

**GOLDEN VALLEY COUNTY
REYGATE, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT
Fiscal year Ended June 30, 2014**

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Golden Valley County
Ryegate, Montana 59074

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Golden Valley County
Ryegate, Montana 59074

ORGANIZATION

BOARD OF COMMISSIONERS

William R. Lehfeldt	Chair
Dean Blomquist	Commissioner
John Lewis	Commissioner

OFFICIALS

Mary Lu Berry	Clerk & Recorder/County Court Clerk
Craig Mattheis	Treasurer/Superintendent of Schools
Robert Pallas	Sheriff/Coroner
Douglas Miller	Justice of the Peace
Kent Sipe	County Attorney

**Management Discussion & Analysis to the Annual Financial Report for
Golden Valley County for Fiscal Year Period
Starting July 1, 2013- Ending June 30, 2104.**

The purpose of the MD&A is to use information from the Financial Report and other sources to determine the counties ability to function and perform the services required of it by the residences of the county by examining its financial health. Fundamentally, a county must be operating on a positive financial footing in order to sustain services and meet to changing and increasing needs.

Revenues raised from local property tax is the primary source of revenue in Golden Valley County, with revenue from other sources for regular county operations remaining around \$200,000. Other sources of revenue for special purpose, most notably, disaster relief (pass through FEMA funding) depending on incidence (Table: 10)

Golden Valley County has received an increase in its total tax revenue from local mills from \$669,777 in FY 2102 to \$668,556 in FY 2013 and \$780,867 in FY 2014. These numbers reflect all the recent additional voted mills. County wide valuations went from \$5470 in 2012, \$5289 in 2013, and back up to \$5410 in 2013. The upcoming valuation for the budget in 2015 is \$5285. Golden Valley County derives, roughly, ½ of it's tax revenue from centrally assessed utilities which use a seven year averaged income based assessment. This is the primary cause for the fluctuation in valuations. Golden Valley County saw the dramatic in revenue increase because of the Protested Taxes which were released \$64,888 and that we are able to apply the floating mills acquired to make up for the decline in valuation in 2013 to the higher valuation of 2013 which valuation went back up. 2015 will see a decline in tax revenue because the Protest Tax release will not reoccur, but the county will be able to reapply the floating mills gained. The largest single element in county expenditures is county salary costs. The Compensation Board recommended and the Commission accepted a 4% raise for Elected Officials and respective Deputies. As a result, salaries have risen from; \$420,948 in FY 2012, to \$517,992 in FY 2013, and \$535,467 for the past year.

On a broad basis, the Financial Report shows the county has spent cash, used up assets, and took on liabilities faster than it acquired capital. In the broad measure it has declined in value by (\$263,499). A substantial portion of the loss was due to the (\$145,260) it spent on disaster road repairs. The report also shows liabilities increasing in the form of accrued compensated absences (\$5038) Future employee health liabilities (\$68,490). The county also used cash, by lending \$194,000, from the Revolving Loan fund for a loan to local business which became an asset to the county and had no net effect on the county Net Position. The county was worth \$3,038,412 at the end of FY 2012 after receiving about \$700,000 in Disaster Funds after the 2011 floods. After adjusting for the disaster relief spikes in cash, the county value has remained even and the county is operating on a stable basis.

A fundamental aspect of county government is the maintenance and upgrading of county roads. In FY 2013-2014, the county did reconstructs on approximately 10 miles of road. The county cost of a reconstruct is approximately \$10,000 per mile (LTAP estimate is \$35,000). The county reconstructed 4 miles in 2012-2013, none in the year prior due to the flood emergency and 4 miles prior to that.

It is the recurring dilemma [DP1] for counties to determine whether to fund Capital Improvements or leave the money in cash to fund services. Golden Valley County chose place cash in its capital improvement funds while almost totally depleting its cash in the road fund, which limits its ability to use contractors to accomplish road reconstructs.

Importantly, if the county is able to increase the value of its cash and equipment in its operational funds, the county is operating on a sustainable basis. Operational funds are those funds which allow restricted and unrestricted use in performing basic county functions. For the period of FY 2013-2014, Golden Valley County was fortunate to have added \$80,546 to the value of the assets the county uses in normal operation (Table 1). This is largely because the General Fund came in \$67,448 under budget and Public Safety came in \$39,599 under budget. To accurately portray the condition of the county, it is necessary to consider the deterioration and eventual need for replacement of county equipment. This consists of road equipment, Sheriff Vehicles, and court-house computers and equipment. This costs is estimated to be an annual costs of \$81,211 (Table 2). So, in that regard, the county is operating on a, roughly, breakeven basis.

Table 1: Net Change in Value of Operational Assets

Operational Funds	7/1/2013	6/30/2014	change
General	221297	234216	12919
Road	30239	5028	-25211
Public Safety	77098	1057	-76041
Bridge	9857	27994	18137
Operational Cap. Imp			0
General	12305	34617	22312
Road	6106	39034	32928
Public Safety	38	63978	63940
Bridge	75862	1400	-74462
Protest Tax Release	64488	0	-64488
Operational Equipment	350210	520722	170512
Operational Asset Value Summary	847500	928046	<u>\$80,546</u>

Table 2: County Operational Equipment Asset Schedule

Asset	year begin	book depreciation	est annual replacement expense	Book Value	estimate value
computer	3211	3211	3211	3211	3211
Server	1499	1499		1499	1499
2003 Chev.p.u.	4000	0	3000	0	4000
2007 Chev 3/4	8000	0	5000		8000
1996 20tnLoad King	8000	0	500	0	8000
2001 Cat Loader	40000	0	10,000		40000
Radio Tower	1500	0	1500		20000
1979IH Dump Truck	10000	0	1000		10000
Yamaha ATV	1500	0	500		1500
2006 Case	20000	2983	3000	4972	20000
2006 Diamond Mower	10000	1974	2000	3290	10000
2007WalknRoll	4500	1447	1500	2895	4500
2009WalknRoll	5000	1650	1500	8250	5500
2006JohnDeere Grader	60000	14413	15000	57654	60000
2010Ford 1/2tn Patrol	20000	4338	5000	17354	20000
2013Dodge1tnPatrol	35000	8877	9000	35509	35000
1989Hyster 21tntrailer	6000	1400	1000	5366	6000
kenworth Water Truck	0	1100	1000	4491	5000
Cat140H	102000				
2013Cat12M2Grader	0	12047	15000	120474	241512
2013HondaForeman	0	1733	1000	7510	7000
Repeater	10000	1497	1500	8985	10000
Totals	\$ 350,210.00	\$ 58,169.00	\$ 81,211.00	\$ 281,460.00	\$ 520,722.00

To have a more complete picture of county finances, it is necessary to corroborate the change in assets with the Net Cash Flow (table 3 :). This table shows that county operations contributed to \$90,933 in profit toward county net value and affirms the financial condition of the county.

Table 3 Cash Out Lay Summary

Expenses	GF	Road	Public Safety	Bridge	Court	
Cash outlay	451459	269454	166840	25354	9828	922935
Salaries	254129	129397	94886	6835		485247
Supplies	197330	140057	71954	18519	9828	437688
add capital purchases						0
*portion of grader						58633
loan Pay(Amb)						4242
Net operational gain						\$ 62,875.00
* The rest of the CatGrader came from Bridge Cap Imp						

County operations usually result in Cash outlay from three different categories; salaries, supplies, and capital purchases; employee salaries are about 1/3, supplies about 1/3 and capital purchases, about 1/3 of the operation expenses. Total salaries, include funds from the Permissive Medical Levy for additional health insurance expense of \$ 51,220 bringing it to \$536,467. Capital purchases of the new road grader and other purchases included funds from Road and Bridge Depreciation Reserve of \$79,500, making capital purchases, a total, of \$138,163.

The largest element in county expenditures is county salary. Costs have risen from \$420,948 in FY 2012 to \$517,992 in FY 2013 and \$535,467 for the past year.

In broader terms, the Financial Report shows, the county business decreased the county Net Position by (\$257,971). This deficit in operation is supported by the Balance Sheet showing a decline in value of (\$394,799). The county Change in Cash Asset Schedule, (Table: 4) shows much of the reasons for the decline. The county spent it's Disaster Fund down by \$145,260 in the preparation of roads ruined in recent weather related flooding. The \$163,898 decrease in the Revolving Loan Fund is the result of the granting of a loan. It also expended its Gas Tax Fund down \$20,507 in eligible road maintenance.

Table 4: Change in Fund Cash Balances

	7/1/2013	6/30/2014	change
Operational Funds			
General	221297	234216	12919
Road	30239	5028	-25211
Public Safety	77098	1057	-76041
Bridge	9857	27994	18137
Operational Cap. Imp			0
General	12305	34617	22312
Road	6106	39034	32928
Public Safety	38	63978	63940
Bridge	75862	1400	-74462
Disaster Fund			0
Emergency	243328	98068	-145260
Enterprise Fund			0
Revolving Loan	529022	365123	-163899
Specific Use Funds			0
District Court	7363	20636	13273
Permissive Medical	7264	8097	833
Gas Tax	21636	1129	-20507
Weed	42033	33928	-8105
other	34893	40089	5196
Specific Use Cap Imp Funds			0
Ambulance	31239	38751	7512
Fire	19284	31803	12519
Protest Tax Release	64488	0	-64488
			0
Totals	\$ 1,433,352.00	\$ 1,044,948.00	\$ (388,404.00)

Table 5: Change in county net asset position

	Fy 20112-13	FY2013-2014	change
Primary Government Assets			
cash	1368617	1044703	-323914
tax receivable	103790	10658	-93132
Capital Assets	1119554	1342437	222883
Total Asset Value	2813336	2726353	-194163
liabilities			
	325513	394799	69286
Total Net position	\$2,487,823.00	\$2,331,554.00	-\$263,449.00
Net Change (loss)		\$ (263,449.00)	

Net Asset Value decline is affirmed by county wide deficit spending, Table 5 shows revenue the county brought in through county levied property tax. Table 6 shows revenue from other sources.

Table 5: Levied Tax Revenue

	valuation	mils	Amt.
Operational Funds			
General	5410	51.03	276072.3
Road	5086	29.43	149680.98
Public Safety	5410	17.09	92456.9
Entitlements	5410	5.94	32135.4
Protest Tax			64888
local option tax			35415
Bridge	5410	3.69	19962.9
Total Operational			\$ 670,611.48
Specific funds			
Weed	5410	3.16	17095.6
District Court	5410	1.3	7033
Seniors	5410	0.84	4544.4
Extension	5410	2.91	15743.1
Total Specific			44416.1
Capital Imp			
General Amb	5410	1.23	6654.3
Fire	5410	2.05	11090.5
Total Cap Imp			17744.8
Permissive			
Medical	5410	8.89	48094.9
total restricted tax revenue			\$ 110,255.80
Local Tax Revenue			<u>\$ 780,867.28</u>

Table 6: Total County Cash Revenue

Unrestricted tax Revenue		670611	
Unrestricted from Fed			
Payment in Lieu of Taxes	67194		
Forest Reserve	9079		
Refuge	83		
Taylor Grazing	17		
		76373	
Unrestricted revenue from State			
Entitlement	69700		
Oil&Gas Shared Production	6752		
Gambling	400		
		76852	
Fees for Service			
Licenses & permits	1050		
Fees for Service	87912		
Fines&Forfeits	11276		
misc	54342		
		154580	
Operation Revenue		\$ 978,416.00	
less ambulanc, fire, misc revenue		\$ 27,423.00	
Revenue from ordinary operations		\$ 950,993.00	
Restricted Revenue			
revolving Fund Revenue	28788		
County Attorney State Share	31587		
Disaster Aid (FEMA)	80000		
Weed	6752		
Gas Tax	32620		
Alcohol Rehab	3147		
Restricted State & Fed Rev		\$ 182,894.00	
Restricted Tax Revenue		\$ 110,225.00	
Total County Revenues		\$ 1,271,535.00	

Funds

General Fund: The General Fund is used to manage general government. Its funds were derived from a county wide levy valuation of \$5410 per mil. It receives revenue and pays from the General Fund Levy, other non-local tax sources and all other revenue which is not specifically budgeted to other operational funds. It pays expenses related to general government including those of public health and safety, specifically; fire, ambulance, and other related costs. It started the year with \$221,297, took in \$518,905, expended \$451,458, net transferred out \$54,527, and ended the year with \$234,216.

Road. The Road fund is for the maintenance of county roads in the road tax district. The road tax funds are derived from a road tax district valuation of \$5086 per mil., and other non-local tax resources. It started the year with \$30,239 brought in \$245,571 in revenue, expended \$269,454, had a net transfer out of \$1,328, resulting in an ending balance of \$5,028.

Public safety. The Public Safety Fund is for the management of services directly related to law enforcement and is managed by the sheriff. Its primary costs are salaries, vehicle, and with the big variable being internment costs. It started the year with \$77,098, took in \$128,127 expended \$166,840, transferred out \$37,328 and ended the year with \$1,057.

Disaster. The disaster fund is used to manage the repair of damage resulting from natural disaster which is compensated by FEMA through the state Dept. of Emergency Services. It started the year with \$243,328 which is largely hold over compensation from the 2011 Flooding Emergency. It brought \$80,000 of new compensation for repairs for the February of 2013 flooding emergency, spent \$225,261 on repairs and ended the year with \$98,068 in the fund.

Revolving Loan. The Revolving Loan Fund was established with Federal seed money for the local economic development. It makes startup loans to local businesses, gives grants to local community projects, and builds the fund in anticipation of bad loan losses. It currently has 3 loans out with a total value of \$328,304. One of which was granted during the 2013-2014 FY. It started the year with \$529,022, brought in \$28,788 in revenue, incurred cash outlay of \$192,687, and ended the year with \$365,123.

Bridge. Bridge is a county wide general use levied fund. It started the year with \$9,857, brought in \$44,891 in tax and shared revenue, expended \$25,354 transferred out \$1,400 and ended the year with \$27,994.

Weed. The Weed Fund and the State lands Weed Fee is a special use fund deriving its sources from a special use levy. It uses a local contractor to perform weed control on county right of ways and charges for services (state right of ways). It started the year with \$42,033, brought in \$34,569, expended \$42,673 and ended the year with \$33,928.

Predatory Animal Sheep. The county collected and dispersed \$13,124 for the control of predators on sheep.

District Court. District Court is a county wide levy, general use fund. It started the year with \$7,363 brought in \$23,102 in tax revenue, fees and transfers. It expended \$9,828 and ended the year with \$20,638.

Senior Citizens. The Senior Citizens is a special levied, county wide fund to contribute management of the Senior Citizen Center Programs in Lavina and Ryegate. It brought in \$5,063 in local tax revenue.

Extension. Extension is another county wide special use levied fund. It goes toward the County Extension program shared with Musselshell County. It started the year with \$6,603, brought in \$17,617, spent \$13,256, and ended the year with \$10,964. The program was without an agent for much of the year.

Permissive Medical Fund. This fund is a county wide fund especially to pay for the additional health insurance for county employees. It started the year with \$7,264, brought in \$51,220 in local tax revenue, spent \$51,220, and ended the year with \$8,097.

Dare, Records, Alcohol Rehab. These funds are sourced through fees specific shared revenue for specific purposes. Together, they started the year with \$1,503, brought in \$5,031, and expended \$4965.

Gas Tax. Gas tax is a fund using revenue shared from the state to be used specifically for the maintenance of county roads. It started the year with \$21,636, brought in \$32,236, spent \$52,744 and ended the year with \$1,129,

Weed Grant. Weed Grant is a special use fund derived entirely from state shared revenue. Much was used for a weed chemical and equipment storage shed. It started the year with \$4,211, brought in \$7500, expended \$6,845 and ended the year with \$4,865.

County Land Information. This fund uses fees as a source. It started the year with \$3,309, brought in \$1,584, spent \$1253, and ended the year with \$3,604.

DNRC Grant. The sources of this fund is DNRC specifically as a grant for the equipping for firefighting which may be used on state lands. These funds were used for the purchase of radios. It started the year with \$8,811, brought in \$15,811 which was expended and the fund ended the year as it started.

Crime Control has \$547 in it and was not used.

MCH. Maternal Child Health is a pass through fund which comes from the state and is passed to the Central Montana Health District in the amount of \$1,125.

Capital Improvement Funds. Capital Improvement Funds are funds where cash is held for the purchase of equipment in excess of \$5,000.

Road. Road Started the year with \$6,107, brought in \$91,549 from transfers and the sale of a haul truck. It spent \$58,620 toward the purchase of a Cat Grader and ended the year with \$39,034.

General. General cap imp started the year with \$12,305, brought \$22,311 mostly in transfers, and ended the year with \$34,617.

Ambulance. This fund is sourced from a specific county wide levy for purchase and equipping of the ambulance service. This year, it started the year with \$31,239 it brought in \$7512 and ended the year with \$38,751.

Road & Bridge Depreciation. This fund started the year with \$75,862, expended \$79,483 toward the Cat Grader, and ended the year with \$1,400.

Public Safety. This fund received sources of \$22,606 from local property tax, and shared revenue. It started the year with \$38, expended \$8,666 for a new ATV for the sheriff, received a transfer of \$50,000, and ended the year with \$63,978.

Fire Control. Fire control is funded by a county wide tax levy specific for the use in the purchase and equipping of fire control equipment. It started the year with \$19,284 brought in \$12,378, spent \$19,143 on water tender tanks, and ended the year with \$12,519.

Table 10: History of local property tax revenue for operation and expenses

	Fund			Total Tax
	General	Road	Public Safety	
2008				
expenses	332,567.00	167,467.00	117,208.00	
revenues	651,377.00	149,393.00	82,540.00	
tax	142,576.00	122,216.00	70,861.00	335,653.00
gas tax	34,928.00			
fire hall	280,021.00			
nontax	193,852.00	27,177.00	11,679.00	
net	\$318,810.00	-\$18,074.00	-\$34,668.00	\$266,068.00
2009				
expenses	586,310.00	133,493.00	116,789.00	
revenues	651,377.00	188,032.00	126,649.00	
tax	167,390.00	142,271.00	87,410.00	397,071.00
gas tax	31,480.00			
fire hall	98,290.00			
nontax	354,217.00	45,761.00	39,239.00	
net	\$65,067.00	\$54,539.00	\$9,860.00	\$129,466.00
2010				
expenses	568,967.00	158,807.00	103,605.00	
revenues	526,362.00	169,529.00	105,367.00	
tax	252,340.00	133,061.00	82,790.00	468,191.00
gas tax	35,901.00			
nontax	238,121.00	36,468.00	22,577.00	
net	-\$42,605.00	\$10,722.00	\$1,762.00	-\$30,121.00
2011				
expenses	375,310.00	167,710.00	134,555.00	
revenues	425,460.00	165,355.00	148,460.00	
tax	255,629.00	135,513.00	83,846.00	474,988.00
gas tax	35,395.00			
nontax	134,436.00	29,842.00	64,614.00	
net	\$50,150.00	-\$2,355.00	\$13,905.00	\$61,700.00
2012				
expenses	416,008.00	184,465.00	144,434.00	
revenues	486,104.00	174,966.00	164,617.00	
tax	283,619.00	144,631.00	96,533.00	524,783.00
gas tax	32,261.00			669,777.00
nontax	170,224.00	30,335.00	68,084.00	
net	\$70,096.00	-\$9,499.00	\$20,183.00	\$80,780.00

2013					
expenses	457,473.00	230,439.00	175,659.00		
revenues	451,554.00	166,103.00	151,872.00		
tax	263,970.00	141,739.00	87,754.00		493,463.00
gas tax	34,379.00				668,556.00
nontax	153,205.00	24,364.00	64,118.00		
net	<u>-5,919.00</u>	<u>-64,336.00</u>	<u>-23,787.00</u>	<u>-\$94,042.00</u>	
2014					
expenses	451,459.00	269,454.00	166,840.00		
revenues	518,905.00	245,572.00	108,521.00		
tax fund mil	276,072.00	149,680.00	92,456.00		518,208.00
other	35,415.00	13,580.00	1,272.00		50,267.00
protest tax release	32,569.00	16,870.00	14,793.00		64,232.00
nontax	174,849.00	65,442.00	1,272.00		
net	<u>\$67,446.00</u>	<u>-\$23,882.00</u>	<u>-\$58,319.00</u>	<u>-\$14,755.00</u>	<u>\$632,707.00</u>
Budget					
expenses	445,450.00	271,450.00	202,850.00		
revenues	524,276.00	313,944.00	113,753.00		
tax fund mil	276,072.00	149,680.00	92,456.00		518,208.00
other	35,415.00	12,758.00	7,597.00		55,770.00
protest tax release	0.00	0.00	0.00		
			gas tax		
nontax	212,789.00	151,506.00	13,700.00		
net	<u>78,826.00</u>	<u>42,494.00</u>	<u>-89,097.00</u>	<u>32,223.00</u>	<u>573,978.00</u>

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Golden Valley County
Ryegate, Montana 59074

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

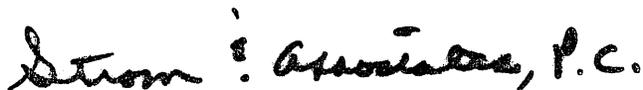
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-14) and the schedule of funding for other post-employment benefits other than pensions (page 36) and budgetary comparison information (pages 37 - 40) 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 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 inquires 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 on the schedule of funding for other post-employment benefits other than pensions and budgetary comparison information. Although our opinions on the basic financial statements are not affected, the results of the limited procedures on the management's discussion and analysis have raised doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by the Governmental Accounting Standards Board.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015 on our consideration of Golden Valley County 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 Golden Valley County internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
June 29, 2015

STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,029,952
Taxes Receivable	10,656
Accounts Receivable - Net	<u>328,304</u>
Total Current Assets	<u>1,368,912</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>1,485,645</u>
Total Noncurrent Assets	<u>1,485,645</u>
Total Assets	<u>\$ 2,854,557</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	\$ 5,118
Current Portion Long-Term Capital Obligations	<u>25,947</u>
Total Current Liabilities	<u>31,065</u>
Noncurrent Liabilities:	
Long-Term Obligations	354,450
Compensated Absences	<u>9,284</u>
Total Noncurrent Liabilities	<u>363,734</u>
Total Liabilities	<u>394,799</u>
NET POSITION:	
Net investment in capital assets	1,459,698
Restricted	802,184
Unrestricted (Deficit)	<u>197,876</u>
Total Net Position	<u>2,459,758</u>
Total Liabilities and Net Position	<u>\$ 2,854,557</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS					
General Government	\$ 465,130	\$ 66,126	\$ -	\$ 75,500	\$ (323,504)
Public Safety	292,142	32,381	-	-	(259,761)
Public Works	560,351	13,520	121,923	-	(424,908)
Public Health	41,576	-	3,147	-	(38,429)
Social and Economic Services	19,446	-	-	-	(19,446)
Culture and Recreation	400	-	-	-	(400)
Housing and Community Development	396	15,438	-	-	15,042
Debt Service					
Interest and other charges	290	-	-	-	(290)
Total Governmental Activities	<u>1,379,731</u>	<u>127,465</u>	<u>125,070</u>	<u>75,500</u>	<u>(1,051,696)</u>
GENERAL REVENUES					
Taxes/Assessments					652,316
Local Option Taxes					35,416
Licenses and Permits					1,050
Federal/State Shared Revenue					157,986
Miscellaneous					58,092
Investment and Royalty Earnings					878
Gain loss on Sale of Assets					(1,809)
Total General Revenues					<u>903,929</u>
Change in Net Position					(147,767)
Net Position					
Beginning of the Year					<u>2,607,525</u>
End of the Year					<u>\$ 2,459,758</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	MAJOR			
	General	Road	Disaster	Public Safety
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 234,216	\$ 5,028	\$ 98,068	\$ 1,057
Taxes Receivable	4,208	1,832	2	1,419
Accounts Receivable - Net	-	-	-	-
Total Assets	\$ 238,424	\$ 6,860	\$ 98,070	\$ 2,476
LIABILITIES:				
Current Liabilities				
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Loan Repayments	-	-	-	-
Unavailable Property Taxes Receivable	4,208	1,832	2	1,419
Total Deferred Inflows of resources	4,208	1,832	2	1,419
FUND BALANCE:				
Fund Balances:				
Restricted	-	5,028	98,068	1,057
Unassigned:	234,216	-	-	-
Total Fund Balance	234,216	5,028	98,068	1,057
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 238,424	\$ 6,860	\$ 98,070	\$ 2,476

RECONCILIATION TO THE STATEMENT OF NET POSITION

- Total fund balance reported above
- Governmental Capital Assets
- Long-term Liabilities
 - Long-Term Obligations
 - Compensated Absences
 - Long-Term Capital Obligations
- Unavailable Loan Repayments
- Unavailable Property Taxes Receivable
- Net Position of Governmental Activities

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	<u>MAJOR</u>		
	Revolving Loan	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 365,124	\$ 326,459	\$ 1,029,952
Taxes Receivable	-	3,195	10,656
Accounts Receivable - Net	328,304	-	328,304
Total Assets	<u>\$ 693,428</u>	<u>\$ 329,654</u>	<u>\$ 1,368,912</u>
LIABILITIES:			
Current Liabilities			
Total Liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Loan Repayments	328,304	-	328,304
Unavailable Property Taxes Receivable	-	3,195	10,656
Total Deferred Inflows of resources	<u>328,304</u>	<u>3,195</u>	<u>338,960</u>
FUND BALANCE:			
Fund Balances:			
Restricted	365,124	326,459	795,736
Unassigned:	-	-	234,216
Total Fund Balance	<u>365,124</u>	<u>326,459</u>	<u>1,029,952</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 693,428</u>	<u>\$ 329,654</u>	<u>\$ 1,368,912</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,029,952
Governmental Capital Assets	1,485,645
Long-term Liabilities	
Long-Term Obligations	(354,450)
Compensated Absences	(14,402)
Long-Term Capital Obligations	(25,947)
Unavailable Loan Repayments	328,304
Unavailable Property Taxes Receivable	10,656
Net Position of Governmental Activities	<u>\$ 2,459,758</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

	MAJOR			
	General	Road	Disaster	Public Safety
REVENUES:				
Taxes/Assessments	\$ 344,058	\$ 180,130	\$ -	\$ 105,522
Licenses and Permits	-	-	-	1,050
Intergovernmental Revenues	39,980	63,565	80,000	16,394
Charges for Services	66,282	520	-	4,957
Fines and Forfeitures	11,277	-	-	-
Miscellaneous	56,674	1,216	-	202
Investment and Royalty Earnings	635	141	-	3
Total Revenues	<u>518,906</u>	<u>245,572</u>	<u>80,000</u>	<u>128,128</u>
EXPENDITURES:				
Current				
General Government	358,116	-	-	-
Public Safety	64,343	-	-	166,841
Public Works	-	120,920	225,261	-
Public Health	22,704	-	-	-
Social and Economic Services	1,364	-	-	-
Culture and Recreation	400	-	-	-
Housing and Community Development	-	-	-	-
Debt Service				
Principal	4,243	-	-	-
Interest and other charges	290	-	-	-
Capital Outlay	-	148,535	-	-
Total Expenditures	<u>451,460</u>	<u>269,455</u>	<u>225,261</u>	<u>166,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>67,446</u>	<u>(23,883)</u>	<u>(145,261)</u>	<u>(38,713)</u>
OTHER FINANCING SOURCES/USES				
Sale of Capital Assets	-	-	-	-
Fund Transfers In	25,044	12,672	-	12,672
Fund Transfers (Out)	(79,572)	(14,000)	-	(50,000)
Total Other financial Sources/Uses	<u>(54,528)</u>	<u>(1,328)</u>	<u>-</u>	<u>(37,328)</u>
NET CHANGES IN FUND BALANCES	12,918	(25,211)	(145,261)	(76,041)
FUND BALANCE:				
Beginning of the Year	<u>221,298</u>	<u>30,239</u>	<u>243,329</u>	<u>77,098</u>
End of the Year	<u>\$ 234,216</u>	<u>\$ 5,028</u>	<u>\$ 98,068</u>	<u>\$ 1,057</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

	MAJOR		
	Revolving Loan	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes/Assessments	\$ -	\$ 163,996	\$ 793,706
Licenses and Permits	-	-	1,050
Intergovernmental Revenues	-	83,117	283,056
Charges for Services	-	16,154	87,913
Fines and Forfeitures	-	-	11,277
Miscellaneous	-	-	58,092
Investment and Royalty Earnings	28,788	98	29,665
Total Revenues	<u>28,788</u>	<u>263,365</u>	<u>1,264,759</u>
EXPENDITURES:			
Current			
General Government	2,290	11,622	372,028
Public Safety	-	-	231,184
Public Works	-	127,620	473,801
Public Health	-	18,872	41,576
Social and Economic Services	-	18,082	19,446
Culture and Recreation	-	-	400
Housing and Community Development	190,396	-	190,396
Debt Service	-	-	4,243
Principal	-	-	290
Interest and other charges	-	-	295,334
Capital Outlay	-	146,799	295,334
Total Expenditures	<u>192,686</u>	<u>322,995</u>	<u>1,628,698</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(163,898)</u>	<u>(59,630)</u>	<u>(363,939)</u>
OTHER FINANCING SOURCES/USES			
Sale of Capital Assets	-	25,024	25,024
Fund Transfers In	-	144,972	195,360
Fund Transfers (Out)	-	(51,788)	(195,360)
Total Other financial Sources/Uses	<u>-</u>	<u>118,208</u>	<u>25,024</u>
NET CHANGES IN FUND BALANCES			
	<u>(163,898)</u>	<u>58,578</u>	<u>(338,915)</u>
FUND BALANCE:			
Beginning of the Year	<u>529,022</u>	<u>267,881</u>	<u>1,368,867</u>
End of the Year	<u>\$ 365,124</u>	<u>\$ 326,459</u>	<u>\$ 1,029,952</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

Net Changes in Fund Balance		\$ (338,915)
Revenues on the Statement of Activities not included in governmental funds statement:		
Increase (decrease) in taxes receivable		(93,137)
Increase (decrease) in loan receivable		(13,349)
Revenues reported in the governmental funds statement not included in the Statement of Activities		
Sale of Fixed Assets		(25,024)
Expenses on the Statement of Activities not included in the governmental funds statement:		
Depreciation Expense		
Donated Capital Assets	(167,082)	
Revolving Loan Fund - Loan Given	75,500	
(Increase) decrease in Other Post Employment Benefits	190,000	
(Increase) decrease in compensated absence liability	(68,490)	
	<u>(5,038)</u>	24,890
Expenditures reported in the governmental funds statement not included in the Statement of Activities		
Capital outlays		
Gain loss on sale of assets	295,334	
Principal payments on bonds	(1,809)	
	<u>4,243</u>	<u>297,768</u>
Change in net position reported on the Statement of Activities		<u>\$ (147,767)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 6/30/2014

	Investment	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,130,132	\$ 68,469
Taxes Receivable	-	65,575
Total Assets	<u>1,130,132</u>	<u>134,044</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	24,033
Due to Others	-	110,011
Total Liabilities	<u>-</u>	<u>134,044</u>
NET POSITION:		
Restricted for Investment Trust Funds	<u>1,130,132</u>	
Total Net Position	<u>\$ 1,130,132</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Investment earnings	\$ 1,058
Contributions to investment trust	698,522
Total Additions	<u>699,580</u>
DEDUCTIONS:	
Distributions from investment trust	<u>821,600</u>
Total Deductions	<u>821,600</u>
CHANGE IN NET POSITION	(122,020)
NET POSITION:	
Beginning of the Year	<u>1,252,152</u>
End of the Year	<u>\$ 1,130,132</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Golden Valley County (County) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the County adopted the following:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the County.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The County has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the County assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the County to expand its pension foot note disclosures. The County plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The County is not merging with another County or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The County plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The Board of Commissioners is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The Golden Valley County was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Golden Valley County (the primary government) and any component units. The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the County's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the County. Based on those criteria the County has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds (primary government). Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as fines and forfeitures and noxious weed fees and
- Operating and Capital grants that are restricted to a particular functional program.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The investment trust fund is displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds).

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the County and accounts for all revenues and expenditures of the County not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

- Road Fund – This fund is used to account for the levied revenue and proceeds from the allocation of gasoline tax collected by the Department of Revenue and then distributed to counties in the State based on sales in those localities. The funds can only be used for the construction or improvement, maintenance, control, and management of the county roads within the county.
- Disaster Fund – This fund is used to account for levied revenues and proceeds from the allocation of Federal Emergency Management Agency (FEMA) or State Emergency Management revenues received due to a declaration of an emergency authorized by the governor for financial assistance in accordance with such declaration. The funds can only be used for costs relating a disaster.
- Public Safety – This fund is used to account for levied revenues and other sources used to support county law enforcement services. The funds can only be used for law enforcement and coroner services.
- Revolving Loan Fund – This fund is used to account for the accumulation of funds set aside by grant funding to make re-occurring loans to business within the county to promote economic development in the county in an effort to enhance the tax base within the county. The funds can only be used to make low interest rate loans to business for economic development.

1. b. 3 OTHER FUND TYPES

Investment Trust Funds - To report the external portion of investment pools reported by the sponsoring government. This accounting reflects the County's trust relationship with the other investing parties.

Agency Funds – Account for assets that the County holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the County trustee to pay a particular sum of money to a payee (person or entity) from funds in the County treasury which are or may become available. This fund primarily consists of revenues collected by the County on behalf of other governments.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

1. c. 2 TAXES AND SPECIAL ASSESSMENTS

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

Property taxes and special assessments are collected by the County Treasurer who credits to the County funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The County receives its share of the sale proceeds of any such auction.

Taxes and special assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. c. 3 INVENTORIES

Materials and supplies at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

The County's property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, lighting, and similar items) with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The County considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Machinery and Equipment	5 – 20 years
Infrastructure	20 – 50 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

County employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. County employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. County employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$5,118 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>
General Government	\$ 18,768
Public Safety	2,379
Public Works	180,012
Public Health	6,991
Social Economic Services	12,877
Housing and Community Development	365,124
Future Capital Costs	209,585
Total	<u>\$ 795,736</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,029,952	\$ 1,198,601	\$ 2,228,553

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 4,235
Demand Accounts	1,978
Repurchase Agreements	656,867
STIP	1,565,473
Total	<u>\$ 2,228,553</u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$408,667 of the County's bank balance of \$660,646 was exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value</u>
Collateral held by the pledging bank's trust department but not in the Entity's name.	\$ 408,667

Interest Rate Risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The County's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the County's investment portfolio is made up of securities whose maturities are less than 11 years.

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

2. a. SHORT TERM INVESTMENT POOL (STIP)

STIP is an external investment pool of the State of Montana. Although the STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company STIP has policy that it will be consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The County's participant unit price is fixed at \$1 for both buys and sells.

The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value. The STIP portfolio includes asset-backed and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government agency and mortgage-backed securities. Repurchase agreements (REPO's) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate).

Because of the pooled funds concept, cash held in STIP cannot be categorized as to custodial risk. For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001

2. b. EXTERNAL INVESTMENT POOL

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 which is invested in STIP and demand accounts. The pooled funds are carried at fair value.

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

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

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.

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

Statement of Net Position:		
Equity of Internal pool participants	\$	733,542
Equity of External pool participants		<u>1,130,132</u>
Total net position	\$	<u><u>1,863,674</u></u>
Statement of Changes in Net Position		
	<u>Internal</u>	<u>External</u>
Investment earnings	\$ 687	\$ 1,058
Contributions	196,753	698,522
Distributions	<u>(871,281)</u>	<u>(821,600)</u>
Change in Net Position	(673,841)	(122,020)
Net Position – Beginning	<u>1,407,383</u>	<u>1,252,152</u>
Net Position – Ending	<u><u>733,542</u></u>	<u><u>1,130,132</u></u>

NOTE 3. TAXES/ASSESSMENTS RECEIVABLE

The County is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$5,410,732 for the government wide and \$5,086,023 for road. The tax rates assessed for the year ended June 30, 2014 to finance County operations and applicable taxes receivable follows:

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

<u>Governmental Fund</u>	<u>Mill Levies</u>	<u>Taxes</u>
		<u>Receivable</u>
General*	51.03	\$ 4,208
Road*	29.43	1,832
Bridge	3.69	327
Weed	3.16	287
Predatory Animal	N/A	824
District Court	1.30	146
Emergency Disaster*	0	2
Senior Citizens	0.84	74
County Agent	2.91	257
Public Safety*	17.09	1,419
Permissive Levy	8.81	568
General/Ambulance CIP	1.23	267
General/Fire CIP	2.05	445
Total	<u>121.54</u>	<u>\$ 10,656</u>

* Denotes Major Funds

NOTE 4. LOANS RECEIVABLE

The county maintains an economic revolving loan fund to provide funding to businesses in the county to assist with economic recovery. At June 30, 2014 the county had four businesses with outstanding loans for a total of \$328,399. No allowance account has been established as the county uses the direct write-off approach and reduces deferred inflows of resources in governmental funds and reports any write off on the statement of activities as prior period adjustments. During fiscal year ended June 30, 2014 the County lent \$190,000 to a new business.

<u>Governmental Activities</u>	<u>Original</u>	<u>Balance</u>	<u>New</u>	<u>Principal</u>	<u>Balance</u>	<u>Interest</u>
	<u>Loan</u>		<u>Loans</u>			
Loans Receivable	<u>\$ 393,500</u>	<u>\$ 151,700</u>	<u>\$ 190,000</u>	<u>\$ (13,396)</u>	<u>\$ 328,304</u>	<u>\$ 13,096</u>

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>July 1, 2013</u>			<u>June 30, 2014</u>
<u>Depreciable:</u>				
Buildings	\$ 610,223	\$ 75,500	\$ 0	\$ 685,723
Machinery and equipment	1,907,044	146,799	(291,175)	1,762,668
Infrastructure	0	148,535	0	148,535
Total Depreciable	<u>\$ 2,517,267</u>	<u>\$ 370,834</u>	<u>\$ (291,175)</u>	<u>\$ 2,596,926</u>
<u>Accumulated Depreciation:</u>				
Buildings	\$ (91,866)	\$ (15,377)	\$ 0	\$ (107,243)
Machinery and equipment	(1,116,675)	(146,377)	264,342	(998,710)
Infrastructure	(0)	(5,328)	0	(5,328)
Total Depreciation	<u>\$ (1,208,541)</u>	<u>\$ (167,082)</u>	<u>\$ 264,342</u>	<u>\$ (1,111,281)</u>
Net General Capital Assets	<u>\$ 1,308,726</u>	<u>\$ 203,752</u>	<u>\$ (26,833)</u>	<u>\$ 1,485,645</u>

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
General Government	\$ 23,864
Public Safety	60,958
Public Works	82,260
Total Depreciation Expense	<u>\$ 167,082</u>

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a At June 30, 2014, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within One Year</u>
<u>Bonds and Notes Payable:</u>					
Intercap Loans	\$ 30,190	\$ 0	\$ (4,243)	\$ 25,947	\$ 25,947
<u>Other Liabilities:</u>					
Compensated Absences	\$ 9,364	\$ 5,038	\$ 0	\$ 14,402	\$ 5,118
Other Post-Employment Benefits (OPEB)	285,960	68,490	0	354,450	0
Total Other Liabilities	\$ 295,324	\$ 73,528	\$ 0	\$ 368,852	\$ 5,118
Total Governmental Activities - Long-Term Debt:	\$ 325,514	\$ 73,528	\$ (4,243)	\$ 394,799	\$ 31,065

6. b. INTERCAP LOAN

The County entered into an intercap loan in prior years with Montana Board of Investments for the acquisition of machinery and equipment. The loan was issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
Ambulance	6/12/2009	3.25% - 1.00%	10 years	8/15/2019	\$ 75,000	\$ 25,947

Subsequent interest payments will be approximately \$259

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Governmental Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 4,208	Taxes Receivable
Road*	1,832	Taxes Receivable
Bridge	327	Taxes Receivable
Weed	287	Taxes Receivable
Predatory Animal	824	Special Assessments Receivable
District Court	146	Taxes Receivable
Emergency Disaster*	2	Taxes Receivable
Senior Citizens	74	Taxes Receivable
County Agent	257	Taxes Receivable
Public Safety*	1,419	Taxes Receivable
Permissive Levy	568	Taxes Receivable
General/Ambulance CIP	267	Taxes Receivable
General/Fire CIP	445	Taxes Receivable
Total	\$ 10,656	

* Denotes Major Funds

7. b. ECONOMIC LOANS

<u>Governmental Fund</u>	<u>Amount</u>	<u>Reason</u>
Revolving Loan*	\$ 328,304	Economic Development

* Denotes Major Funds

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 8. TRANSFERS

<u>Governmental Fund - From</u>	<u>Amount</u>	<u>Governmental Fund - To</u>	
Permissive Medical Levy	\$ 25,044	General*	Current year allocations from Permissive fund to cover health care costs
Permissive Medical Levy	12,672	Road*	Current year allocations from Permissive fund to cover health care costs
Permissive Medical Levy	12,672	Public Safety*	Current year allocations from Permissive fund to cover health care costs
General*	1,125	MCH	Annual MCH Health Care match
General*	52,526	Road CIP	Future Capital Costs
Road*	14,000	Road CIP	Future Capital Costs
General*	22,300	General CIP	Future Capital Costs
General*	3,621	Road/Bridge CIP	Future Capital Costs
Bridge	1,400	Road/Bridge CIP	Future Capital Costs
Public Safety*	50,000	Public Safety CIP	Future Capital Costs
Total	<u>\$ 195,360</u>		

* Denotes Major Funds

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The County provides the same health care plan to all of its members. The County had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of July 1, 2013 was as follows:

Actuarial Accrued Liability (AAL)	\$ 424,937
Actuarial value of plan assets	0
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 424,937</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	<u>\$ 539,834</u>
UAAL as a percentage of covered payroll	79%

Annual OPEB Cost and Net OPEB Obligations - 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2013.

Annual Required Contribution (ARC)	\$ 135,250
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost (expense)	<u>135,250</u>
Contribution made	0
Increase in net OPEB obligation	68,490
Net OPEB obligation - beginning of year	<u>285,960</u>
Net OPEB obligation - end of year	<u>\$ 354,450</u>

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 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)	65
Discount rate (average anticipated rate)	1.00%
Average Salary Increase	2.00%
Health care cost rate trend	
Year	% Increase
2014-2102	4.9% - 5.7%

NOTE 10. RISK MANAGEMENT

The County is exposed to various types of risk 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. Several methods are used to provide insurance for these risks

Golden Valley County elected to participate in the Montana Association of Counties Workers' Compensation Trust (The Trust) to provide workers' compensation coverage. The County pays annual premiums to The Trust for its workers' compensation coverage and for its portion of the debt service for the bonds sold by The Trust to provide aggregate excess coverage, provide resources for previously unfunded liabilities, and establish initial insurance reserves. The Trust is governed by an elected board of nine county commissioners which has the authority to determine management and set operational policies. The Trust has obtained reinsurance through commercial companies for claims in excess of \$1,000,000 per occurrence. Financial statements for The Trust are available from the Montana Association of Counties, Helena, Montana.

The County also elected to participate in the Montana Association of Counties Joint Powers Insurance Authority Trust (The Authority) to provide liability and general insurance coverage. Coverage is provided in the amount of \$500,000 for property, liability, errors and omissions, and crime coverage. The Authority has obtained reinsurance through commercial companies for claims in excess of the above areas for various amounts. Claims administration services are handled by a private insurance firm and general administration is handled by the Montana Association of Counties. Financial statements are available from the Montana Association of Counties, Helena, Montana.

Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for employee medical insurance. The County has no coverage for potential losses from environmental damages. Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM

The County participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all County employees. The Sheriff's Retirement System (SRS) covers the sheriff and employees of the sheriff's department. The Public Employee Retirement System (PERS) covers all other employees, except certain part-time employees. The plans are established under State law and are administered by the State of Montana. The plans provide retirement and disability payments.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at 0.10%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 8.07%. The SRS rate for employees was 9.245% and for employees 10.115%

GOLDEN VALLEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
SRS	\$ 13,361	\$ 13,603	\$ 11,907
PERS	<u>29,114</u>	<u>33,159</u>	<u>39,935</u>
Total	<u>\$ 42,475</u>	<u>\$ 46,762</u>	<u>\$ 51,842</u>

NOTE 12. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

GOLDEN VALLEY COUNTY

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2010	\$ -	\$ 226,343	\$ 226,343	0%	\$ 435,142	52%
7/1/2013	\$ -	\$ 424,937	\$ 424,937	0%	\$ 539,834	79%

Information for prior years is not available.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/Assessments	\$ 319,875	\$ 319,875	\$ 344,058	\$ 179,323	\$ 179,323	\$ 180,130
Licenses and Permits	-	-	-	-	-	-
Intergovernmental Revenues	34,225	34,225	39,980	68,146	68,146	63,565
Charges for Services	47,379	47,379	66,282	500	500	520
Fines and Forfeitures	1,195	1,195	11,277	-	-	-
Miscellaneous	7,950	7,950	56,674	100	100	1,216
Investment and Royalty Earnings	2,323	2,323	635	1,247	1,247	141
Total Revenues	412,947	412,947	518,906	249,316	249,316	245,572
EXPENDITURES:						
Current						
General Government			358,116			-
Public Safety			64,343			-
Public Works			-			120,920
Public Health			22,704			-
Social and Economic Services			1,364			-
Culture and Recreation			400			-
Housing and Community Development			-			-
Debt Service			-			-
Principal			4,243			-
Interest and other charges			290			-
Capital Outlay			-			148,535
Total Expenditures	500,984	496,285	451,460	271,450	257,450	269,455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,037)	(83,338)	67,446	(22,134)	(8,134)	(23,883)
OTHER FINANCING SOURCES/USES						
Fund Transfers In	25,344	25,344	25,044	59,008	-	12,672
Fund Transfers (Out)	(56,148)	(78,448)	(79,572)	-	(14,000)	(14,000)
Total Other financial Sources/Uses	(30,804)	(53,104)	(54,528)	59,008	(14,000)	(1,328)
NET CHANGES IN FUND BALANCES	(118,841)	(136,442)	12,918	36,874	(22,134)	(25,211)
FUND BALANCE:						
Beginning of the Year			221,298			30,239
End of the Year			\$ 234,216			\$ 5,028

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual - continued)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Disaster			Public Safety		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/Assessments	\$ -	\$ -	\$ -	\$ 105,211	\$ 105,211	\$ 105,522
Licenses and Permits	-	-	-	1,625	1,625	1,050
Intergovernmental Revenues	-	-	80,000	8,274	8,274	16,394
Charges for Services	-	-	-	-	-	4,957
Fines and Forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	202
Investment and Royalty Earnings	-	-	-	-	-	3
Total Revenues	-	-	80,000	115,110	115,110	128,128
EXPENDITURES:						
Current						
General Government			-			-
Public Safety			-			166,841
Public Works			225,261			-
Public Health			-			-
Social and Economic Services			-			-
Culture and Recreation			-			-
Housing and Community Development			-			-
Debt Service						
Principal			-			-
Interest and other charges			-			-
Capital Outlay			-			-
Total Expenditures	243,328	243,328	225,261	205,950	155,950	166,841
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(243,328)	(243,328)	(145,261)	(90,840)	(40,840)	(38,713)
OTHER FINANCING SOURCES/USES						
Fund Transfers In			-	42,672	-	12,672
Fund Transfers (Out)			-	-	(50,000)	(50,000)
Total Other financial Sources/Uses	-	-	-	42,672	(50,000)	(37,328)
NET CHANGES IN FUND BALANCES	(243,328)	(243,328)	(145,261)	(48,168)	(90,840)	(76,041)
FUND BALANCE:						
Beginning of the Year			243,329			77,098
End of the Year			<u>\$ 98,068</u>			<u>\$ 1,057</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual - continued)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Revolving Loan		
	Original Budget	Final Budget	Actual
REVENUES:			
Taxes/Assessments	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Miscellaneous	-	-	-
Investment and Royalty Earnings	<u>49,536</u>	<u>49,536</u>	<u>28,788</u>
Total Revenues	<u>49,536</u>	<u>49,536</u>	<u>28,788</u>
EXPENDITURES:			
Current			
General Government			2,290
Public Safety			-
Public Works			-
Public Health			-
Social and Economic Services			-
Culture and Recreation			-
Housing and Community Development			190,396
Debt Service			
Principal			-
Interest and other charges			-
Capital Outlay			-
Total Expenditures	<u>407,538</u>	<u>407,538</u>	<u>192,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(358,002)</u>	<u>(358,002)</u>	<u>(163,898)</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers In			-
Fund Transfers (Out)			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(358,002)	(358,002)	(163,898)
FUND BALANCE:			
Beginning of the Year			<u>529,022</u>
End of the Year			<u>\$ 365,124</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

GOLDEN VALLEY COUNTY

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds of the County. All annual appropriations lapse at fiscal year-end, unless the County elects to encumber supplies and personal property ordered but not received at year end. The Town does not use a formal encumbrance system.

1. a. 1 GENERAL BUDGET POLICIES:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds.

1. a. 2 BUDGET OPERATION:

The County operates within the budget requirements for incorporated city or town's as specified by State law. The financial report reflects the following budgetary standards:

- (1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.
- (2) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.
- (3) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- (4) The governing body and each municipal official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
 - a. debt service funds for obligations related to debt approved by the governing body;
 - b. trust funds for obligations authorized by trust covenants;
 - c. any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
 - d. any fund for special assessments approved by the governing body;
 - e. the proceeds from the sale of land;
 - f. any fund for gifts or donations; and
 - g. money borrowed during the fiscal year.
- (5) If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTE 2. BUDGET AMENDMENT

The County approved a budget amendments and they are displayed in the final budget column.

NOTE 3. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
Road*	\$ 12,005	Costs exceeded appropriations
Public Safety*	10,891	Costs exceeded appropriations
Total	<u>\$ 22,896</u>	

*Denotes major funds

STROM & ASSOCIATES, PC
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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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Golden Valley County
Ryegate, Montana 59074

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Golden Valley County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Golden Valley County's basic financial statements and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses 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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001 and 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Golden Valley 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 *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs Or schedule of findings and responses as item 2014-002.

Golden Valley County's Response to Findings

The County did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State.

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.

A handwritten signature in black ink that reads "Strom & Associates, P.C." The signature is written in a cursive, slightly slanted style.

STROM & ASSOCIATES, PC
Billings, Montana
June 29, 2015

SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

2013-001 CAPITAL ASSETS

Repeated and updated as 2014-001

2013-002 LOANS RECEIVABLE

Implemented

2014-001 CAPITAL ASSETS:

Criteria: Generally Accepted Accounting Principles (GAAP) requires expenditures to be properly reported.
Condition: During the fiscal year ended June 30, 2014, the county did not capitalize the rerouting of Swimming Woman Road and installing a fence along the road as capital assets.
Effect: Capital assets are understated on the Statement of Net Position, and expenses are overstated on the Statement of Activities. At the request of the client the audit report has been adjusted
Context: The Swimming Woman road was rerouted and a fence was installed during fiscal year June 30, 2014. The capital costs were code in the accounting system as a 300 object rather than a 900 object and the \$148,535 of costs were not capitalized.
Cause: Incorrectly using object codes.
Recommendation: We recommend while closing the accounting books costs posted to the 300 object be reviewed to ensure no capital assets were erroneously posted to the wrong object code.

2014-002 BUDGET OVERDRAFT:

Criteria: MCA 7-6-4005. Expenditures limited to appropriations. (1) Local government officials may not make a disbursement or an 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.
Condition: During fiscal year ended June 30, 2014 the County incurred expenditures in excess of the authorized appropriation.
Effect: None compliance with State Law.
Context: During fiscal year ended June 30, 2014 expenditures exceeded appropriations in the general funds by \$12,005 and in the public safety fund by \$10,161.
Cause: Oversight when budget amendment were being approved.
Recommendation: We recommend the County limit its expenditures to the authorized appropriation.

2014-003 DISTRICT COURT BOND:

Criteria: Generally Accepted Accounting Principles (GAAP) indicates that money held on-behalf of others in a custodial relationship should be accounted for in an Agency fund.
Condition: During the fiscal year ended June 30, 2014, the county recorded the receipt of a District Court Bond as revenue in the District Court fund rather than as an agency fund.
Effect: Revenues and cash are overstated on the Statement of Net Position, and Statement of Activities. In additions, revenues and cash are overstated in the governmental funds and agency fund cash and due to others are understated. At the request of the client the audit report has been adjusted.
Context: The county receipt a \$15,000 bond and posted the transaction in the District Court fund rather than in agency funds.
Cause: Not much activity for the District court and removed the agency fund from the funds listed in agency funds.
Recommendation: We recommend money, collected by District court be accounted for in a county agency fund and then once final distribution occurs the distribution come out of the agency fund..