

LIBERTY COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

LIBERTY COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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LIBERTY COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Rlynn Rockman
Larry Hendrickson
Russ Tempel

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Hugh Brown
Gayle Dahlen
Rhonda Pimley
Anne Seidlitz-Melton
Holly Frederickson
Rachel Ghekiere
Richard Burrows

County Attorney
Treasurer
Clerk and Recorder / Auditor
Clerk of District Clerk
Justice of the Peace
School Superintendent
Sheriff

LIBERTY COUNTY, MONTANA MANAGEMENT'S DISCUSSION AND ANALYSIS

The County of Liberty offers the readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. In addition to this overview and analysis based on currently known facts, decisions and conditions, the County would encourage readers to consider the information presented in the County's financial statements which begin on page 13 of this report.

Financial Highlights

- ❖ The assets of Liberty County exceeded its liabilities by \$7,077,973 (Net Position).
- ❖ The total fiscal year end governmental fund balance was \$3,809,828 as reported in the balance sheet.
- ❖ The unassigned general fund balance at fiscal year end was \$1,235,811. In addition, the restricted fund balances at fiscal year end for road, health care facilities, public safety, and 911 Emergency were \$208,079, \$0.00, \$245,431, and \$401,793 respectively. More information regarding the general fund, as well as the road, health care, public safety, and 911 Emergency funds is contained in the Economic Factors and Future Outlook toward the end of the management discussion and analysis (MD&A).

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

The **statement of net position** presents information on all of the County's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the County's financial position is improving or deteriorating.

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

**LIBERTY COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the County include general government, public safety – police, culture and recreational services, economic development and public works – road. Liberty County currently has no business-type activities.

Fund Financial Statements

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria: 1) total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and 2) total assets combined with deferred outflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

Governmental Funds

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

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

**LIBERTY COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road Fund, Health-Care Facilities Fund, Public Safety Fund, and the 911 Emergency Services Fund. These five funds are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

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

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary Funds

Liberty County currently has no Proprietary Funds.

Government-Wide Financial Analysis

Net position over time may serve useful as the indicator of a government's financial position. The net position for the fiscal year ending June 30, 2014 is \$7,077,973 (assets exceeded liabilities).

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

The following table presents condensed financial information on the County's Net Position as of and for the fiscal year ended June 30, 2014.

Net Position	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Variance</u>
Current and other assets	\$ 3,998,570	\$ 3,713,710	\$ 284,860
Capital assets	<u>4,639,542</u>	<u>4,931,275</u>	<u>(291,733)</u>
Total assets	<u>\$ 8,638,112</u>	<u>\$ 8,644,985</u>	<u>\$ (6,873)</u>
Long-term debt outstanding	\$ 1,505,564	\$ 1,540,170	\$ (34,606)
Other liabilities	<u>54,572</u>	<u>82,005</u>	<u>(27,433)</u>
Total liabilities	<u>\$ 1,560,136</u>	<u>\$ 1,622,175</u>	<u>\$ (62,039)</u>
Invested in capital assets, net of debt	\$ 3,596,996	\$ 3,764,351	\$ (167,355)
Restricted	2,687,678	2,962,590	(274,912)
Unrestricted (deficit)	<u>793,302</u>	<u>295,869</u>	<u>497,433</u>
Total net position	<u><u>\$ 7,077,976</u></u>	<u><u>\$ 7,022,810</u></u>	<u><u>\$ 55,166</u></u>

**LIBERTY COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table presents condensed financial information on the County's Changes in Net Position as of and for the fiscal year ended June 30, 2014.

Changes in Net Position	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Variance</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 331,799	\$ 355,937	\$ (24,138)
Operating grants and contributions	507,074	501,661	5,413
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,998,813	1,917,332	81,481
Miscellaneous	57,381	91,735	(34,354)
Interest/investment earnings	34,516	21,223	13,293
PILT	79,590	62,392	17,198
Montana oil and gas production tax	377,943	456,263	(78,320)
State entitlement	429,886	376,933	52,953
Grants and entitlement not restricted to specific programs	60,000	21,959	38,041
Contributions & donations	43,362	4,360	39,002
Total revenues	<u>\$ 3,920,364</u>	<u>\$ 3,809,795</u>	<u>\$ 110,569</u>
Program expenses			
General government	\$ 989,734	\$ 941,27	\$ 48,462
Public safety	757,305	726,460	30,845
Public works	1,042,722	980,279	62,443
Public health	438,104	460,091	(21,987)
Social and economic services	467,279	459,837	7,442
Culture and recreation	126,958	167,946	(40,988)
Housing and community development	20,728	25,88	(5,153)
Debt service – interest	8,155	11,096	(2,941)
Internal services	3,236	8,708	(5,472)
Miscellaneous	14,275	21,421	(7,146)
Total expenses	<u>\$ 3,868,496</u>	<u>\$ 3,802,991</u>	<u>\$ 65,505</u>
Excess (deficiency) before special items and transfers	51,868	6,804	45,064
Gain (loss) on sale of capital assets	\$ -	\$ (42,000)	\$ 42,000
Increase (decrease) in net position	<u>\$ 51,868</u>	<u>\$ (35,196)</u>	<u>\$ 87,064</u>

Governmental Activities

Net positions in governmental activities' increased by \$51,868 during fiscal year 2014. Program revenues in the capital grants and contributions column include grants from federal and state sources.

Business Type Activities

Liberty County currently has no business-type activities.

**LIBERTY COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the County's Funds

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

Governmental Funds

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

The combined fund balance for governmental funds for the fiscal year ending 2014 was \$3,809,828. A fund balance of \$68,546, has been restricted for debt service to indicate it is not available for spending, 445,161 was restricted for capital projects, and 1,205,007 was restricted for special projects.

Proprietary Funds

Liberty County currently has no proprietary funds.

General Fund Budgetary Highlights

There were no significant variances between the original and final revenue or expenditure budgets.

Capital Asset and Debt Administration

Capital Assets

Liberty County's investment in capital assets for its governmental activities as of June 30, 2014 was in the amount of \$4,639,542. The investment in capital assets includes, land, construction in progress, buildings, equipment and vehicles.

There were no major capital improvements during this fiscal year.

Debt Administration

Liberty County had total bonded debt and notes outstanding of \$1,505,565 at the end of the current fiscal year. Page 73 (GLTDAG) of this report provides a summary of the County's long-term debt.

Under the current State statutes, a County may not issue bonds or incur other indebtedness for any purpose, including existing indebtedness that in the aggregate exceeds 2.5% of the total assessed value of the taxable property, within the county, as ascertained by the last assessment for state and county taxes. As of June 30, 2014, Liberty County's outstanding debt of \$1,505,565 was well below the legal debt limit of \$7,006,252.

**LIBERTY COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Future Outlook

Property tax income has kept up with inflation over the last 10 years. Although the recommended maximum reserve of 33% of the annual budget is not currently maintained, Liberty County has steadily been increasing the reserves and will be at the maximum recommended reserve level soon. These reserves are necessary because the first installment of property taxes is due in November of each year and property taxes are the major income for these funds. Cash balances decrease between July 1st and November 30th. Therefore, the reserves are needed to pay expenditures over these five months.

Financial Contact

The County's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning any of the information presented in this report or requesting additional information should be sent to the Liberty County Clerk & Recorder, PO Box 459, 111 1st Street East, Chester, MT 59522.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Liberty County
Chester, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 7, 39 through 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, on our consideration of the Liberty County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty County, Montana's internal control over financial reporting and compliance.

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

June 23, 2015

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

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	3,841,073
Taxes and assessments receivable, net		134,170
Accounts receivable - net		20,770
Due from other governments		2,557
Total current assets	\$	3,998,570
Noncurrent assets		
Capital assets - land	\$	88,444
Capital assets - construction in progress		15,853
Capital assets - depreciable, net		4,535,245
Total noncurrent assets	\$	4,639,542
Total assets	\$	8,638,112
LIABILITIES		
Current liabilities		
Accrued payroll	\$	54,502
Due to other governments		70
Current portion of long-term capital liabilities		154,725
Current portion of compensated absences payable		115,987
Total current liabilities	\$	325,284
Noncurrent liabilities		
Noncurrent portion of long-term liabilities - OPEB	\$	272,148
Noncurrent portion of long-term capital liabilities		887,821
Noncurrent portion of compensated absences		74,883
Total noncurrent liabilities	\$	1,234,852
Total liabilities	\$	1,560,136
NET POSITION		
Net investment in capital assets	\$	3,596,996
Restricted for special projects		2,170,224
Restricted for debt service		68,994
restricted for capital projects		445,162
Unrestricted		796,600
Total net position	\$	7,077,976

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:				<u>Governmental Activities</u>
General government	\$ 989,734	\$ 36,185	\$ 31,697	\$ (921,852)
Public safety	757,305	114,559	172,915	(469,831)
Public works	1,042,722	89,778	239,132	(713,812)
Public health	438,104	46,208	10,468	(381,428)
Social and economic services	467,279	45,069	52,862	(369,348)
Culture and recreation	126,958	-	-	(126,958)
Housing and community development	20,728	-	-	(20,728)
Debt service - interest	8,155	-	-	(8,155)
Internal services	3,236	-	-	(3,236)
Miscellaneous	14,275	-	-	(14,275)
Total primary government	\$ 3,868,496	\$ 331,799	\$ 507,074	\$ (3,029,623)
General Revenues:				
				\$ 1,998,813
Property taxes for general purposes				57,381
Miscellaneous				34,516
Interest/investment earnings				79,590
PILT				377,943
Montana oil and gas production tax				429,886
State entitlement				60,000
Grants and entitlements not restricted to specific programs				43,362
Contributions & donations				3,081,491
Total general revenues, special items and transfers				\$ 3,081,491
Change in net position				\$ 51,868
Net position - beginning				\$ 7,022,810
Restatements				3,298
Net position - beginning - restated				\$ 7,026,108
Net position - end				\$ 7,077,976

See accompanying Notes to the Financial Statements

**Liberty County, Montana
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Road</u>	<u>Health Care Facilities</u>	<u>Public Safety</u>	<u>911 Emergency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 1,251,871	\$ 214,712	\$ -	\$ 258,123	\$ 403,511	\$ 1,712,856	\$ 3,841,073
Taxes and assessments receivable, net	23,808	14,905	23,276	16,539	-	55,642	134,170
Accounts receivable - net	-	-	-	-	-	20,770	20,770
Due from other governments	-	-	-	-	-	2,557	2,557
Total assets	<u>\$ 1,275,679</u>	<u>\$ 229,617</u>	<u>\$ 23,276</u>	<u>\$ 274,662</u>	<u>\$ 403,511</u>	<u>\$ 1,791,825</u>	<u>\$ 3,998,570</u>
Current liabilities:							
Accrued payroll	\$ 15,991	\$ 6,633	\$ -	\$ 12,692	\$ 1,718	\$ 17,468	\$ 54,502
Due to other governments	70	-	-	-	-	-	70
Total current liabilities	<u>\$ 16,061</u>	<u>\$ 6,633</u>	<u>\$ -</u>	<u>\$ 12,692</u>	<u>\$ 1,718</u>	<u>\$ 17,468</u>	<u>\$ 54,572</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	<u>\$ 23,808</u>	<u>\$ 14,905</u>	<u>\$ 23,276</u>	<u>\$ 16,539</u>	<u>\$ -</u>	<u>\$ 55,642</u>	<u>\$ 134,170</u>
FUND BALANCES							
Restricted	\$ -	\$ 208,079	\$ -	\$ 245,431	\$ 401,793	\$ 1,609,975	\$ 2,465,278
Committed	-	-	-	-	-	108,740	108,740
Unassigned fund balance	1,235,810	-	-	-	-	-	1,235,810
Total fund balance	<u>\$ 1,235,810</u>	<u>\$ 208,079</u>	<u>\$ -</u>	<u>\$ 245,431</u>	<u>\$ 401,793</u>	<u>\$ 1,718,715</u>	<u>\$ 3,809,828</u>

See accompanying Notes to the Financial Statements

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014**

Total fund balances - governmental funds	\$ 3,809,828
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,639,542
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	134,170
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,505,564)
Total net position - governmental activities	\$ <u><u>7,077,976</u></u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Health Care Facilities</u>	<u>Public Safety</u>	<u>911 Emergency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 337,680	\$ 244,932	\$ 296,290	\$ 257,649	\$ -	\$ 852,448	\$ 1,988,999
Licenses and permits	50	-	-	-	-	-	50
Intergovernmental	325,398	206,305	6,418	136,058	141,251	556,731	1,372,161
Charges for services	53,818	4,712	-	107,294	-	252,220	418,044
Fines and forfeitures	7,812	-	-	-	-	1,052	8,864
Miscellaneous	16,213	4,090	-	527	205	67,970	89,005
Investment earnings	22,774	-	15	13	2,780	7,846	33,428
Total revenues	<u>\$ 763,745</u>	<u>\$ 460,039</u>	<u>\$ 302,723</u>	<u>\$ 501,541</u>	<u>\$ 144,236</u>	<u>\$ 1,738,267</u>	<u>\$ 3,910,551</u>
EXPENDITURES							
General government	\$ 826,978	\$ -	\$ -	\$ -	\$ -	\$ 63,552	\$ 890,530
Public safety	22,844	-	-	528,066	80,220	76,179	707,309
Public works	4,225	349,097	-	-	-	465,776	819,098
Public health	16,212	-	302,723	-	-	68,347	387,282
Social and economic services	3,250	-	-	-	-	411,450	414,700
Culture and recreation	1,171	-	-	-	-	123,334	124,505
Housing and community development	11,945	-	-	-	-	8,783	20,728
Debt service - principal	-	96,322	-	-	-	28,056	124,378
Debt service - interest	-	8,155	-	-	-	-	8,155
Internal services	-	-	-	-	-	3,236	3,236
Miscellaneous	200	-	-	-	-	14,075	14,275
Capital outlay	-	22,616	-	-	-	71,259	93,875
Total expenditures	<u>\$ 886,825</u>	<u>\$ 476,190</u>	<u>\$ 302,723</u>	<u>\$ 528,066</u>	<u>\$ 80,220</u>	<u>\$ 1,334,047</u>	<u>\$ 3,608,071</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (123,080)</u>	<u>\$ (16,151)</u>	<u>\$ -</u>	<u>\$ (26,525)</u>	<u>\$ 64,016</u>	<u>\$ 404,220</u>	<u>\$ 302,480</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 84,115	\$ 45,144	\$ -	\$ 57,510	\$ -	\$ 183,812	\$ 370,581
Transfers out	(2,262)	(1,670)	-	(52,201)	-	(314,448)	(370,581)
Total other financing sources (uses)	<u>\$ 81,853</u>	<u>\$ 43,474</u>	<u>\$ -</u>	<u>\$ 5,309</u>	<u>\$ -</u>	<u>\$ (130,636)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (41,227)</u>	<u>\$ 27,323</u>	<u>\$ -</u>	<u>\$ (21,216)</u>	<u>\$ 64,016</u>	<u>\$ 273,584</u>	<u>\$ 302,480</u>
Fund balances - beginning	\$ 604,233	\$ 180,756	\$ -	\$ 266,647	\$ 337,777	\$ 2,117,935	\$ 3,507,348
Restatements	672,804	-	-	-	-	(672,804)	-
Fund balances - beginning, restated	<u>\$ 1,277,037</u>	<u>\$ 180,756</u>	<u>\$ -</u>	<u>\$ 266,647</u>	<u>\$ 337,777</u>	<u>\$ 1,445,131</u>	<u>\$ 3,507,348</u>
Fund balance - ending	<u>\$ 1,235,810</u>	<u>\$ 208,079</u>	<u>\$ -</u>	<u>\$ 245,431</u>	<u>\$ 401,793</u>	<u>\$ 1,718,715</u>	<u>\$ 3,809,828</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds	\$ 302,480
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	93,875
- Depreciation expense	(388,906)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	9,813
The change in compensated absences is shown as an expense in the Statement of Activities	(28,020)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	124,378
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(61,752)
Change in net position - Statement of Activities	\$ <u>51,868</u>

See accompanying Notes to the Financial Statements

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

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 2,317,154	\$ 472,362
Taxes receivable	-	138,537
Total assets	<u>\$ 2,317,154</u>	<u>\$ 610,899</u>
LIABILITIES		
Warrants payable	\$ -	\$ 266,207
Due to others	-	344,692
Total liabilities	<u>\$ -</u>	<u>\$ 610,899</u>
NET POSITION		
Assets held in trust	<u>\$ 2,317,154</u>	

See accompanying Notes to the Financial Statements

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

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to Investment Trust Fund	\$ 1,552,276
Total contributions	<u>\$ 1,552,276</u>
Investment earnings:	
Interest and change in fair value of investments	\$ 14,917
Net investment earnings	<u>\$ 14,917</u>
Total additions	<u>\$ 1,567,193</u>
 DEDUCTIONS	
Distributions from investment trust fund	\$ 1,992,774
Total deductions	<u>\$ 1,992,774</u>
Change in net position	<u>\$ (425,581)</u>
Net Position - Beginning of the year	\$ 2,746,741
Restatements	<u>(4,006)</u>
Net Position - Beginning of the year - Restated	<u>\$ 2,742,735</u>
Net Position - End of the year	<u><u>\$ 2,317,154</u></u>

See accompanying Notes to the Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

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

Major Funds:

The County reports the following major governmental funds:

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

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

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

Health Care Facilities – Used to recognize the mill levy monies used to support healthcare in the County.

Public Safety – A special revenue fund that is used for special revenues received and expended for public safety purposes.

911 Emergency – A special revenue fund that is used for revenues generated from basic and enhanced charges collected from phone providers.

Fiduciary Funds

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

The fiduciary funds are:

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

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

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 608
Cash in banks:	
Demand deposits	462,249
Time Deposits	1,966,350
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	2,749,000
U.S. Government Securities	1,452,382
Total	<u>\$ 6,630,589</u>

Credit Risk

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

- (a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;
- (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or
- (c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):
 - (i) federal home loan bank;
 - (ii) federal national mortgage association;
 - (iii) federal home mortgage corporation; and
 - (iv) federal farm credit bank.

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

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

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

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

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

The government has no investments that require credit risk disclosure.

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

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 \$2,429,207 of the government's bank balance of \$2,438,171 was exposed to custodial credit risk as follows:

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

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 2,211,538
- Collateral held by the pledging bank's trust department but not in the County's name.	100,019
Uninsured and uncollateralized	126,614
Total deposits and investments	<u>\$ 2,438,171</u>

Deposit Security

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

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

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

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of individual investments as of June 30, 2014 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
STIP	1.00%	NA	\$ 2,749,000
Federal National Mortgage Association	1.20%	7/17/2017	300,877
Federal Farm Credit	1.47%	6/27/18	345,898
Federal Home Loan Debenture	1.30%	9/27/18	247,153
Federal Home Loan Mortgage Corp	2.00%	1/16/2019	312,994
Federal Farm Credit Bank Debenture	1.29%	6/14/2019	245,460
			<u>\$ 4,201,382</u>

Cash and Investment Pools

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments"

Investment in the Treasurer's Pools

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

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

The County has one pooled investment trust funds in STIP, Certificates of Deposit, and U.S. Government Securities. The pooled funds are carried at fair value.

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

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

Investment Income

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

Condensed statements of investments pool

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

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 3,493,403
Equity of external pool participants	2,317,154
Total equity	<u>\$ 5,810,557</u>

Condensed Statement of Changes in Net Assets

	External	Internal
Investment earnings	\$ 14,917	\$ 24,735
Contributions to trust	1,552,276	2,573,923
Distributions paid	(1,992,774)	(2,725,957)
Net change in net assets	<u>\$ (425,581)</u>	<u>\$ (127,299)</u>
Net assets at beginning of year	2,746,741	3,625,991
Restatement	(4,006)	(5,289)
Net assets at end of year	<u>\$ 2,317,154</u>	<u>\$ 3,493,403</u>

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

NOTE 3. RECEIVABLES

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

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

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

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

NOTE 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 40 years
Improvements	7 – 25 years
Equipment	5 – 30 years

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

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

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance				Balance
	July 1, 2013	Additions	Deletions	Adjustments	June 30, 2014
Capital assets not being depreciated:					
Land	\$ 88,444	\$ -	\$ -	\$ -	\$ 88,444
Construction in progress	15,853	-	-	-	15,853
Total capital assets not being depreciated	<u>\$ 104,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,297</u>
Other capital assets:					
Buildings	\$ 4,530,079	\$ -	\$ -	\$ -	\$ 4,530,079
Improvements other than buildings	1,038,981	-	-	-	1,038,981
Machinery and equipment	3,547,518	93,875	(605,794)	38,298	3,073,897
Total other capital assets at historical cost	<u>\$ 9,116,578</u>	<u>\$ 93,875</u>	<u>\$ (605,794)</u>	<u>\$ 38,298</u>	<u>\$ 8,642,957</u>
Less: accumulated depreciation	<u>\$ (4,289,600)</u>	<u>\$ (388,906)</u>	<u>\$ 605,794</u>	<u>\$ (35,000)</u>	<u>\$ (4,107,712)</u>
Total	<u>\$ 4,931,275</u>	<u>\$ (295,031)</u>	<u>\$ -</u>	<u>\$ 3,298</u>	<u>\$ 4,639,542</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 9,432
Public safety	49,996
Public works	223,624
Culture and recreation	2,453
Public Health	50,822
Social and Economic Services	<u>52,579</u>
Total governmental activities depreciation expense	<u>\$ 388,906</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

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

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

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

Governmental Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Contracted debt	\$ 244,589	\$ -	\$ (33,929)	\$ 210,660	\$ 34,314
Compensated absences	162,850	28,020	-	190,870	115,987
Capital leases	922,335	-	(90,449)	831,886	120,411
Other post-employment benefits*	210,396	61,752	-	272,148	-
Total	<u>\$ 1,540,170</u>	<u>\$ 89,772</u>	<u>\$ (124,378)</u>	<u>\$ 1,505,564</u>	<u>\$ 270,712</u>

*See Note 9

Loans/Contracted Debt

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

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2014</u>
John Deere 328D Skid Steer	11/09/11	6.50%	5 yrs	11/9/17	\$ 31,857	\$ 19,960
Rural Economic Development	07/19/11	0.00%	9 yrs	1/15/21	<u>266,472</u>	<u>190,700</u>
Total					<u>\$ 298,329</u>	<u>\$ 210,660</u>

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 34,314	\$ 1,297
2016	34,720	891
2017	35,094	457
2018	28,056	-
2019	28,056	-
2020	28,056	-
2021	22,364	-
Total	<u>\$ 210,660</u>	<u>\$ 2,645</u>

Capital Leases

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

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
John Deere 872G Grader	11/20/10	4.00%	5 yrs	10/21/15	\$ 193,683	\$ 82,024
Caterpillar Graders (2)	06/20/13	2.64%	3 yrs	06/20/16	359,362	359,362
John Deere Graders (2)	5/24/13	2.64%	4 yrs	05/24/17	<u>390,500</u>	<u>390,500</u>
					<u>\$ 943,545</u>	<u>\$ 831,886</u>

Annual requirement to amortize debt:

For Fiscal		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 120,411	\$ 23,059
2016	124,124	19,346
2017	319,095	15,513
2018	268,256	-
Total	<u>\$ 831,886</u>	<u>\$ 57,918</u>

Compensated Absences

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

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

Actuarial Accrued Liability (AAL)	\$	383,184
Actuarial value of plan assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	383,184
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	2,006,545
UAAL as a percentage of covered payroll		19.10%

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

Annual Required Contribution (ARC)	\$	61,752
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	61,752
Contributions made	\$	-
Increase in net OPEB obligation	\$	61,752
Net OPEB obligation - beginning of year	\$	210,396
Net OPEB obligation - end of year	\$	272,148

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

		Unit Credit Cost Method
Actuarial cost method		
Average age of retirement (based on historical data)		62
Discount rate (average anticipated rate)		1.00%
Average salary increase (Consumer Price Index)		2.00%

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

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2010	3.90%
2011	5.20%
2012	5.50%
2013	6.10%
2014	6.60%
2015	6.70%
2016	7.00%
2017	6.80%
2018	6.80%
2019 and after	6.60%

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

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

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Compensated absences liability	General – Major Governmental	Compensated Absences – Nonmajor Governmental	\$ 790
Compensated absences liability	General – Major Governmental	Compensated Absences – Nonmajor Governmental	488
Compensated absences liability	General – Major Governmental	Compensated Absences – Nonmajor Governmental	15
Compensated absences liability	General – Major Governmental	Compensated Absences – Nonmajor Governmental	291
Compensated absences liability	General – Major Governmental	Compensated Absences – Nonmajor Governmental	403
Compensated absences liability	Road – Major Governmental	Compensated Absences – Nonmajor Governmental	1,670
Compensated absences liability	Bridge – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	1,437
Compensated absences liability	Weed Control – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	1,094
Compensated absences liability	District Court – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	349
Compensated absences liability	Library – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	1,100
Capital Projects	Ambulance – Nonmajor Governmental	CIP fund – Ambulance – Nonmajor Governmental	60,000
Compensated absences liability	Ambulance – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	279

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

Matching Grant Funds	Senior Citizen – Nonmajor Governmental	Council on Aging – Nonmajor Governmental	11,080
Compensated absences liability	Senior Citizen Transportation – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	584
Compensated absences liability	Senior Citizen – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	1,042
Compensated absences liability	Extension Services– Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	647
Capital Projects	Public Safety – Nonmajor Governmental	CIP fund –Sheriff – Nonmajor Governmental	45,000
Compensated absences liability	Public Safety – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	7,201
Permissive Medical Levy	Health Insurance – Nonmajor Governmental	Road – Major Governmental	27,086
Permissive Medical Levy	Health Insurance – Nonmajor Governmental	Road – Major Governmental	18,058
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	General – Major Governmental	49,650
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	General – Major Governmental	33,100
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Bridge – Nonmajor Governmental	7,989
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Bridge – Nonmajor Governmental	5,326
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Weed Control – Nonmajor Governmental	2,676
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Weed Control – Nonmajor Governmental	1,784
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	District Court – Nonmajor Governmental	3,994
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	District Court – Nonmajor Governmental	2,663
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Library – Nonmajor Governmental	5,991
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Library – Nonmajor Governmental	3,994
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Senior Citizens – Nonmajor Governmental	5,309
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Senior Citizens – Nonmajor Governmental	3,539
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Extension Services – Nonmajor Governmental	3,994
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Extension Services – Nonmajor Governmental	2,663
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Public Safety – Nonmajor Governmental	34,506
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	Public Safety – Nonmajor Governmental	23,004

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

Levy	Nonmajor Governmental	Governmental	
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	State Allocated Federal Mineral Royalties – Nonmajor Governmental	819
Permissive Medical Levy	Permissive Medical Levy – Nonmajor Governmental	State Allocated Federal Mineral Royalties – Nonmajor Governmental	546
Compensated Absences Liability	State Noxious Weed Grant – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	145
Compensated Absences Liability	Stat State Allocated Federal Mineral Royalties – Nonmajor Governmental	Compensated Absences – Nonmajor Governmental	<u>275</u>
			<u>\$ 370,581</u>

NOTE 9. STATE-WIDE RETIREMENT PLANS

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

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

	<u>PERS**</u>	<u>SRS</u>	<u>TRS</u>
Employer	8.07%	10.115%	8.47%
Employee	7.90%*	9.245%	8.15%
State	0.10%	-	2.49%

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

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

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

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

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

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

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

	<u>PERS</u>	<u>SRS</u>	<u>TRS</u>
2012	\$ 82,860	\$ 21,951	\$ 1,366
2013	\$ 83,137	\$ 21,572	\$ 1,385
2014	\$ 98,291	\$ 3,158	\$22,216

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For committed fund balance the government's highest level of decision-making authority is and the formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution 11-11.

For assigned fund balance the body or official authorized to assign amounts to a specific purpose is the board of directors and the County Clerk and Recorder, and the policy established by the governing body pursuant to which the authorization is given in a resolution 11 -10.

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

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 208,079	Public Works
Public Safety	245,431	Public Safety
911 Emergency	401,793	Public Safety
All Other Aggregate	534,446	Public Works
	61,942	Culture and Recreation
	526,416	Public Safety
	56,871	Public Health
	229,320	Social & Economic
	58,886	Miscellaneous
	5,507	Housing and Community Development
	68,546	Debt Service
	<u>68,491</u>	General Government
	<u>\$ 2,465,278</u>	Total

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ 47,363	Culture and Recreation
	47,217	Social & Economic Development
	<u>14,160</u>	General Government
	<u>\$ 108,740</u>	Total

NOTE 11. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Government Activities	\$ 3,298	Capital Asset additions
State allocated mineral royalties	70,503	Combine with general fund per GASB 54
Oil & Gas tax Accelerated	161,802	Combine with general fund per GASB 54
Oil & natural production tax	440,499	Combine with general fund per GASB 54
Fiduciary Activities	<u>4,006</u>	Investment beginning cash balance
	<u>\$ 680,108</u>	

NOTE 12. LEASING ARRANGEMENTS

The Liberty County Hospital and Nursing Home, Inc. leases its facilities from the County for \$1 per year under an agreement, which was renewed July 1, 2011. The lease contains certain provisions which require the Hospital to provide an annual audit and annual operating budget to the County, and to not incur or assume any indebtedness without prior written consent of the County that exceeds \$150,000. Any property or equipment purchased by the hospital will be property of the County upon termination of the lease.

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

NOTE 13. JOINT VENTURES

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

The County has an interlocal agreement with Bear Paw Development Corporation of Northern Montana and the Town of Chester. The purpose of the interlocal agreement is to allow for the leasing of the property known as the Liberty Manufacturing Plant, which is located in the Liberty County Industrial Park and situated on the northwest corner of the Town of Chester, to a private company which in turn will utilize the property for the manufacturing of tillage tools and other similar products. By taking this action, the County and the Town intend to pursue the following goals: (a) encourage economic development and employment; (b) Recover their initial joint investment of \$80,000 of which \$65,000 was used to obtain the necessary lien releases and pay other expenses related to the opening of the manufacturing plant, (c) receive an annual rate of return on their investment of approximately eight percent.

NOTE 14. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

NOTE 15. RISK MANAGEMENT

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

Insurance Policies:

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

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

Insurance Pools:

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

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

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

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

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

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 340,113	\$ 340,113	\$ 337,680	\$ (2,433)
Licenses and permits	300	300	50	(250)
Intergovernmental	235,306	235,306	227,640	(7,666)
Charges for services	51,247	51,247	53,818	2,571
Fines and forfeitures	9,400	9,400	7,812	(1,588)
Miscellaneous	13,600	13,600	16,213	2,613
Investment earnings	8,500	8,500	17,854	9,354
Amounts available for appropriation	\$ 658,466	\$ 658,466	\$ 661,067	\$ 2,601
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 848,718	\$ 848,718	\$ 762,538	\$ 86,180
Public safety	42,980	42,980	22,844	20,136
Public works	-	-	-	-
Public health	19,900	19,900	16,212	3,688
Social and economic services	2,000	2,000	3,250	(1,250)
Culture and recreation	1,600	1,600	1,171	429
Housing and community development	500	500	-	500
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	200	(200)
Capital outlay	56,548	56,548	-	56,548
Total charges to appropriations	\$ 972,246	\$ 972,246	\$ 806,215	\$ 166,031
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 82,749	\$ 82,749	\$ 82,750	\$ 1
Transfers out	-	-	(1,987)	(1,987)
Total other financing sources (uses)	\$ 82,749	\$ 82,749	\$ 80,763	\$ (1,986)
Net change in fund balance			(64,385)	
Fund balance - beginning of the year			521,399	
Fund balance - end of the year			\$ 457,014	

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

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 248,968	\$ 248,968	\$ 244,932	\$ (4,036)
Licenses and permits	-	-	-	-
Intergovernmental	217,080	217,080	206,305	(10,775)
Charges for services	3,100	3,100	4,712	1,612
Fines and forfeitures	-	-	-	-
Miscellaneous	20,600	20,600	4,090	(16,510)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 489,748</u>	<u>\$ 489,748</u>	<u>\$ 460,039</u>	<u>\$ (29,709)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	528,000	528,000	349,097	178,903
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	96,322	(96,322)
Debt service - interest	-	-	8,155	(8,155)
Miscellaneous	-	-	-	-
Capital outlay	60,000	60,000	22,616	37,384
Total charges to appropriations	<u>\$ 588,000</u>	<u>\$ 588,000</u>	<u>\$ 476,190</u>	<u>\$ 111,810</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,144	\$ 45,144	\$ 45,144	\$ -
Transfers out	-	-	(1,670)	(1,670)
Total other financing sources (uses)	<u>\$ 45,144</u>	<u>\$ 45,144</u>	<u>\$ 43,474</u>	<u>\$ (1,670)</u>
Net change in fund balance			<u>\$ 27,323</u>	
Fund balance - beginning of the year			<u>\$ 180,756</u>	
Fund balance - end of the year			<u><u>\$ 208,079</u></u>	

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

	Health Care Facilities			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 300,000	\$ 300,000	\$ 296,290	\$ (3,710)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	6,418	6,418
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	15	15
Amounts available for appropriation	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 302,723</u>	<u>\$ 2,723</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	337,350	337,350	302,723	34,627
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 337,350</u>	<u>\$ 337,350</u>	<u>\$ 302,723</u>	<u>\$ 34,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ -</u>	
Fund balance - beginning of the year			<u>\$ -</u>	
Fund balance - end of the year			<u><u>\$ -</u></u>	

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

Public Safety

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	
			<u>(BUDGETARY</u> <u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 259,330	\$ 259,330	\$ 257,649	\$ (1,681)
Licenses and permits	-	-	-	-
Intergovernmental	145,103	145,103	136,058	(9,045)
Charges for services	118,600	118,600	107,294	(11,306)
Fines and forfeitures	-	-	-	-
Miscellaneous	600	600	527	(73)
Investment earnings	-	-	13	13
Amounts available for appropriation	<u>\$ 523,633</u>	<u>\$ 523,633</u>	<u>\$ 501,541</u>	<u>\$ (22,092)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	643,478	643,478	528,066	115,412
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 643,478</u>	<u>\$ 643,478</u>	<u>\$ 528,066</u>	<u>\$ 115,412</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 57,510	\$ 57,510	\$ 57,510	\$ -
Transfers out	-	-	(52,201)	(52,201)
Total other financing sources (uses)	<u>\$ 57,510</u>	<u>\$ 57,510</u>	<u>\$ 5,309</u>	<u>\$ (52,201)</u>
Net change in fund balance			<u>\$ (21,216)</u>	
Fund balance - beginning of the year			<u>\$ 266,647</u>	
Fund balance - end of the year			<u><u>\$ 245,431</u></u>	

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

	911 Emergency			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	85,000	85,000	141,251	56,251
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	200	200	205	5
Investment earnings	1,300	1,300	2,780	1,480
Amounts available for appropriation	\$ 86,500	\$ 86,500	\$ 144,236	\$ 57,736
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	344,703	344,703	80,220	264,483
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 344,703	\$ 344,703	\$ 80,220	\$ 264,483
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ 64,016	
Fund balance - beginning of the year			\$ 337,777	
Fund balance - end of the year			\$ 401,793	

Liberty County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>	<u>Road</u>	<u>Health Care Facilities</u>	<u>Public Safety</u>	<u>911 Emergency</u>
Sources/Inflows of resources					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 661,067	\$ 460,039	\$ 302,723	\$ 501,541	\$ 144,236
Combined funds (GASBS 54) revenues	102,678	-	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 763,745</u>	<u>\$ 460,039</u>	<u>\$ 302,723</u>	<u>\$ 501,541</u>	<u>\$ 144,236</u>
Uses/Outflows of resources					
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 806,215	\$ 476,190	\$ 302,723	\$ 528,066	\$ 80,220
Combined funds (GASBS 54) expenditures	80,610	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 886,825</u>	<u>\$ 476,190</u>	<u>\$ 302,723</u>	<u>\$ 528,066</u>	<u>\$ 80,220</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 263,992	\$ 263,992	0%	\$ 974,772	27.1%
July 1, 2012	\$ -	\$ 383,184	\$ 383,184	0%	\$ 1,499,968	25.5%

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

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

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

Board of County Commissioners
Liberty County
Chester, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information of Liberty County, Montana, as of and for the Year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Liberty County's basic financial statements and have issued our report thereon dated June 23, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item 2014-001.

2014-001 Pledged Securities

Condition:

The County did not maintain adequate pledged securities for its deposits held at the Wells Fargo Bank as of June 30, 2014

Context:

When testing compliance on pledged securities, it was discovered that the County has \$226,633 in uninsured deposits at Wells Fargo. It is required by MCA that they County have 50% in pledged securities which would be \$113,317. Per statement from Wells Fargo Bank for Collateral Analysis June 30, 2014, they only had \$100,125. This leaves a deficiency of \$13,192. +

Criteria:

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

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

Effect:

On June 30, 2014, 50% of the County’s uninsured deposits totaled \$226,633. The County’s pledged securities of \$100,125 were not sufficient at 50% suggested coverage amount by \$13,192.

Cause:

Not monitoring cash balances and requesting additional pledged security coverage.

Recommendation:

The County should require additional pledged securities or invest in other financial institutions in the State of Montana.

Auditor Response:

We will closely watch our pledged securities and are in the process of increasing our pledged securities with our bank.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Liberty County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Liberty County's Response to Findings

Liberty County's response to the findings identified in our audit is described above. Liberty County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

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

June 23, 2015

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

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Liberty County
Chester, Montana

The prior audit report one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Library Espresso Internal Controls	Implemented

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

June 23, 2015