468	\$ 1,007,252	\$ 877,720	\$ 129,532
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	38,322	38,322	-
Transfers out	-	-	(140,000)	(140,000)
Total other financing sources (uses)	\$ -	\$ 38,322	\$ (101,678)	\$ (140,000)
Net change in fund balance			\$ (312,840)	
Fund balance - beginning of the year			\$ 697,854	
Fund balance - end of the year			\$ 385,014	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

Detention Center				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 100,003	\$ 100,003	\$ 93,776	\$ (6,227)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	297,093	431,166	501,305	70,139
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	\$ 397,096	\$ 531,169	\$ 595,081	\$ 63,912
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	368,395	518,396	469,754	48,642
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 368,395	\$ 518,396	\$ 469,754	\$ 48,642
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	15,928	155,928	140,000
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 15,928	\$ 155,928	\$ 140,000
Net change in fund balance			\$ 281,255	
Fund balance - beginning of the year			\$ 92,869	
Fund balance - end of the year			\$ 374,124	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

Employer Contribution Group Health

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 245,826	\$ (245,826)	\$ 258,606	\$ 504,432
Licenses and permits	-	-	-	-
Intergovernmental	4,723	4,723	4,723	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 250,549</u>	<u>\$ (241,103)</u>	<u>\$ 263,329</u>	<u>\$ 504,432</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Miscellaneous	265,717	265,717	268,680	(2,963)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 265,717</u>	<u>\$ 265,717</u>	<u>\$ 268,680</u>	<u>\$ (2,963)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (5,351)</u>	
Fund balance - beginning of the year			<u>\$ 104,398</u>	
Fund balance - end of the year			<u><u>\$ 99,047</u></u>	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Permissive Medical Levy			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 285,037	\$ 285,037	\$ 316,614	\$ 31,577
Licenses and permits	-	-	-	-
Intergovernmental	5,210	5,210	5,210	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	\$ 290,247	\$ 290,247	\$ 321,824	\$ 31,577
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Miscellaneous	311,499	311,499	294,056	17,443
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 311,499	\$ 311,499	\$ 294,056	\$ 17,443
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ 27,768	
Fund balance - beginning of the year			\$ 125,759	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 125,759	
Fund balance - end of the year			\$ 153,527	

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

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 685,125	\$ 685,125	\$ 697,916	\$ 12,791
Licenses and permits	15,175	15,175	15,240	65
Intergovernmental	207,139	207,139	214,499	7,360
Charges for services	150,223	150,223	164,342	14,119
Fines and forfeitures	46,603	46,603	68,422	21,819
Miscellaneous	9,000	9,000	10,948	1,948
Investment earnings	3,500	3,500	5,446	1,946
Amounts available for appropriation	<u>\$ 1,116,765</u>	<u>\$ 1,116,765</u>	<u>\$ 1,176,813</u>	<u>\$ 60,048</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,064,816	\$ 1,064,816	\$ 1,030,681	\$ 34,135
Public safety	106,388	106,388	81,391	24,997
Public works	-	-	-	-
Public health	155,895	155,895	149,626	6,269
Social and economic services	5,800	5,800	4,310	1,490
Capital outlay	20,000	20,000	-	20,000
Total charges to appropriations	<u>\$ 1,352,899</u>	<u>\$ 1,352,899</u>	<u>\$ 1,266,008</u>	<u>\$ 86,891</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 132,000	\$ 132,000	\$ 8,000	\$ (124,000)
Transfers out	-	-	(6,873)	(6,873)
Total other financing sources (uses)	<u>\$ 132,000</u>	<u>\$ 132,000</u>	<u>\$ 1,127</u>	<u>\$ (130,873)</u>
Net change in fund balance			<u>\$ (88,068)</u>	
Fund balance - beginning of the year			<u>\$ 603,026</u>	
Fund balance - end of the year			<u><u>\$ 514,958</u></u>	

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

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 262,321	\$ 262,321	\$ 263,896	\$ 1,575
Licenses and permits	-	-	-	-
Intergovernmental	105,574	105,574	247,267	141,693
Charges for services	2,225	2,225	1,576	(649)
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 370,120</u>	<u>\$ 370,120</u>	<u>\$ 512,739</u>	<u>\$ 142,619</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	505,765	505,765	364,754	141,011
Public health	-	-	-	-
Social and economic services	-	-	-	-
Capital outlay	30,000	30,000	7,853	22,147
Total charges to appropriations	<u>\$ 535,765</u>	<u>\$ 535,765</u>	<u>\$ 372,607</u>	<u>\$ 163,158</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 89,078	\$ 89,078	\$ 88,745	\$ (333)
Transfers out	-	-	(90,000)	(90,000)
Total other financing sources (uses)	<u>\$ 89,078</u>	<u>\$ 89,078</u>	<u>\$ (1,255)</u>	<u>\$ (90,333)</u>
Net change in fund balance			<u>\$ 138,877</u>	
Fund balance - beginning of the year			<u>\$ 400,438</u>	
Fund balance - end of the year			<u><u>\$ 539,315</u></u>	

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

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 324,441	\$ 324,441	\$ 325,748	\$ 1,307
Licenses and permits	2,000	2,000	2,380	380
Intergovernmental	91,520	91,520	111,163	19,643
Charges for services	280,192	280,192	272,144	(8,048)
Fines and forfeitures	-	-	-	-
Miscellaneous	500	500	2,898	2,398
Investment earnings	8,995	8,995	-	(8,995)
Amounts available for appropriation	\$ 707,648	\$ 707,648	\$ 714,333	\$ 6,685
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,005,749	1,005,749	962,886	42,863
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 1,005,749	\$ 1,005,749	\$ 962,886	\$ 42,863
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 140,000	\$ 140,000
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 140,000	\$ 140,000
Net change in fund balance			\$ (108,553)	
Fund balance - beginning of the year			\$ 385,014	
Fund balance - end of the year			\$ 276,461	

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

	Detention Center			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 98,627	\$ 98,627	\$ 97,165	\$ (1,462)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	433,366	433,366	689,799	256,433
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	\$ 531,993	\$ 531,993	\$ 786,964	\$ 254,971
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	588,175	588,175	606,453	(18,278)
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Capital outlay	-	-	24,366	(24,366)
Total charges to appropriations	\$ 588,175	\$ 588,175	\$ 630,819	\$ (42,644)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(82,647)	(82,647)
Total other financing sources (uses)	\$ -	\$ -	\$ (82,647)	\$ (82,647)
Net change in fund balance			\$ 73,498	
Fund balance - beginning of the year			\$ 374,124	
Fund balance - end of the year			\$ 447,622	

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

Deep Creek Bridges Project

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u>	
			<u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	78,673	78,673
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,673</u>	<u>\$ 78,673</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Capital outlay	-	-	78,673	(78,673)
Total charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,673</u>	<u>\$ (78,673)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ -</u>	
Fund balance - beginning of the year			<u>\$ -</u>	
Fund balance - end of the year			<u><u>\$ -</u></u>	

**Broadwater County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
Fiscal Year Ended June 30, 2013**

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Employer Contribution Group Health</u>	<u>Permissive Medical Levy</u>
Sources/Inflows of resources						
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,176,988	\$ 554,496	\$ 666,558	\$ 595,081	\$ 263,329	\$ 321,824
Combined funds (GASBS 54) revenues	557,524	-	-	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,734,512</u>	<u>\$ 554,496</u>	<u>\$ 666,558</u>	<u>\$ 595,081</u>	<u>\$ 263,329</u>	<u>\$ 321,824</u>
Uses/Outflows of resources						
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,129,118	\$ 475,652	\$ 877,720	\$ 469,754	\$ 268,680	\$ 294,056
Combined funds (GASBS 54) expenditures	50,319	-	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,179,437</u>	<u>\$ 475,652</u>	<u>\$ 877,720</u>	<u>\$ 469,754</u>	<u>\$ 268,680</u>	<u>\$ 294,056</u>

**Broadwater County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
Fiscal Year Ended June 30, 2014**

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Detention Center</u>	<u>Deep Creek Bridges Project</u>
Sources/Inflows of resources					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,176,813	\$ 512,739	\$ 714,333	\$ 786,964	\$ 78,673
Combined funds (GASBS 54) revenues	584,521	-	-	-	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,761,334</u>	<u>\$ 512,739</u>	<u>\$ 714,333</u>	<u>\$ 786,964</u>	<u>\$ 78,673</u>
Uses/Outflows of resources					
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,266,008	\$ 372,607	\$ 962,886	\$ 630,819	\$ 78,673
Combined funds (GASBS 54) expenditures	400,675	-	-	-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,666,683</u>	<u>\$ 372,607</u>	<u>\$ 962,886</u>	<u>\$ 630,819</u>	<u>\$ 78,673</u>

Broadwater County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Years Ended June 30, 2013 and 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2012	\$ -	\$ 1,232,624	\$ 1,232,624	0%	\$ 1,930,707	64%
July 1, 2009	\$ -	\$ 699,694	\$ 699,694	0%	\$ 1,740,610	40%

SINGLE AUDIT SECTION

Broadwater County, Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Years Ended June 30, 2013 and 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditure 6/30/2013 and 6/30/2014</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct:</i>			
Cooperative Forestry Assitance	10.664	N/A	\$ 20,000
Environmental Quality Incentives Program	10.912	65-0325-14-022	33,500
<i>Passed through Montana Department of Health and Human Services:</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	12-07-5-21-002-0	5,465
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	13-07-5-21-002-0	44,057
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	14-07-5-21-002-0	40,319
<i>Passed through Montana Department of Administration:</i>			
Schools and Roads - Grants to States (Forest Reserve)	10.665	N/A	314,894
Schools and Roads - Grants to States (Forest Reserve)	10.665	N/A	7,465
Total U.S. Department of Agriculture			\$ 465,700
<u>U.S. Department of the Interior/Bureau of Land Management</u>			
<i>Direct:</i>			
Recreation Resource Management	15.225	L12AC20328-0005	\$ 13,084
<u>U.S. Department of Justice</u>			
<i>Passed through Montana Board of Crime Control:</i>			
Crime Victim Assistance	16.575	12-V01-91177	\$ 17,209
Crime Victim Assistance	16.575	13-V01-91486	18,112
Enforcing Underage Drinking Laws (EUDL)	16.727	10-U01-91048	11,185
<i>Passed through Gallatin County Sheriff's Office:</i>			
Edward Byrne Memorial Justice Assistance Grant Program (Missouri River Drug Task Force)	16.738	11-G01-91256	7,812
Edward Byrne Memorial Justice Assistance Grant Program (Missouri River Drug Task Force)	16.738	12-G01-91564	8,808
Total U.S. Department of Justice			\$ 63,126
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation</i>			
Airport Improvement Program	20.106	DOT-FA-12NM-2007/AIP 3-30-007-010-2012	\$ 18,385
State and Community Highway Safety	20.600	105970	2,294
State and Community Highway Safety	20.600	106706	4,032
State and Community Highway Safety	20.600	107266	9,098
Total U.S. Department of Transportation			\$ 33,809
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Rocky Mountain Area IV Agency on Aging:</i>			
Special Programs for the Aging Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	2013-004-007	\$ 13,750
Special Programs for the Aging Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	2014-004-007	13,750
<i>Passed through Montana Department of Health and Human Services:</i>			
Public Health Emergency Preparedness	93.069	13-07-6-11-005-0	37,248
Public Health Emergency Preparedness	93.069	14-07-6-11-005-0	21,528
Immunization Cooperative Agreement	93.268	13-07-4-31-005-0	3,540
Immunization Cooperative Agreement	93.268	13-07-5-01-004-0	3,540
Immunization Cooperative Agreement	93.268	14-07-4-31-154-0	10,878
Maternal Child Health Services Block Grant to States	93.994	13-07-5-01-004-0	5,651
Maternal Child Health Services Block Grant to States	93.994	14-07-5-01-004-0	4,703
Total U.S. Department of Health and Human Services			\$ 114,588
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs:</i>			
Emergency Management Performance Grants	97.042	FEMA DR-1996-MT Project #0033R	\$ 45,143
State Fire Training Systems Grants	97.043	EMW-2012-EP-003057	24,943
Homeland Security - Interoperable Emergency Communications Grant Program	97.055	2010-IP-T0-0023	21,564
Homeland Security Grant Program	97.067	EMW-2011-SS-0052	157,329
Homeland Security Grant Program	97.067	2010-SS-T0-0089	13,585
Total U.S. Department of Homeland Security			\$ 262,564
Total Federal Financial Assistance			\$ 952,871

BROADWATER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Years Ended June 30, 2013 and 2014

Basis of Presentation

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

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

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

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

Board of County Commissioners
Broadwater County
Townsend, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Broadwater County, Montana, as of and for the year ended June 30, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Broadwater County's basic financial statements and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, 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 statement 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 a material weakness as identified as item 2014-003.

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 as identified as items 2014-001 and 2014-002 and 2014-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Broadwater County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-004 through 2014-007.

Broadwater County's Response to Findings

Broadwater County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Broadwater County's response was not subject 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.

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

March 26, 2015

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

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

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

Board of County Commissioners
Broadwater County
Townsend, Montana

Report on Compliance for Each Major Federal Program

We have audited Broadwater County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Broadwater County's major federal programs for the fiscal years ended June 30, 2013 and 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Schools and Roads Grants to States

As described in the accompanying schedule of findings and questions costs, Broadwater County, Montana did not comply with requirements regarding Schools and Roads Grants to States and associated finding number 2014-009, **Type of Services Allowed, Allowable Costs, Reporting and Special Tests and Provisions**. Compliance with such requirements is necessary, in our opinion, for Broadwater County, Montana, to comply with the requirements applicable to that program.

Qualified Opinion on Schools and Roads Grants to States

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Broadwater County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Schools and Roads Grants to States for the fiscal years ended June 30, 2013 and 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Broadwater County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal years ended June 30, 2013 and 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 and significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not discover any deficiencies in internal control over compliance that we consider to be significant deficiencies.

Broadwater County, Montana's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Broadwater County, Montana'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.

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

March 26, 2015

BROADWATER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Years Ended June 30, 2013 and 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Modified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Grants to States
97.067	Homeland Security Grant Program

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2014-001 Solid Waste Internal Controls

Condition:

There is not consistent use of receipts and documentation for the transactions that are happening with the solid waste division.

Context:

During our review of the internal controls for the Solid Waste department we discovered this weakness.

Criteria:

The effectiveness and efficiency of operations is impaired when the internal control structure is not maintained and regulated with complete documentation and an efficient system. The Solid waste division does not have the internal controls in place needed to safeguard against potential theft.

Effect:

The internal controls are not in place to stop subjective judgment of fees when there is not documentation to back up the charges assessed.

Cause:

There is not a system in place that is maintained to make sure that there is documentation present for each and every transaction.

Recommendation:

We recommend that the Landfill supervisor create a separate ledger/ receipt book that each transaction is recorded into on a daily basis with receipts from the landfill and the Townsend Seed matching as to what was assessed to each person coming in.

Views of Responsible Officials and Planned Corrective Action:

The Solid Waste Department does not operate a landfill, we operate a transfer station. Not all items brought to the transfer station for disposal have a fee required. Each residence is assessed a solid waste fee for disposal of household waste. We operate 5 canister sites residents can use these sites for disposal of their waste, or they can bring waste to the Transfer station for disposal. The department may elect to charge individuals for waste disposal depending on the type of waste and the quantity.

The department has no idea who disposes of items at the canister sites and has no way of monitoring them without significant increases in expense to the department. The department does not think it is equitable to charge every resident that brings waste to the transfer station for disposal when we have no control of the rural sites. Therefore it is on a case-by-case basis that residents are charged for disposal of waste at the transfer station.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Our procedure is to have people weigh at the scale at Townsend Seeds, or estimate the weight of material for commonly disposed items (i.e. shingles). Once we have weight we will send an invoice to the customer for payment. A copy of that invoice is given to the Treasurer's office. Once payment is received by the Solid Waste Department, the payment is given to the Treasurer with the appropriate code for the revenue account. The invoice should than be moved from the Folder to a permanent file in the Treasurer's office.

We try not to accept cash at the transfer station, but if we do there is a three part receipt book for the receipt of the payment. A copy of that receipt is sent to the Treasurer with the payment, a copy is given to the customer and a copy is left in the book located at the transfer station.

2014-002 Justice of the Peace – Segregation of Duties

Condition:

As noted in the FY12 Audit report, the Justice of the Peace's office does not have proper segregation of duties regarding the cash receipting process or the disbursement process. There is still only one employee in the Office who is responsible for receipting cash, posting original entries, reconciling the cash on a daily basis, preparing deposits and delivering the deposits. The same employee also has access to the cabinet where the cash is stored and also reconciles the banks statement to the account balances.

Context:

During our review of internal controls for the Justice of the Peace we noted these weaknesses.

Criteria:

A proper system for internal controls has multiple points/ and or people that make sure the transaction is flowing through the process unbroken and with a full deposit. The Justice of the peace office does not have such internal controls.

Effect:

Internal controls are weak in the area of cash receipting, handling, depositing.

Cause:

Limited staff is available in the department to segregate duties.

Recommendation:

We recommend putting in place internal controls for segregation of duties that safeguard against fraud and or theft.

Views of Responsible Officials and Planned Corrective Action:

The Justice of the Peace can either do the daily reconciliation and deposits for the Justice Court or have a sign off sheet that is filled out and checked by the Justice of the Peace after each reconciliation. As it is already, the Justice of the Peace signs every distribution check. KF

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-003 Monitoring of Cash and Fund Balances

Condition:

The County is required to have adequate controls in place to ensure resources are available or will be available in the near future to cover expenditures. The County's Deep Creek Bridges Project Fund, which is a major fund, had a deficit cash and fund balance in the amount of \$27,658 as of June 30, 2014.

Context:

During our testing of cash and fund balance we found the Deep Creek Bridges Project had a negative cash balance. After tracing the transactions back to the source of the negative balances, we determined the transactions were recorded properly and the fund truly had the negative balance.

Criteria:

An effective system of internal controls requires that expenditures are monitored to ensure that funds do not achieve negative cash and fund balances.

Effect:

The deficit cash balance in this major fund represents the use of financial resources not yet received. The deficit cash balance can only be recovered by having revenues exceed expenditures in the following year. The deficit fund balance has been corrected for the audit report with an adjustment to the due from other governments receivable and intergovernmental revenue.

Cause:

The Deep Creek Bridges Project Fund was not monitored to ensure that when the fund had a negative cash and fund balance the appropriate interfund loans and intergovernmental receivable were recorded

Recommendation:

The County should ensure that all funds are being monitored to make sure that they do not have more expenditures than the resources needed to cover those expenditures. Negative cash balances should be addressed by the County by setting up short-term interfund payables to eliminate the deficit cash balance until the fund receives enough revenue to cover the deficit cash balance. In addition, intergovernmental receivables should be recorded whenever a grant is expended and the revenue has not yet been received.

Views of Responsible Officials and Planned Corrective Action:

Many grants require the County to pay for work then submit for reimbursement. Broadwater County will address the negatives by setting up a short-term interfund payable account to address these lags in reimbursement. The county will also ensure future funds have a short term payable set up to avoid a negative cash balance to begin with.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-004 Pledged Securities

Condition:

At June 30, 2013 the County had cash balances that were not insured by FDIC insurance or backed by pledged securities. This is a repeat finding from fiscal 2012.

Context:

During our test for adequate pledged securities for the uninsured cash balances, we found that the County did not have an adequate amount of pledged securities on the demand deposit accounts.

Criteria:

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

- a) 50% of the deposits if the financial institution has a net worth to total assets ratio of 6% or more; or
- b) 100% of the deposits if the financial institution has a net worth to total assets ratio of less than 6%.

Effect:

On June 30, 2013, 50% of the required uninsured deposits totaled \$571,685, and the County had only pledged \$450,000 causing a deficiency of \$121,685.

Cause:

Not monitoring cash balances and requesting additional pledged security coverage.

Recommendation:

The County should ensure that their cash balances are adequately covered by pledged securities. When cash is not adequately covered, additional pledged securities should be requested from the financial institution.

Views of Responsible Officials and Planned Corrective Action:

In the future we will ensure that the excess is put into STIP. Until year end is complete there is a larger balance so it was left alone. Will ensure it's done differently in the future.

2014-005 Exceeding Cash Reserve Limitations

Condition:

The County exceeded the allowable cash reserve limitation in thirteen funds in the total amount of \$469,363 for fiscal year 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Context:

During recalculation of the fiscal year 2014 tax levy requirements schedule, it was determined that the majority of the funds that levied non-voted mills exceeded the cash reserve limitation of 1/3 of the appropriation.

Criteria:

MCA 7-6-4034 (2) states “After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provided in subsection (1) (b), to:

- (a) A county’s fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year; and
- (b) A city’s or town’s fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

Effect:

The County exceeded total cash reserve limitations in the 13 following funds:

Fund #	Fund Name	Excess Cash Reserve
2110	Road	\$52,232
2140	Weed	\$57,384
2170	Airport	\$7,838
2200	Mosquito	\$39,283
2220	Library	\$66,024
2230	Ambulance	\$17,735
2280	Senior Citizens Meals	\$1,213
2281	Senior Citizens Transport	\$627
2290	Extension Services	\$4,575
2302	Detention Center	\$70,238
2360	Museum	\$1,702
2371	Employer Contr. Health Insurance	\$18,986
2382	Search & Rescue	\$131,526
	Total	\$469,363

Cause:

The County did not create a tax levy requirements schedule for fiscal year 2014 and therefore did not monitor the cash reserves to ensure that they did not exceed 1/3 of the appropriations in each fund.

Recommendation:

We recommend that the County create a tax levy requirements schedule each year to ensure that cash reserves do not exceed 1/3 of the appropriations for each applicable fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Views of Responsible Officials and Planned Corrective Action:

Due to personnel changes that occurred suddenly in June 2013 some needed changes to the Financial and Accounting practices for Broadwater County have needed to be addressed, improved and changed. Broadwater County has made great strides toward adopting Best Practices during the past two years and still has improvements to make. In 2013 a Tax Levy Requirements Schedule was completed for the Audit, in 2014 it was completed as a budgeting tool. It was also created and used in the 2015 budgeting process.

Over the past year, County Accounting was made a sole full-time position where as previously had been a shared position with either Commission Administrative Assistant or Human Resources, Broadwater County switched from CSA to Black Mountain IT services were purchased and servers and cabling were updated and personnel changes combined to create a 2 year learning curve.

It has been a goal to set up Reserve Cash Funds for each department that realizes a surplus at the end of the fiscal year and is currently in process to be completed.

2014-006 Exceeding Budget Authority and Maintaining Budget Documents

Condition:

The County exceeded budgetary authority in 11 funds for a total amount of \$378,743 in FY14. In addition the County also exceeded budgetary authority in 5 funds for a total amount of \$14,032 in FY13.

Finally, the County could not find the original budget documents for both fiscal year 2013 and 2014. The resolution to adopt the 2013 budget was not found.

Context:

During an initial side by side comparison of budgeted expenditures to actual expenditures, it was determined that the several funds exceeded budgetary authority. Upon further review and inquiry, no budget resolutions or budget amendment resolutions were found that would indicate an approved increase in budgetary authority for these funds.

Criteria:

MCA 7-6-4005. Expenditures limited to appropriations. (1) Local government officials may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund.

(2) A local government official who violates subsection (1) is liable for the amount of the excess disbursement, expenditure, or obligation personally.

(3) The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

MCA 7-6-4030

“(3) The governing body shall adopt the final budget by resolution. The resolution must:
(a) authorize appropriations to defray the expenses or liabilities for the fiscal year; and
(b) establish legal spending limits at the level of detail in the resolution.
(4) The effective date of the resolution is July 1 of the fiscal year, even if the resolution is adopted after that date.”

Effect:

The County exceeded the budget authority in the Library, Ambulance, Detention Center, Employer Contribution, Permissive Medical Levy, Alcohol Rehab, Emergency Disaster, Rescued Animals, Deep Creek Bridges Project, Solid Waste and Silo’s Recreation funds in the amounts of \$659, \$3,656, \$125,291, \$17,359, \$25,045, \$773, \$88,745, \$18,010, \$78,673, \$6,749 and \$13,783 respectively in FY14. In addition the County exceeded the budget authority in the Public Safety, Employer Contribution, Home Health, and Immunization funds in the amounts of \$10,468, \$2,963, \$126, and \$475 respectively in FY13.

We were not able to verify the budget was adopted by resolution for fiscal year 13. We were also not provided a copy of the original budget for audit purposes.

Cause:

It appears that the County did not monitor the total expenditure budget thoroughly enough to catch numerous budget overtures. Budget overtures appear to have been caused by expenditures such as unplanned transfers, capital outlay, personal services costs, etc.

Turnover in personnel and improper care of important documents appears to be the reason for the County’s inability to provide the budget documentation.

Recommendation:

We recommend that the County monitor all funds throughout the year so that if revenues and/or expenditures exceed budgetary authority, amendments may then be subsequently prepared and approved to remedy the budget overture.

In addition, the County should implement procedures to ensure the maintenance of budget documentation.

Views of Responsible Officials and Planned Corrective Action:

Broadwater County Commissioners monitor the County budget and departmental budgets on a quarterly basis; our review focuses on the Bottom Line vs. each Line Item. Department heads who exceed their projected expenditures in a line item within their funds can utilize unspent monies from other line-items (except Personnel line items) as long as they maintain a balance for their overall Fund.

Per budget training from Montana Association of Counties budget amendments are not required within funds, just for amendments to over Funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Broadwater County will continue to monitor and work more diligently with department heads to encourage they budget enough money for line-items within their budgets to avoid this in the future.

2014-007 Unallowable Transfers

Condition:

Broadwater County made transfers from restricted funds to lesser restricted funds.

Context:

After analyzing a schedule of transfers between funds to ensure that each transfer is allowable based on the type of fund it is coming from and the type of fund it is going to, it was determined that two of the transfers were from restricted funds to lesser restricted funds, which is not allowed.

Criteria:

Transfers may only be made from an unrestricted fund to a restricted fund; from any fund to a related CIP fund; from a restricted fund to a related more restricted fund and for prior year residual equity transfers.

Effect:

The County made an unallowable transfer from the Emergency Disaster Fund to the Road fund in the amount of \$88,745 and also made an unallowable transfer from the Detention Center Fund to the Public Safety Fund in the amount of \$82,647.

Cause:

The County was not aware that they are not supposed to make transfers from a restricted fund to a lesser restricted fund.

Recommendation:

The County should be sure to only make transfers between funds that are allowed in the future.

Views of Responsible Officials and Planned Corrective Action:

Emergency Disaster to Road Fund – this was due to instruction by FEMA. During a FEMA Audit Broadwater County was directed to put all FEMA Emergency payments into an Emergency Fund then disperse to the appropriate department from that Fund, in this case the Road Fund.

Detention Center to Public Safety Fund – this was a solution we worked on with other Commissioners, MACo personnel (including Legal) and the County Attorney. Public Safety used to also include detention center, but when over spending and management issues nearly closed the detention center due to lack of operating funds and adversely affected the public safety budget, the Commission realized we needed a way to manage the detention center separate from the public safety department. Again, working with legal counsel from MACo and the County Attorney the Commission separated the 2 funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

When the Detention Center was built, the public was told surplus revenues earned from the Regional Detention Center renting beds to out-of-County inmates would be used to help fund deputies and their vehicles.

We have requested a follow-up meeting with Denning and Downey to address these issues and determine the best way to handle them in the future.

2014-008 Required Supplementary Information

Condition:

Management omitted the management discussion and analysis that the generally accepted account principles require to be presented as a supplement to the basic financial statements for fiscal year 2013.

Context:

We did not receive an updated management discussion and analysis that included a discussion of 2013 results to include with the audit report.

Criteria:

Generally accepted accounting principles require that management prepare a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the governments financial activities for all fiscal years issuing financial statements.

Effect:

The County is not following the generally accepted accounting principles set by the GASB.

Cause:

The County did not prepare the management discussion and analysis letter to include discussion of 2013 results.

Recommendation:

Management should prepare and develop a management discussion and analysis as required by the generally accepted accounting principles discussing all financial statements under audit.

Views of Responsible Officials and Planned Corrective Action:

Given the fact it was a biennial audit, we didn't realize that we missed a step in addressing Fiscal Year 2012-2013 in the MD & A discussions. Fiscal Year 2012-2013 was a unique year for the County due to several personnel changes so no MD & A report was done. In the future, we plan to return to annual audits so this will not be an issue.

Section III – Federal Award Findings and Questioned Costs

2014-009 Forest Reserve Title III Questioned Cost, Non Compliance with Type of Services Allowed, Allowable Costs, Reporting and Special Tests and Provisions

CFDA Title: Forest Reserve Title III

CFDA Number: 10.665

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Federal Award Number: 2013

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: Montana Department of Administration

Condition:

We noted the following noncompliance issues related to the Forest Reserve Title III program:

1. The County paid a claim for Fleet Mapping Process from Title III Funds in FY 13.
2. The County did not have the 45-day public comment period.

The County was required to file a certification report by February 1st. This report was dated April 26, 2013.

Context:

Reviewed the claim for Title III expenditures. Noted one claim for \$7,465. Upon review of the claim, it appears the county paid this claim in advance for services rendered from September 2012 through February 2013 for Fleet Mapping Process. Subsequent invoices were submitted by month for the hours and associated costs. In addition a claims form was filed by the vendor Paradigm Communication and Preparedness Solutions, LLC (PCPS) which was signed by the same individual as the County DES Coordinator at the time, indicating a related party transaction. The county was not able to provide documentation of the 45 day public comment period. Finally, the certification report was reviewed and it was noted that the report date was after February 1, 2013.

Criteria:

#1. Title III - This portion is paid to the State and then distributed by the State to the participating county. These are referred to in the authorizing legislation as “county funds” (16 USC 7141). A participating county shall use title III county funds only to:

(1) Carry out activities under the Firewise Communities program to provide to homeowners in fire-sensitive ecosystems education on, and assistance with implementing, techniques in home siting, home construction, and home landscaping that can increase the protection of people and property from wildfires;

(2) Reimburse the participating county for search and rescue and other emergency services, including firefighting, that are—

(A) performed on Federal land, as defined in 16 USC 7102(7), after the 45-day public comment period (See III.N.1, Special Tests and Provision – Public Comment, below); and

(B) paid for by the participating county; and

(3) Develop community wildfire protection plans in coordination with the appropriate Secretary concerned (16 USC 7142).

#2. A participating county can use title III county funds only after a 45-day public comment period, at the beginning of which the participating county must:

a. Publish in any publications of local record a proposal that describes the proposed use of the county funds; and

b. Submit the proposal to any resource advisory committee established under 16 USC 7125 for the participating county (16 USC 7142(b)).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

#3. (OMB No. 0596-0220) – Not later than February 1 of the year after the year in which any title III county funds were expended by a participating county, the participating county must submit a certification that the county funds expended in the applicable year have been used for the uses authorized under this title, including a description of the amounts expended and their uses. The participating county certification also must include the amount of title III funds not obligated by September 30 of the previous year. Additional information about the annual certification of title III expenditures is available at <http://www.fs.usda.gov/main/pts/countyfunds/certification>.

Key Line Items – The following sections contain critical information:

- (1) Expenditures
- (2) Funds Not Obligated

Effect:

The Fleet Mapping process was not related to the Forest Reserve Title III purposes. In addition, there was no resolution to expend the funds or the required 45 day public comment period advertised prior to the expenditure of the funds. Finally, the certification was filed after February 1, 2013.

Cause:

Control weakness within the county systems related to Title III expenditures.

Recommendation:

The County should implement internal control procedures to ensure the use of Title III Funds for services allowed by the Forest Reserve Act and follow all appropriate laws related to the expenditure of such funds. Internal control procedures should be implemented to ensure the timely filing of any required reports.

Views of Responsible Officials and Planned Corrective Action:

We did not realize our error at the time and realize Broadwater County may have to return the Title III funds as they were not used as they should have been.

During the spring of 2013 the Broadwater County Commission had two employees tasked with guiding the County through the Title III process- the DES Coordinator and the Financial Officer. Neither is with Broadwater County any longer.

An investigation into financial practices by the FBI is on-going.

Our error was brought to our attention in 2013. Subsequent Title III funds allocated in 2014 did follow the Forest Reserve Act including the timeframe and 45 day public hearing period and were used for education and FireWise.

In 2015 Broadwater County did not request Title III funds.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Broadwater County
Townsend, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Solid Waste Internal Controls	Repeated
Justice of the Peace – Segregation of Duties	Repeated
Negative Cash Balances	Repeated
Pledged Securities	Repeated – 2013
Pledged Securities	Implemented – 2014

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

March 26, 2015