

Meagher County Commissioners  
 Meagher County  
 White Sulphur Springs, Montana 59645

**TABLE OF CONTENTS**

	Page No
<b>TABLE OF CONTENTS</b>	1
<b>ORGANIZATION - MEAGHER COUNTY COMMISSIONERS AND OFFICIALS</b>	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 11
<b>INDEPENDENT AUDITOR'S REPORT</b>	12 - 13
<b>BASIC FINANCIAL STATEMENTS:</b>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	14
Statement of Activities	15
<u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Funds	16 -17
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19 - 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Fiduciary Funds – Statement of Fiduciary Net Position	22
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23 - 38
<b>REQUIRED SUPPLEMENTARY INFORMATION (RSI):</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)	39 - 41
Notes to the Budget and Actual Schedule	42 - 43
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions	44
<b>SUPPLEMENTARY INFORMATION (SI):</b>	
Schedules of Combined Funds	45 - 48
Schedules of Expenditures of Federal Awards (SEFA)	49 - 50
<b>ADDITIONAL INDEPENDENT AUDITOR'S REPORTS:</b>	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	51 - 52
Schedule of Prior Year Findings and Responses	53 - 54
Schedule of Findings and Responses	55 - 57

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana 59645

**ORGANIZATION**  
Fiscal Year Ended June 30, 2014

**MEAGHER COUNTY COMMISSIONERS**

Ben Hurwitz	Chairman
Rod Brewer	Vice Chairman
Herb Townsend	Commissioner

**OFFICIALS**

Dayna Ogle	Clerk & Recorder
Sue Phelan	County Treasurer
Kimberly Deschene	County Attorney
Randall Spaulding	District Court Judge
Donna Morris	Clerk of District Court
Nico Cantalupo	County Extension Agent
Jim McDanel	County IT
Rick Seidlitz	Fire Chief
Paula Wildman	Justice of the Peace
Eva Kerr	Public Health Nurse
Bruce Smith	Road Supervisor
Jon Lopp	Sheriff
Helen Hanson	Superintendent of Schools
Otto Ohlson	Weed Supervisor

## Management's Discussion and Analysis

### **OVERVIEW**

As management of the Meagher County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### **Financial Highlights**

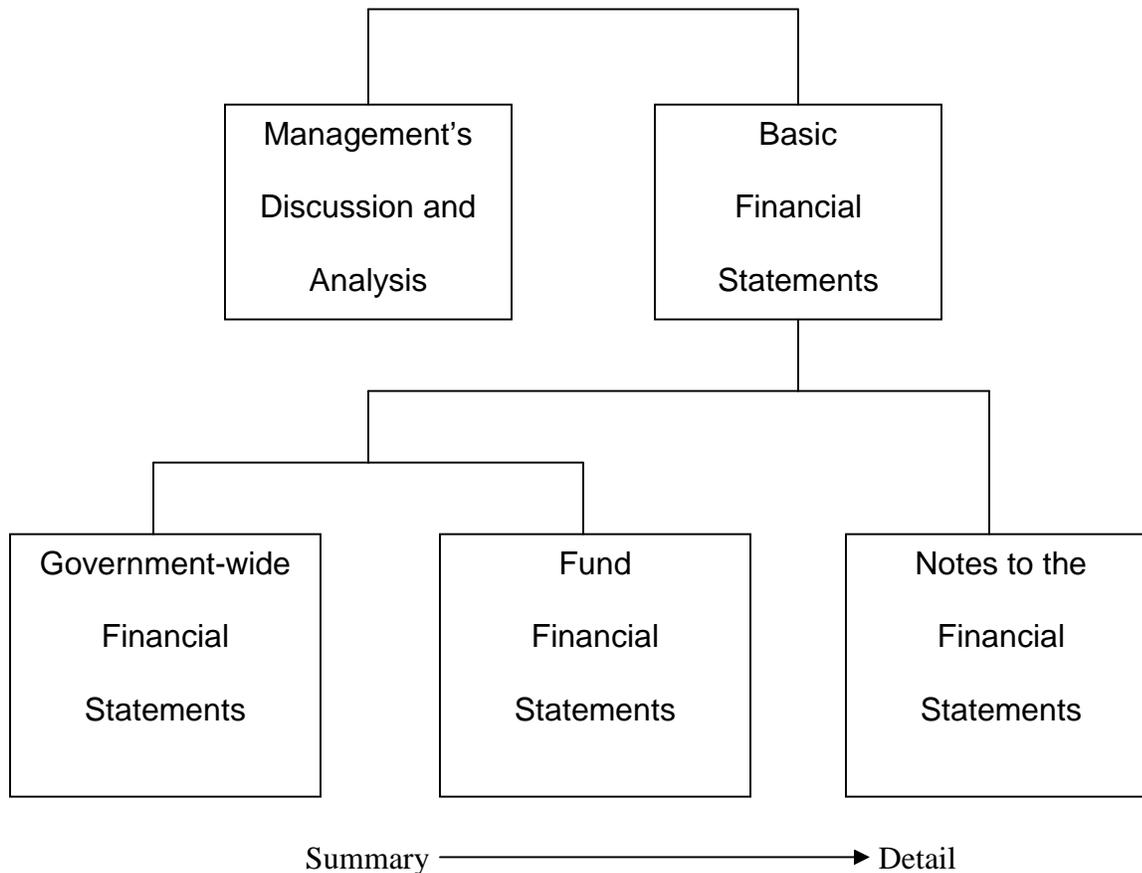
- The assets of the Meagher County exceeded its liabilities at the close of the fiscal year 2014 by \$7,478,174 (net position).
- The government's total net position increased by \$389,690. This was due to an increase in operational activities during the year of \$198,296, a prior period adjustment of (\$178,632), and a GASB 34 restatement of \$370,027 due to corrections of capital asset useful lives and historical cost data.
- As of the close of the current fiscal year 2014, the Meagher County's governmental funds reported combined ending fund balances of \$3,993,784, an increase of \$609,625 and a prior period adjustment of (\$178,632), in comparison with the prior year. Approximately \$252,648 or 6 percent of this total amount is assigned; \$311,774 or 8 percent is the non-spendable corpus of the permanent endowment fund; \$25,444 which is less than 1 percent represents interfund loans and is in a nonspendable form; \$1,028,392 or 26 percent is unassigned and available for spending at the government's discretion; \$1,213,069 or 30 percent is restricted for special projects; \$550,133 or 14 percent \$550,133 is committed for capital improvement projects and \$107,029 or 3 percent is reported as committed because it is pledged against the Mountainview Medical Center loans.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$369,730, or 37 percent of total general fund expenditures for the fiscal year.
- The County's total net debt increased by \$41,122 during the current fiscal year. The increase was due to year-end adjustments for compensated absences payable and other post-employment benefits payable.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Meagher County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Meagher County.

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

The first two statements of the report in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and total liabilities. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements contain the category of governmental activities. The governmental activities include most of the County's basic services such as public safety, public works, public health, culture and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. 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. Meagher County like all other governmental entities in Montana uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the Meagher County are in one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Meagher County adopts an annual budget for its governmental funds, and a budget for its proprietary fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format,

Management Discussion and Analysis  
Meagher County

language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities may be shown at the end of the budgetary statement.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the Fund Financial Statements of this report.

<b>Government-Wide Financial Analysis</b>					
<b>Meagher County's Net Position</b>					
<b>Table I</b>					
Comparative <b>Governmental</b> Statement of Net Position were as follows for years ending June 30,					
<b>NET POSITION</b>	<b>Governmental Activities</b>				
	<b>2014</b>	<b>2013</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>	
Current Assets	\$ 3,886,229	\$ 3,725,694	160,535	4.31%	
Restricted Assets	357,474	354,642	2,832	0.80%	
Capital Assets, net	3,684,753	3,273,998	410,756	12.55%	
<b>Total Assets</b>	<b>\$ 7,928,455</b>	<b>\$ 7,354,333</b>	<b>\$ 574,122</b>	<b>7.81%</b>	
Current Liabilities	\$ 253,015	\$ 97,082	155,933	160.62%	
Long Term Liabilities	197,266	168,767	28,499	16.89%	
<b>Total Liabilities</b>	<b>\$ 450,281</b>	<b>\$ 265,849</b>	<b>\$ 184,432</b>	<b>69.37%</b>	
Net Position:					
Net Investment in Capital Assets	3,661,416	3,245,565	415,851	12.81%	
Restricted	1,568,680	354,642	1,214,038	342.33%	
Unrestricted	2,248,078	3,488,277	(1,240,199)	-35.55%	
<b>Total Net Position - June 30</b>	<b>7,478,174</b>	<b>7,088,484</b>	<b>389,690</b>	<b>5.50%</b>	
<b>Total Liabilities and Net Position</b>	<b>\$ 7,928,455</b>	<b>\$ 7,354,333</b>	<b>\$ 363,530</b>	<b>4.94%</b>	

Management Discussion and Analysis  
Meagher County

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Meagher County exceeded liabilities by \$7,478,174 as of June 30, 2014. The County's net position increased by \$198,296 for the fiscal year ended June 30, 2014 before the prior period adjustment and restatement of fund balance net of \$191,395. However, the largest portion reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment and utility infrastructure); less any related debt still outstanding that was issued to acquire those items. Meagher County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Meagher County's net investment in capital assets is reported net of the related outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Meagher County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance after the endowment corpus and restricted balances for special projects of \$2,248,078 is unrestricted.

Management Discussion and Analysis  
Meagher County

<b>Meagher County's Change in Net Position</b>					
<b>Table II</b>					
Changes in Net Position for Governmental Activities were as follows for the years ending June 30,					
	<u>2014</u>	<u>2013</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>	
<b>Revenues</b>					
<b>Program Revenues:</b>					
Charges for Services	\$ 429,452	\$ 366,438	\$ 63,014	17.20%	
Operating Grants	682,888	676,236			
Capital Grants & Contributions	45,612	280,810	(235,198)	-83.76%	
<b>General Revenues:</b>					
Property Taxes/Assessments	1,432,051	1,568,647	(136,596)	-8.71%	
Local Option Taxes	90,827		90,827		
Licenses & Permits	2,725	2,550	175	6.86%	
Federal & State Shared Revenue	349,045	320,291	28,754	8.98%	
Investment Earnings	53,913	22,909	31,004	135.33%	
Gains on Sales of Capital Assets	-	8,167	(8,167)	-100.00%	
Miscellaneous	10,186	16,915	(6,729)	-39.78%	
Total Revenues	\$ 3,096,698	\$ 3,262,963	\$ (172,917)	-5.30%	
<b>Program Expenses</b>					
General Government	687,654	650,044	37,610	5.79%	
Public Safety	705,634	697,652	7,982	1.14%	
Public Works	823,478	1,127,162	(303,684)	-26.94%	
Public Health	226,255	290,258	(64,003)	-22.05%	
Social & Economic	61,086	49,757	11,329	22.77%	
Culture & Recreation	76,820	79,126	(2,306)	-2.91%	
Interest Expense	206	666	(460)	-69.00%	
Loss on Asset	13,579	-	13,579		
Other Post-Employment Benefits	21,128	20,579	549	2.67%	
Miscellaneous	282,562	270,986	11,576	4.27%	
Total Expenses	\$ 2,898,402	\$ 3,186,230	\$ (287,827)	-9.03%	
Excess (deficiency) before transfers	198,296	76,734			
Net Position, July 1	\$ 7,088,484	\$ 5,236,382	1,852,102		
Restatement of Fund Balance	370,027	1,777,546	(1,407,519)		
Prior Period Adjustment	(178,632)	(2,178)	180,810		
Net Position, June 30	\$ 7,478,174	\$ 7,088,484	\$ 389,691		

Management Discussion and Analysis  
Meagher County

**Governmental activities:** Governmental activities increased the County's net position by \$198,296. Key elements of this increase are as follows:

- Due in part because of the change in the decrease of spending within the Public Works activity level. The level of spending had also decreased somewhat within the Public Safety activity level, with some increases in General Governmental activity levels.
- Overall the revenues decreased in the amount of capital grants and contributions with some decrease in property tax revenue.

### **Financial Analysis of the County's Funds**

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

**Governmental Funds:** The focus of Meagher County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Meagher County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Meagher County. At the end of the current fiscal year 2014, unreserved fund balance of the General Fund was \$369,730, while total fund balances reached \$3,993,784. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37 percent of total General Fund expenditures.

At June 30, 2014, the governmental funds of Meagher County reported a combined fund balance of \$3,993,784, a 12 percent or \$430,992 increase from last year.

**Governmental Fund Budgetary Highlights:** During the fiscal year, total final budgeted expenditures for General Fund activities were \$1,091,982. Actual operating expenditures totaled \$1,020,909; with unused appropriations of \$71,073. Total original budgeted and final revenues for the General Fund were \$1,178,345. Total General Fund actual revenues of \$1,141,586 exceeded the budgeted revenue amount \$36,759.

### **Capital Asset and Debt Administration**

**Capital assets:** Meagher County's investment in capital assets for its governmental activities as of June 30, 2014, totals \$3,684,753 (net of accumulated depreciation).

**The Meagher County's Changes in Capital Assets**  
**Table III**

**Governmental Activities** for capital assets were as follows for years ending June 30

	<u>2014</u>	<u>2013</u>	<u>\$ CHANGE</u>
Land	\$ 65,137	\$ 65,137	\$ -
Construction in process	173,765	40,671	133,094
Improvements other than bldgs.	3,090,115	2,952,692	137,423
Buildings and Building Imp.	965,011	895,514	69,497
Machinery & Equipment	2,480,824	2,115,025	365,799
Total Capital Assets at Cost	6,774,852	6,069,039	705,813
Less Accumulated Depreciation	(3,090,099)	(2,795,041)	(295,058)
Total Capital Assets	\$3,684,753	\$ 3,273,998	\$ 410,755

Change of \$410,755 included net adjustments of \$370,027 made to correct current period capital asset deletions and related accumulated depreciation, as well as the correction for changes in useful lives and historical cost data.

Additional information on the County's capital assets can be found in the Notes to the Basic Financial Statements of this report.

**Long-term Debt:** As of June 30, 2014, Meagher County had total debt outstanding of \$244,200, as shown in Table IV. The \$23,337 represents a loan of \$13,990 that remains on a Rural Fire loan for a building, and \$9,347 represents a loan from the Montana Aeronautics Division for airport improvements. The \$117,419 total for compensated absences represents the cumulative amount of annual and sick leave liability that has been accrued by employees at June 20, 2014. The \$103,444 total represents the amount of Other Post Employment Benefits other than pensions, which is fully discussed within the notes to the financial statement.

<b>Meagher County's Outstanding Debt</b>			
<b>Table IV</b>			
<b>Governmental Activities</b> for long-term debt were as follows for years ending June 30,			
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Loans payable	\$ 23,337	\$ 28,433	\$ (5,096)
Compensated absences	117,419	97,426	19,993
Other post-employment benefits	103,444	82,316	21,128
Total	\$ 244,200	\$ 208,175	\$ 36,025

Management Discussion and Analysis  
Meagher County

Meagher County's total loan debt decreased by a principal payment of \$4,318, adjusted downward \$779 to agree to the financial institution loan balance. An increase of \$19,993 occurred for the adjustment of the year-end balance of other post-employment benefits, and an increase of \$21,128 occurred for the year-end adjustment to the compensated absences payable.

Additional information regarding Meagher County's long-term debt can be found in the Notes to the Financial Statements of this report.

**Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

County Clerk and Recorder  
Meagher County  
PO Box 309  
White Sulphur Springs, Montana 59645  
Phone number (406) 547-3023  
E-mail address: [dogle@meaghercounty.mt.gov](mailto:dogle@meaghercounty.mt.gov)

**T**ripp & **A**ssociates  
1645 Ave. D, Suite E  
Billings, Montana 59102

INDEPENDENT AUDITOR'S REPORT

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana 59645

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Meagher 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 of 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 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 Meagher County as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 - 11; the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on pages 39 - 41, and the Schedule of Funding Progress for Other Post-Employment Benefits Other Than Pensions (OPEB) on page 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 (GASB), 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 assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meagher County's basic financial statements. The Schedules of Combined Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedules of Combined Funds* and *Schedule of Expenditures of Federal Awards* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Combined Funds are fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, on our consideration of Meagher County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing Meagher County's internal control over financial reporting and compliance.

*Tripp & Associates*

Billings, Montana  
June 24, 2015

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana

STATEMENT OF NET POSITION  
as of June 30, 2014

	<u>Governmental Activities 2014</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash & Investments	\$ 3,824,247
Valuation of Investments to Fair Value	<u>(8,785)</u>
Total Unrestricted Cash & Investments	3,815,462
Taxes/Assessments Receivable	43,837
Due From Other Governments	<u>26,930</u>
Total Current Assets	3,886,229
<b>Restricted Assets:</b>	
Cash & Investments	357,474
<b>Non-Current Assets:</b>	
Land/Construction in Progress	238,902
Other Capital Assets (Net)	<u>3,445,851</u>
Total Non-Current Assets	<u>3,684,753</u>
<b>Total Assets</b>	<u><u>7,928,455</u></u>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	15,107
Revenues Collected in Advance	190,974
Compensated Absences	40,692
Current Notes Payable	<u>6,242</u>
Total Current Liabilities	253,015
<b>Non-Current Liabilities:</b>	
Compensated Absences	76,727
Notes Payable	17,095
OPEB Liability	<u>103,444</u>
Total Non-Current Liabilities	<u>197,266</u>
Total Liabilities	450,281
<b>NET POSITION:</b>	
Net Investment in Capital Assets	3,661,416
Restricted for:	
Endowment - Corpus	311,774
Other	1,256,906
Unrestricted	<u>2,248,078</u>
Total Net Position	<u><u>\$ 7,478,174</u></u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs:	Expenses	-----Program Revenues-----			Net (Expense) Revenue and Changes in Net Position
		Charges for Services, Fines & Forfeitures	Operating Grants & Contributions	Capital Grants & Contributions	
<b>GOVERNMENTAL OPERATIONS:</b>					
General Government	\$ 687,654	\$ 54,080	\$ 24,456	\$ -	\$ (609,118)
Public Safety	705,634	154,634	186,171	-	(364,829)
Public Works	823,478	164,407	401,190	33,094	(224,787)
Public Health	226,255	42,253	57,368	12,518	(114,115)
Social & Economic	61,086	15	3,142	-	(57,929)
Culture & Recreation	76,820	11,364	10,561	-	(54,896)
Miscellaneous	282,562	2,698	-	-	(279,864)
Interest on Long-Term Debt	206	-	-	-	(206)
Loss on Assets	13,579	-	-	-	(13,579)
Other Post-Employment Benefits Expense	21,128	-	-	-	(21,128)
Total Governmental Activities	<u>2,898,402</u>	<u>429,452</u>	<u>682,888</u>	<u>45,612</u>	<u>(1,740,451)</u>
<b>GENERAL REVENUES:</b>					
Property Taxes/Assessments					1,432,051
Local Option Taxes					90,827
Licenses & Permits					2,725
Unrestricted Federal & State Shared Revenues					349,045
Investment Earnings					53,913
Miscellaneous					<u>10,186</u>
Total General Revenues					1,938,746
<b>CHANGE IN NET POSITION</b>					
					198,296
<b>NET POSITION:</b>					
Beginning of the Year					7,088,484
Restatement of Fund Balance - Capital Assets					370,027
Prior Period Adjustments					<u>(178,632)</u>
End of the Year					<u>\$ 7,478,174</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

	MAJOR					
	General Fund	Road Fund	Harmon Trust Fund	Weed Grants Fund	Forest Reserve Title III Fund	Health Alert Network Fund
<b>ASSETS:</b>						
Cash and Investments	\$ 1,034,280	\$ 369,869	\$ 825,361	\$ -	\$ 73,938	\$ 117,036
Valuation of Investments to Fair Value	-	-	(8,785)	-	-	-
Taxes/Assessments Receivable	21,806	5,752	-	-	-	-
Due From Other Funds	-	-	-	-	-	-
Due From Other Governments	-	-	-	19,571	-	-
Total Current Assets	1,056,086	375,621	816,576	19,571	73,938	117,036
<b>Restricted Cash &amp; Investments</b>	-	-	311,774	-	-	-
Total Assets	1,056,086	375,621	1,128,350	19,571	73,938	117,036
<b>LIABILITIES:</b>						
Payable to Other Funds	-	-	-	25,444	-	-
Accounts Payable	16	-	-	-	-	-
Revenues Collected in Advance	-	-	-	-	73,938	117,036
Total Liabilities	16	-	-	25,444	73,938	117,036
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue - Property Taxes Receivable	21,806	5,752	-	-	-	-
<b>FUND BALANCES:</b>						
Nonspendable - Endowment Corpus	-	-	311,774	-	-	-
Nonspendable - Interfund Loans	-	-	-	-	-	-
Restricted:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	369,869	-	-	-	-
Public Health	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
Social & Economic	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Committed:						
Public Health	-	-	107,029	-	-	-
Capital Purchases	-	-	-	-	-	-
Assigned:						
General Government	-	-	709,547	-	-	-
Public Safety	-	-	-	-	-	-
Public Health	-	-	-	-	-	-
Unassigned:	1,034,265	-	-	(5,873)	-	-
Total Fund Balances	1,034,265	369,869	1,128,350	(5,873)	-	-
Total Liabilities, Deferred Inflows & Fund Bal.	\$ 1,056,086	\$ 375,621	\$ 1,128,350	\$ 19,571	\$ 73,938	\$ 117,036

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

	Other Government	
	Funds	Total
<b>ASSETS:</b>		
Cash and Investments	\$ 1,403,762	\$ 3,824,247
Valuation of Investments to Fair Value	-	(8,785)
Taxes/Assessments Receivable	16,278	43,837
Due From Other Funds	25,444	25,444
Due From Other Governments	<u>7,359</u>	<u>26,930</u>
Total Current Assets	1,452,843	3,911,672
<b>Restricted Cash &amp; Investments</b>	<u>45,700</u>	<u>357,474</u>
Total Assets	<u>1,498,543</u>	<u>4,269,146</u>
<b>LIABILITIES:</b>		
Payable to Other Funds	-	25,444
Accounts Payable	15,091	15,107
Revenues Collected in Advance	<u>-</u>	<u>190,974</u>
Total Liabilities	15,091	231,525
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable Revenue - Property Taxes Receivable	16,278	43,837
<b>FUND BALANCES:</b>		
Nonspendable - Endowment Corpus	-	311,774
Nonspendable - Interfund Loans	25,444	25,444
Restricted:		
General Government	41,094	41,094
Public Safety	164,747	164,747
Public Works	418,961	788,831
Public Health	63,867	63,867
Culture & Recreation	73,129	73,129
Social & Economic	17,880	17,880
Other Purposes	63,521	63,521
Committed:		
Public Health	-	107,029
Capital Purchases	550,133	550,133
Assigned:		
General Government	8,633	718,181
Public Safety	14,854	14,854
Public Health	24,909	24,909
Unassigned:	<u>-</u>	<u>1,028,392</u>
Total Fund Balances	<u>1,467,173</u>	<u>3,993,784</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 1,498,543</u>	<u>\$ 4,269,146</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds		\$	3,993,784
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental funds.			
Cost of Assets	6,774,852		
Less Accumulated Depreciation	<u>(3,090,099)</u>		3,684,753
Less liabilities not reported in the Governmental funds			
Compensated Absences	(117,419)		
Other Post-Employment Benefits	(103,444)		
Notes Payable	<u>(23,337)</u>		(244,200)
Deferred Inflows of Resources due to property tax collections receivable			<u>43,837</u>
Net Position - Governmental Activities		\$	<u>7,478,174</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014  
 Page 1 of 2

	-----MAJOR-----					
	General Fund	Road Fund	Harmon Trust Fund	Weed Grants Fund	Forest Svc Title III Fund	Health Alert Network Fund
<b>REVENUES:</b>						
Taxes/Assessments	\$ 1,041,971	\$ 322,372	\$ -	\$ -	\$ -	\$ -
Investment Income	18,246	-	35,499	-	-	-
Licenses & Permits	2,725	-	-	-	-	-
Fines & Forfeitures	6,491	-	-	-	-	-
Miscellaneous	9,714	2,426	-	-	-	94
Intergovernmental Rev	196,986	301,163	-	57,028	36,205	26,875
Charges for Services	47,514	3,432	-	3,087	-	-
<b>Total Revenues</b>	<b>1,323,646</b>	<b>629,393</b>	<b>35,499</b>	<b>60,115</b>	<b>36,205</b>	<b>26,969</b>
<b>EXPENDITURES:</b>						
General Government	604,463	-	-	-	-	-
Public Safety	383,657	-	-	-	36,205	25,270
Public Works	-	382,740	-	40,179	-	-
Public Health	14,818	-	-	-	-	-
Social & Economic Services	5,225	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
Miscellaneous	-	-	4,385	-	-	-
<b>Total Current Expenditures</b>	<b>1,008,163</b>	<b>382,740</b>	<b>4,385</b>	<b>40,179</b>	<b>36,205</b>	<b>25,270</b>
Capital Outlay	12,746	-	-	7,500	-	-
Debt Service (Principal, Interest, Fees)	-	-	-	-	-	-
<b>Total Outlays</b>	<b>1,020,909</b>	<b>382,740</b>	<b>4,385</b>	<b>47,679</b>	<b>36,205</b>	<b>25,270</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	302,737	246,653	31,114	12,437	-	1,699
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Capital Assets	-	15,299	-	-	-	-
Fund Transfers In	3,411	-	-	-	-	-
Fund Transfers (Out)	(15,780)	(268,670)	-	(100,435)	-	-
<b>NET CHANGES IN FUND BALANCES</b>	<b>290,369</b>	<b>(6,717)</b>	<b>31,114</b>	<b>(87,998)</b>	<b>-</b>	<b>1,699</b>
<b>FUND BALANCES:</b>						
Beginning of the Year	743,185	376,586	1,097,236	82,125	66,863	110,070
Prior Period Adjustments	711	-	-	-	(66,863)	(111,769)
<b>End of the Year</b>	<b>\$ 1,034,265</b>	<b>\$ 369,869</b>	<b>\$ 1,128,350</b>	<b>\$ (5,873)</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014  
 Page 2 of 2

	Other Government Funds	Total Governmental Funds
<b>REVENUES:</b>		
Taxes/Assessments	\$ 623,552	\$ 1,987,895
Investment Income	168	53,913
Licenses & Permits	-	2,725
Fines & Forfeitures	-	6,491
Miscellaneous	64,262	76,497
Intergovernmental Rev	426,194	1,044,451
Charges for Services	<u>280,945</u>	<u>334,978</u>
Total Revenues	1,395,121	3,506,949
<b>EXPENDITURES:</b>		
General Government	75,108	679,571
Public Safety	186,274	631,406
Public Works	188,629	611,548
Public Health	203,211	218,029
Social & Economic Services	53,276	58,501
Culture & Recreation	69,451	69,451
Miscellaneous	<u>281,727</u>	<u>286,112</u>
Total Current Expenditures	1,057,676	2,554,618
Capital Outlay	334,671	354,917
Debt Service (Principal, Interest, Fees)	<u>5,302</u>	<u>5,302</u>
Total Outlays	1,397,649	2,914,837
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,528)	592,112
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Capital Assets	2,213	17,512
Fund Transfers In	449,622	453,033
Fund Transfers (Out)	(68,149)	(453,033)
<b>NET CHANGES IN FUND BALANCES</b>	381,157	609,625
<b>FUND BALANCES:</b>		
Beginning of the Year	1,086,727	3,562,792
Prior Period Adjustments	<u>(711)</u>	<u>(178,632)</u>
End of the Year	<u>\$ 1,467,173</u>	<u>\$ 3,993,784</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana

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

Total Net Change in Fund Balances - Governmental Funds		\$	609,625
Amounts reported for governmental activities in the <i>Statement of Activities</i> are different because:			
Revenues reported in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the governmental funds:			
Increase (Decrease) in Taxes/Assessments Receivable	(410,251)		
Proceeds from the Sale of Capital Assets	<u>(17,512)</u>	(427,763)	
Expenses in the <i>Statement of Activities</i> that do not require the use of current financial resources are not included in the governmental funds:			
Depreciation Expense	(288,878)		
Loss on Disposal of Assets	(13,579)		
(Increase) Decrease in Other Post-Employment Benefits	(21,128)		
(Increase) Decrease in Compensated Absence Liability reported on Statement of Net Position	<u>(19,994)</u>	(343,578)	
Expenditures reported in the governmental funds not included in the <i>Statement of Activities</i>			
Capital Outlays	354,917		
Principal Payments on Notes	<u>5,096</u>	<u>360,013</u>	
Change in Net Position reported on the <i>Statement of Activities - Governmental Activities</i>		\$	<u>198,296</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Meagher County Commissioners  
 Meagher County  
 White Sulphur Springs, Montana

STATEMENT OF FIDUCIARY NET POSITION  
 &  
 STATEMENT of CHANGES in FIDUCIARY NET POSITION  
 As of June 30, 2014

	Investment Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash Equivalents and Investments	\$ 1,375,748	\$ 89,030
Taxes/Assessments Receivable	<u>45,883</u>	<u>25,391</u>
Total Assets	1,421,631	114,422
<b>LIABILITIES:</b>		
Due to Other Funds	-	50,112
Due to Other Governments	<u>-</u>	<u>64,309</u>
Total Liabilities	-	114,422
<b>NET POSITION:</b>		
Held for Investment Trust Funds	<u>1,421,631</u>	<u>-</u>
Total Net Position	<u>\$ 1,421,631</u>	<u>\$ -</u>

---

CHANGES in FIDUCIARY NET POSITION

<b>ADDITIONS:</b>	
Intergovernmental Revenue	<u>4,714,899</u>
Total Additions	4,714,899
<b>DEDUCTIONS:</b>	
Distribution of Investments	<u>4,298,465</u>
Total Deductions	4,298,465
<b>CHANGE IN NET POSITION:</b>	416,434
Net Position, Beginning of the Year	<u>943,263</u>
Net Position, Ending of the Year	<u>\$ 1,359,697</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana 59645

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A) REPORTING ENTITY

The County is a political subdivision of the State of Montana and is a political entity governed by a Meagher County Commissioners (the Board) elected by the public. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The statements reflect all funds and accounts directly under the control of the County.

The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the 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.

#### B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, the presentation of expenses versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the Government-wide financial statements and the governmental fund financial statements.

##### **Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole except for the fiduciary funds. The Investment Trust funds are reported in the Fiduciary Funds financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Revenues are recognized when earned and expenses are recognized when the related 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. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

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 (1) charges for services such as fines, forfeitures and weed contracts and (2) operating grants that are restricted to a particular functional program. Property taxes, licenses and permits, state/federal shared payments, and other revenue sources not properly included with program revenue are reported as general revenues.

##### **Fund Financial Statements**

Fund financial statements provide information on the County's major governmental funds and a combined column for all other non-major funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the County-wide financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The County considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific County expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt are recognized when received. Principal payments of long-term debt are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures in the governmental funds. However, depreciation is not recognized in any governmental fund.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

GASB Statement No. 34 requires that the General Fund is reported as a major fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are also reported as major funds. The major governmental funds for fiscal year 2014 are the General, Road, Harmon Trust, Weed Grants, Forest Reserve Title III and Health Alert Network 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.

GASB Statement No. 54 requires that funds with similar restrictions to the General fund be combined with the General fund for reporting purposes. The PILT and the Payroll Advance Payback funds are combined with the General fund. The Supplementary Information section of this report includes Schedules of Combined Funds with details of each combined fund.

### *Combined Funds*

**PILT Fund** – The PILT Fund is used to account for monies received from the federal government in lieu of property taxes on federal lands.

**Payroll Advance Payback Fund** – This fund is used to account for the payments made by prior employees to the County for improper payroll advances taken in fiscal year 2009. This fund was not previously combined with the General Fund. Therefore the beginning balance of this fund of \$711 is reported as a Prior Period Adjustment on the Schedule of Combined Funds in the Supplementary Information section.

**Compensated Absences Fund** – This fund is used to account for monies set aside to cover the County's accrued vacations and sick leave.

**Road Fund** – This special revenue fund is used to account for the levied revenue and the proceeds from the allocation of gasoline tax collected by the Department of Revenue and then distributed to municipalities and counties in the State based on sales in those localities. These funds can only be used for road repairs, maintenance and construction.

**Harmon Trust Fund** – This permanent endowment fund is used to account for funds donated to the County by the Harmon estate. Only the earnings of this fund can be spent. There are no restrictions on the earnings. As of June 30, 2014, the corpus of this trust is \$311,774 and the available funds totaled \$816,578.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Weed Grants Fund** – This special revenue fund accounts for the revenue and expenditures of State and Federal weed grants and their associated local portions.

**Forest Reserve Title III Fund** – This special revenue fund is used to account for the revenues and expenditures of the portion of the federal secure schools and roads grant that is allocated to the County under the title III provision of this grant.

**Health Alert Network Fund** – This special revenue fund is used to account for the revenues and expenditures of federal public health and emergency preparedness grants.

### **Fiduciary Funds**

**Investment Trust Funds** – The Investment Trust funds account for the receipt and disbursement of monies from Special Districts, Schools and the City within the County. This accounting reflects the County's trust relationship with these entities.

**Agency Funds** – The Agency funds are used to account for assets that the County holds on behalf of others as their agent. The agency funds are separated as follows:

- 1) Amounts held for payment due to others that are held in separate agency funds
- 2) The County's own clearing funds for which cash is held for County warrants that were written but have not been paid by the County Treasurer.

The Agency funds reported on the Fiduciary Statement of Net Position represent the amounts held in separate agency funds. Agency funds do not report a measurement focus as they do not report operations.

## C) CASH AND INVESTMENTS

Montana Code Annotated (MCA) allows Counties 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. The County's cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes.

The County does not have a formal investment policy that places any further restrictions on the nature of types of investments that may be purchased other than the State statute. Investments are recorded at fair market value. Cash on hand and demand accounts, money markets, repurchase agreements, CD's, STIP and short-term investments with original maturities of three months or less when purchased are considered to be cash equivalents.

## D) 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, the disclosure of contingent 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.

## E) PROPERTY TAXES

Property taxes are collected by the Meagher 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.

## F) INVENTORIES

Inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

G) CAPITAL ASSETS

Capital assets are those resulting from expenditures which have an initial, individual cost of more than \$5,000 plus all titled assets with an estimated useful life in excess of one year. Capital assets are reported in the government-wide Statement of Net Position but are not reported in the Balance Sheet – Governmental Funds. Capital assets are recorded at cost, or estimated historical cost if actual historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. Infrastructures acquired after July 1, 2003 are capitalized. Depreciation is calculated using the straight-line depreciation method. Improvements are capitalized but the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of governmental assets is not capitalized. The useful lives of these assets have been estimated as follows:

Land Improvements	10 – 30 years
Buildings & Building Improvements	25 – 50 years
Machinery and Equipment	10 years

H) COMPENSATED ABSENCES

County employees accumulate vacation, sick leave and compensation time 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. The County reports compensated absences on the Termination Payment Method. 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. Therefore, only 25% of the accumulated sick leave is included in the accrual. Elected officials do not earn sick or vacation leave. Part-time employees earn a pro-rata share of sick leave.

The liability incurred because of unused vacation and sick leave accumulated by employees is 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 \$117,419 and it is generally paid out of the General fund. The accrued liability for sick and vacation leave at year end was \$40,692.

I) INTERFUND TRANSACTIONS

Interfund transactions between governmental funds are reflected as transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either “due to/from other funds” and are subject to elimination upon consolidation of funds. Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the General fund and as committed or assigned fund balance in other governmental funds as appropriate.

J) ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to carryover a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance. There were no encumbrances as of June 30, 2014.

**NOTE 2: CASH AND INVESTMENTS**

County cash resources are held and managed by the Meagher County Treasurer. They are combined with cash resources of other governmental entities within Meagher County to form an investment pool of cash, cash equivalents and investments. The County investment pool is not subject to regulatory oversight. Deposits of pooled cash consist of Savings Accounts and CD's, and are carried at fair value. The County's investments consist primarily of Money Markets, Repurchase Agreements, SITP and US Government Securities and are carried at fair value with the exception of STIP which is carried at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Investments in the Harmon Trust (endowment) fund consist of Money Markets, US Government Securities, Stocks, Bonds, Mutual Funds and Real Estate Securities. On June 30, 2014, the carrying amount of the County's portion of deposits totaled \$282,523 and investments totaled \$5,470,866 for total cash and investments of \$5,753,389. This includes \$1,375,748 in Investment Trust funds and \$89,030 in Agency funds reported on the Statement of Fiduciary Net Position and \$115,675 in County Payroll and Claims Clearing funds. The remaining governmental cash & investments totals \$4,172,936 and includes restricted cash and investments of \$357,474.

**Custodial Credit Risk – Deposits:** Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's may not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State of Montana (the State) statutes require that County funds be deposited in banks located in the State and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized in accordance with State statutes. As of June 30, 2014 the County's deposits were either insured or collateralized in accordance with state statutes.

The repurchase agreements and money markets held by the County are exposed to custodial credit risk in that they are uninsured and unregistered. The entire balance of the County's investment in repurchase agreements and money markets is collateralized by underlying securities. The County does not have an investment policy placing further restrictions on County holdings than the State statutes.

**Custodial Credit Risk – Investments:** Custodial credit risk for investments is the risk that, in the event of a financial institution failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized in accordance with State statutes. The governmental and fiduciary investments are collateralized according to State statutes. Endowment fund investments are exempt from this requirement. The endowment foreign investments may be subject to *foreign currency risk* in that the stocks held are worldwide companies with headquarters in the United States, the Netherlands, Bermuda and Liberia.

**Concentration of Credit Risk:** No limit has been placed on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type at June 30, 2014:

<b><u>Governmental and Fiduciary Investments:</u></b>	<b><u>Fair Value</u></b>
Repurchase Agreements	\$ 496,591
Money Markets	3,541,293
STIP	<u>304,632</u>
Total Governmental & Fiduciary Investments	\$4,342,516

<b><u>Harmon Trust (Permanent Endowment) Fund:</u></b>	<b><u>Fair Value</u></b>	<b><u>% to Total</u></b>
Money Markets	\$ 184,974	16.4%
Federal Farm Credit Bank (FFCB)	73,028	6.5%
Federal Home Loan Mortgage Corp (FHLMC)	105,159	9.3%
Federal National Mortgage Association (FNMA)	20,834	1.8%
Corporate Bonds	50,405	4.5%
Foreign Bond Mutual Funds	25,070	2.2%
Fixed Income Mutual Funds	57,324	5.1%
Common Stocks	245,088	21.7%
Foreign Stocks	22,530	2.0%
Emerging Markets Mutual Funds	79,324	7.0%
International Equity Mutual Funds	103,315	9.2%
Mid Cap Mutual Funds	93,407	8.3%
Real Estate Securities	67,892	6.0%
Total Endowment Investments	\$1,128,350	100%
Total Investments	<u>\$5,470,866</u>	

**Short Term Investment Pool (STIP)**

The Montana Board of Investments Short Term Investment Pool (STIP) is an investment pool that allows governments within the State of Montana to pool their funds for investment purposes. The objectives of the STIP program are to maintain high liquidity and obtain current income reflective of money market yields. The STIP portfolio consists of securities with maximum maturity of 397 days or less and is carried at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The STIP is not registered with the Securities and Exchange Commission (SEC) as an investment fund, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The County's investment position in STIP is determined by the County's share of the investment pool's value. Information concerning the Montana Board of Investment's Short-Term Investment Pool (STIP) may be obtained by contacting: April Madden; STIP Program Manager; Montana Board of Investments; Box 200126; Helena, MT 59620-0126.

**Restricted Cash**

Restricted cash represents resources set aside for permanent endowment funds and donor restricted monies. The corpus of the permanent endowment fund is restricted; only the interest earnings may be spent. The donor directed monies may be spent in full for the donor-stated purposes.

Restricted cash and investments reported on the Statement of Net Position consist of the endowment corpus of \$311,774 and donor restricted cash equivalents of \$45,700 for future library projects. Restricted cash and investments are as follows:

<u>FUND</u>	<u>TYPE OF ASSET</u>	<u>AMOUNT</u>
Harmon Trust	Part of investment portfolio on previous page	\$311,774
Library Depreciation Reserve	Money Markets & Repurchase Agreements	27,031
Library Restoration	Savings & Repurchase Agreements	<u>18,669</u>
Total Restricted Cash & Investments		<u>\$357,474</u>

**NOTE 3: ENDOWMENTS**

The corpus of the Permanent Endowment fund is \$311,774. The available funds as of June 30, 2014 were \$816,576. It is the County's policy to spend the total-return of the fund on General Government activities. According to MCA 20-9-604 permanent endowments are only able to spend the net appreciation. These funds are invested in stocks, bonds and mutual funds, which are allowable investment funds for endowment funds.

**NOTE 4: NET POSITION / FUND BALANCES**

A) NET POSITION

The government-wide fund financial statements utilize a "net position" presentation. Net Position consists of Net Investment in Capital Assets, Restricted and Unrestricted net position.

*Net Investment in Capital Assets* – This category reports the portion of Net Position containing capital assets, including infrastructure, as one component of Net Position. Accumulated depreciation and the outstanding balances of debt attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. Any unspent bond proceeds increase the balance. Net Investment in Capital Assets is calculated as follows:

<u>Item</u>	<u>Amount</u>
Capital Assets Costs	\$6,774,852
Less Accumulated Depreciation	<u>3,090,099</u>
Capital Assets Net of Depreciation	3,684,753
Less Notes Payable	<u>23,337</u>
Net Investment in Capital Assets	<u>\$3,661,416</u>

*Restricted Net Position* – This category reports the portion of Net Position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, Restricted Net Position for governmental activities totaled \$1,213,069 of which \$901,095 was restricted by enabling legislation.

*Unrestricted Net Position* – This category reports the portion of Net Position that is not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use the restricted funds first.

B) FUND BALANCE CLASSIFICATIONS DEFINED

In the fund financial statements, governmental funds report fund balance as Nonspendable, Restricted, Committed, Assigned or Unassigned based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

**Nonspendable** – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact i.e., inventory or endowment corpus.

**Restricted** – Amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. This category consists primarily of property taxes, federal and State grants.

**Committed** – Amounts that can be used only for specific purposes determined through a motion approved by the Board to establish, modify and rescind; and do not lapse at year end. Resolutions made by the Commissioners include amounts set aside in Capital Projects funds for capital acquisitions and capital purchases.

**Assigned** – Amounts intended for specific purposes by the County Clerk & Recorder who has been delegated authority by the Board to assign such amounts.

**Unassigned** – All amounts not included in other spendable classifications.

When expenditures are incurred for which committed, assigned or unassigned amounts could be used, it is the County's policy to first spend committed, then assigned and unassigned resources last.

C) FUND BALANCE CLASSIFICATIONS

**Nonspendable Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Harmon Trust	\$ 311,774	Endowment Corpus
Other Governmental Funds	<u>25,444</u>	Due from Other Funds
Total Nonspendable	\$ 337,218	

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Road	\$ 369,869	Public Works
Other Governmental Funds	41,094	General Government
Other Governmental Funds	418,961	Public Works
Other Governmental Funds	164,747	Public Safety
Other Governmental Funds	63,867	Public Health
Other Governmental Funds	17,880	Social & Economic
Other Governmental Funds	73,129	Culture & Recreation
Other Governmental Funds	<u>63,521</u>	Other Purposes
Total Restricted	\$1,213,069	

**Committed Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Harmon Trust	\$ 107,029	Medical Center Loans Co-signed
Other Governmental Funds	<u>550,133</u>	Capital Acquisitions
Total Committed	\$ 657,162	

**Assigned Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Harmon Trust	\$ 709,547	General Government
Other Governmental Funds	8,633	General Government
Other Governmental Funds	14,854	Public Safety
Other Governmental Funds	<u>24,909</u>	Public Health
Total Assigned	\$ 757,943	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Unassigned Fund Balance**

<u>Fund</u>	<u>Amount</u>
General	\$ 369,730
General – PILT	662,644
General – PR. Adv. Payback	<u>1,891</u>
Subtotal Combined Funds	1,034,265
Weed Grants	<u>( 5,873)</u>
Total Unassigned	\$1,028,392
Total Fund Balance	<u>\$3,993,784</u>

D) MATERIAL CHANGES IN FUND BALANCE CLASSIFICATIONS

The County reviewed its GASB 54 fund balance interpretations and determined that many previously reported fund balance classifications were in need of revision. The fund balances reported above reflect current classifications. The major changes involved changing most fund balances from the “Assigned” and “Committed” classifications to the “Restricted” classification.

E) STATEMENT OF NET POSITION VS. BALANCE SHEET – GOVERNMENTAL FUNDS

The difference of \$43,837 between the Restricted Fund Balance on the Balance Sheet - Governmental Funds and the Restricted Net Position balance on the Statement of Net Position represents the deferred inflows of resources due to taxes receivable in the restricted funds. This difference is attributable to the difference in accounting basis of these two statements.

**NOTE 5: TAXES / RECEIVABLES**

A) MILL LEVIES

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.

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$8,258,811 for the County. The tax rates assessed for the year ended June 30, 2014 to finance County operations were as follows:

B) TAXES RECEIVABLE

At year end the county accounts for the taxes assessed but not received by reflecting taxes receivable and deferred revenue in the general ledger accounts. Governmental Taxes Receivable on June 30, 2013 totaled \$454,088.

C) DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
Weed Grants	\$19,571	Federal Gov. – Weed Grant
Fire Control	884	State of MT – Prior Year Entitlement
Meagher County Health	392	Federal Gov. – DPHHS
Community Services Block	1,378	Federal Gov. – DPHHS
Extension	1,555	State of MT – Prior Year Entitlement
IZ Billing	<u>3,150</u>	Federal Gov. – MIPCD Program
Total	<u>\$26,930</u>	

D) DUE FROM OTHER FUNDS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
Weed (Levied)	\$19,571	Weed Grants – Cover Negative Cash – 2014
Weed (Levied)	<u>5,873</u>	Weed Grants – Cover Negative Cash – 2013
Total	<u>\$25,444</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 6: CAPITAL ASSETS**

	Balance <u>July 1, 2013</u>	Current Year <u>Additions</u>	Current Year <u>Removals</u>	<u>Transfers</u>	Prior Period <u>Adjustments</u>	Balance <u>June 30, 2014</u>
<u>COST Non-Depreciable:</u>						
Land	\$ 65,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,137
CIP	<u>40,671</u>	<u>133,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>173,765</u>
Total Non-Depreciable Costs	\$ 105,808	\$ 133,094	\$ 0	\$ 0	\$ 0	\$ 238,902
<u>COST Depreciable:</u>						
Land Improvements	\$ 2,952,692	\$ 20,105	\$ 0	\$( 69,497)	\$ 186,815	\$ 3,090,115
Buildings	895,514	0	0	69,497	0	965,011
Major Equipment	<u>2,115,025</u>	<u>201,718</u>	<u>62,875</u>	<u>0</u>	<u>226,956</u>	<u>2,480,824</u>
Total Depreciable Costs	<u>5,963,231</u>	<u>221,823</u>	<u>62,875</u>	<u>0</u>	<u>413,771</u>	<u>6,535,950</u>
Total Costs	<u>\$ 6,069,039</u>	<u>\$ 354,917</u>	<u>\$ 62,875</u>	<u>\$ 0</u>	<u>\$ 413,771</u>	<u>\$ 6,774,852</u>
<u>ACCUMULATED DEPRECIATION:</u>						
Land Improvements	\$(1,041,701)	\$(109,953)	\$( 0)	\$ 28,990	\$ 613,649	\$( 509,016)
Buildings	( 502,002)	( 12,504)	( 0)	( 28,990)	( 172,251)	( 715,747)
Major Equipment	<u>(1,251,338)</u>	<u>(166,420)</u>	<u>(37,564)</u>	<u>0</u>	<u>( 485,142)</u>	<u>(1,865,336)</u>
Total Depreciation	<u>\$(2,795,041)</u>	<u>\$(288,878)</u>	<u>\$(37,564)</u>	<u>\$ 0</u>	<u>\$( 43,744)</u>	<u>\$(3,090,099)</u>
Net Capital Assets Prior Period Adjustments					<u>\$ 370,027</u>	

GOVERNMENTAL DEPRECIATION BY FUNCTION:

<u>Function</u>	<u>Amount</u>
General Government	\$ 7,432
Public Safety	67,106
Public Works	198,126
Public Health	6,730
Social and Economic	2,585
Culture and Recreation	<u>6,899</u>
Total Current Year Depreciation	<u>\$288,878</u>

**NOTE 7: 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. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, employee medical insurance and professional liabilities.

Meagher County elected to participate in the Montana Association of Counties Joint Powers Insurance Authority Trust (MACo/JPIA) (the "Authority") to provide automobile and general liability insurance, property insurance pool coverages and worker's compensation coverage. The Authority is governed by an elected board of nine county commissioners, which has the authority to determine management and set operational policies. The Authority has obtained reinsurance through commercial companies for claims in excess of the above areas for varying amounts. Claims administration services are handled by a private insurance firm and general administration is handled by the Montana Association of Counties (MACo). MACo financial statements are available from the Montana Association of Counties 2715 Skyway Drive, Suite A, Helena Montana 59602.

The County obtains automobile, general liability and property insurance from the MACo Property and Casualty Trust which was established in 1987 as a property and liability, self-insurance pool.

Worker's compensation coverage is obtained from the MACo Workers Compensation Trust (the "Trust") which was established in 1986 as a workers' compensation, self-insured pool. The County pays annual premiums to MACo for

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 unfounded liabilities, and establish initial insurance reserves.

The County obtains medical insurance for its employees from Pacific Source Healthcare Plan. The County's liability is limited to the insurance premiums paid.

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 8: CURRENT LIABILITIES**

A) REVENUES COLLECTED IN ADVANCE (aka) UNEARNED REVENUES

The County received federal grant monies prior to June 30, 2014 that were unspent or encumbered by year end. Such funds may be referred to as either revenues collected in advance or unearned revenues. As of June 30, 2014 the County held the following unspent federal grant monies:

<u>Fund</u>	<u>Amount</u>	<u>Source/Grant Name</u>
Forest Reserve – Title III	\$ 73,938	Federal Gov. / Secure Rural Schools
Health Alert Network	<u>117,036</u>	Federal Gov. / Public Health Emergency Preparedness
Total	<u>\$190,974</u>	

B) DUE TO OTHER FUNDS

<u>Fund</u>	<u>Amount</u>	<u>Due To / Reason</u>
Weed Grants	\$ 19,571	Weed (Levied) Cover Negative Cash – 2014
Weed Grants	<u>5,873</u>	Weed (Levied) Cover Negative Cash – 2013
Total	<u>\$ 25,444</u>	

**NOTE 9: OPERATING LEASES**

In April 2011, the County agreed to rent office space from Deschene & Swandal, PC for the County Attorney's term of office at \$1,000 per month. The County Attorney's term ends December 31, 2014. The County paid \$12,000 in lease payments in fiscal year 2014. As of June 30, 2014 the Future Minimum Lease Payments are \$6,000 and will be paid in fiscal year 2015. No interest was estimated on this lease. The terms of this agreement ends in July 2014.

**NOTE 10: DEFERRED INFLOWS OF RESOURCES**

The County accounts for the taxes assessed but not received by reflecting taxes receivable and a corresponding deferred inflow of resources in the general ledger accounts. On June 30, 2014 deferred inflows of resources attributable to taxes receivable totaled \$43,837.

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

The County participates in three state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all County employees, except part-time employees. The Sheriff's Retirement System (SRS) covers law enforcement employees. Teacher's Retirement System TRS covers the Superintendent of Schools. The Montana Public Employee Retirement System (PERS) covers the rest of the County's employees. The plans are established under State law and are administered by the State of Montana.

**Sheriff's Retirement System (SRS)**

The SRS is a state-wide defined benefit plan that provides retirement, disability and death benefits to all Department of Justice criminal investigators hired after July 1, 1993; detention officers hired after July 1, 2005; and to all Montana sheriffs and their beneficiaries.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *Benefits*

Benefit eligibility is 20 years of service regardless of age. Actuarial reduced benefits may be taken at age 50 with at least 5 years of service. Monthly retirements benefits are determined by taking 2.5% of Highest Annual Compensation (HAC) per year of service. For members hired before 7/1/11, the HAC is the highest consecutive 36 months. For members hired after 7/1/11, the HAC is the highest consecutive 60 months. Members' rights become vested after five years of service. Effective July 1, 2013, there is a 110% cap on compensation considered as part of a member's highest average compensation. Also, bonuses have been removed from the definition of compensation.

The plan contains a Guaranteed Annual Benefit Adjustment (GABA) for employees hired before July 1, 2007 of 3% and 1.5% for employees hired on or after July 1, 2007.

### *Contributions*

Contribution rates are required and determined by State law. The SRS employee contribution rate is 9.245%. Employee contributions prior to July 1, 1985 were taxed. Employees with taxed money in their account will receive benefits that are only partially taxable. Contributions made after July 1, 1985 are tax-deferred. Employer required contributions are 10.115% of their covered SRS payroll. Employer contributions are not placed in an individual account. They are "pooled" funds for service retirement, disability retirement and survivor benefits.

### **Teachers' Retirement System (TRS)**

The TRS is a statewide defined benefit retirement plan established in 1937 and governed by Title 19, chapter 20 of the Montana Code Annotated providing retirement services to teachers or professional staff of any public elementary or secondary school, colleges of technology or unit of the university system. The TRS is a mandatory multiple-employer, cost-sharing plan administered by the Teachers' Retirement Board. Members' rights become vested after five years of service.

### *Benefits*

TRS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility, benefit amounts, and contributions required by state law are based on the date the employee became a TRS member. Tier I – Employees who became members before July 1, 2013. Tier II – Employees who became members after July 1, 2013.

Tier I – Retirement benefit eligibility is age 60 with at least five years of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken after age 50 with at least five years of service. Service retirement is based on the highest 3 consecutive highest salaries.

Tier II – Retirement benefit eligibility is age 60 with at least five years of service; age 55 with 30 years of service. A professional retirement option applies to Tier II members age 60 with 30 years of service. Actuarial reduced benefits may be taken after age 55 with at least five years of service. Service retirement is based on the highest 5 consecutive salaries.

Retirement benefits are calculated as shown below:

The Service Retirement is based on *Years of Service x Average Final Compensation x 1.6667%*

The Professional Retirement is based on *Years of Service x Average Final Compensation x 1.85%*

The Guaranteed Annual Benefit Adjustment (GABA) provides an annual benefit increase set in the fall of each year by the TRS board of .5% to 1.5%. A benefit recipient, who has been receiving a benefit for at least 36 months prior to January 1 each year, will receive a GABA with payment of the January benefit.

### *Contributions*

Beginning July 1, 2013 a required supplemental contribution, which will vary from 0% to 1% based on the funded ratio of the TRS pension became effective for Tier I members. A supplemental contribution may be required from Tier II members after January 1, 2023. For fiscal year 2013, Tier I member normal contributions are 7.15% and supplemental contributions are 1% for total Tier I member contributions of 8.15%. Tier II normal contributions are 8.15% which does not contain a supplemental contribution element. Employer contributions are based on total payroll reported to TRS. These are not matching contributions allocated to individual members, but contributions to the trust fund. The TRS employer rate was increased from 7.47% to 8.47% effective July 1, 2013. A new requirement of working retirees is that they are required to make contributions to TRS effective July 1, 2013. Working retiree contributions for fiscal year 2013 were 9.85%. The State supplemental rate is 2.49%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Actuarial Information*

An actuarial valuation of the retirement system is performed annually. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based on present and prospective assets and liabilities of the system. If employee and employer contribution rates are sufficient to amortize any unfunded liability over 30 years or less, the system is actuarially sound and does not have a shortfall. According to TRS publications as of July 1, 2013, TRS does not have a shortfall and is actuarially sound.

**Montana Public Employees' Retirement System (PERS)**

PERS is a state wide retirement plan established in 1945 and governed by Title 19, chapter 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. Within 12 months of their hire date, employees must choose between the Defined Benefit Retirement Plan (DBRP) and the Defined Contribution Retirement Plan (DCRP). The default plan is the DBRP. The PERS is a mandatory, except for those employed less than one half time. It is a multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS Defined Benefit Retirement Plan (DBRP) offers service retirement, early retirement, disability and survivorship benefits to plan members and their beneficiaries. Members' rights become vested after five years of service. The plan allows for a Guaranteed Annual Benefit Adjustment (GABA) that provides for an annual benefit increase each January that could range from 0% to 1.5% depending upon the funding status of the plan.

The service retirement benefit eligibility is age 65 with at least five years of service credit or age 70 regardless of service. Actuarial reduced benefits may be taken with age 55 with at least 5 years of service. Monthly retirement benefits are calculated as: *Membership Service Factor* times *Highest Average Compensation* times *Service Credit*. This formula is multiplied by an Early Retirement Factor to determine the early retirement benefit.

The DCRP consists of three components; member contributions, other contributions and employer contributions. Each component has different vesting criteria. Members are fully vested when they have earned five years of membership service. Member contributions and earnings are fully vested immediately. Other contributions i.e., 403(b) or 457(b) rollover contributions are fully vested immediately. Employer contributions are fully vested after five years of membership service. Employer contributions are forfeited if the employee dies or if service is terminated prior to attaining five years of membership service. Both the employee and the employer make contributions to the plan at the same rates as the DBRP.

Contribution rates for either plan above are required and determined by State law. Effective, July 1, 2013, the PERS rates for all employees was changed to 7.9%. The PERS local government employer rate is 6.8% plus an additional employer contribution of \$1.37% for total employer contributions of 8.17%. The PERS rate paid by the State is 0.10% for local governments.

**All Plans**

All three plans issue annual financial statements containing required supplemental information that are publically available. Those financial reports may be obtained from the following:

<b>Sheriff's Retirement System</b>	<b>Public Employees Retirement System</b>	<b>Teachers Retirement System</b>
P.O. Box 200131	P.O. Box 200131	P.O. Box 200139
100 N. Park Avenue #200	1712 Ninth Avenue	1500 Sixth Avenue
Helena, MT 59620	Helena, MT 59620-0131	Helena, MT 59620-0139
Phone: 406-444-3154	Phone: 406-444-3154	Phone: 406-444-3134
<a href="http://www.mpera.gov/">www.mpera.gov/</a>	<a href="http://www.state.mt.us/doa/perb/prb.htm">www.state.mt.us/doa/perb/prb.htm</a>	<a href="http://www.trs.doa.state.mt.us">www.trs.doa.state.mt.us</a>

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>
TRS	\$ 0	\$ 0	\$ 952
SRS	31,866	33,625	33,491
PERS	<u>111,731</u>	<u>115,727</u>	<u>136,760</u>
Total	<u>\$143,597</u>	<u>\$149,352</u>	<u>\$171,203</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 12: LONG TERM DEBT OBLIGATIONS**

A) CHANGES IN LONG TERM DEBT

Governmental Activities:	Balance <u>July 1, 2013</u>	<u>Additions</u>	Payments & <u>Deductions</u>	Balance <u>June 30, 2014</u>	Current <u>Portion</u>
Compensated Absences	\$ 97,426	\$19,993	\$ 0	\$117,419	\$40,692
OPEB Liability	82,316	21,128	0	103,444	0
Notes Payable – Rural Fire	19,086	0	5,096	13,990	4,372
Notes Payable – Airport Fence	<u>9,347</u>	<u>0</u>	<u>0</u>	<u>9,347</u>	<u>1,870</u>
Total	<u>\$208,175</u>	<u>\$41,121</u>	<u>\$5,096</u>	<u>\$244,200</u>	<u>\$46,934</u>

B) NOTES PAYABLE

**Rural Fire Note Payable**

The County entered into a promissory note with a local bank in prior years for the acquisition of capital facilities and capital assets; namely the construction of a rural fire building. The note was entered into for the terms and semi-annual payment schedules indicated in schedules illustrated below. In 2011, the bank re-issued a debt repayment schedule based on current interest rates. The repayment schedule includes remaining interest of \$289.

**MDT Airport Fence Note Payable**

In June 2013, the County received \$18,694 from the Montana Department of Transportation (MDT) for airport fence improvements. Of this amount, \$9,347 was in the form of a grant and \$9,347 was in the form of a loan. The note has a 10-year term with annual payments of \$935. The repayment schedule shown below includes the remaining interest of \$772. The February 2014 payment was missed; two payments were made in February 2015.

Issue <u>Date</u>	Original <u>Term</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Retired</u>	Amount Outstanding <u>June 30, 2014</u>
8/2004	14 years	\$55,024	6.25% - 1.25%	\$41,034	\$13,990
6/2013	10 years	<u>9,347</u>	1.625%	<u>0</u>	<u>9,347</u>
Totals		\$64,371		\$41,034	<u>\$23,337</u>

As of June 30:	<u>Rural Fire Note</u>		<u>MDT –Airport Fence</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,372	\$152	\$1,870	\$225	\$ 6,242	\$ 377
2016	4,427	97	935	122	5,362	219
2017	4,484	40	935	106	5,419	146
2018	707	1	935	91	1,642	92
2019	0	0	935	76	935	76
2020-2023	<u>0</u>	<u>0</u>	<u>3,737</u>	<u>152</u>	<u>3,737</u>	<u>152</u>
Totals	<u>\$13,990</u>	<u>\$290</u>	<u>\$9,347</u>	<u>\$772</u>	<u>\$23,337</u>	<u>\$1,062</u>

**NOTE 13: CONTINGENT LIABILITY**

**Mountainview Medical Center loans**

The Mountainview Medical Center (MMC) has two FmHA loans outstanding that are secured by the Harmon Trust Fund. Harmon Trust net position in excess of corpus is \$816,576. The original amounts of the loans were \$180,000 and \$236,145 for 25 and 20 years respectively. The MMC makes monthly loan payments of \$1,066 and \$1,559 respectively for an annual total of \$31,500. Current outstanding balances on the loans are estimated at \$73,115 and \$33,914 respectively. The loans will be paid in full in September 2021 and 2016 respectively. Initially, the County reimbursed the MMC for the loan payments. Then, in fiscal year 2012, the MMC notified the County that they no longer required the County reimbursements. However, due to the loan provisions, the County remains as a guarantor on these loans until the balances shown below are paid in full.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	FmHA #1		FmHA #2		Total Medical Center Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 9,231	\$ 3,563	\$17,389	\$1,308	\$ 26,620	\$ 4,871
2016	9,716	2,832	16,525	420	26,241	3,252
2017	10,226	2,566	0	0	10,226	2,566
2018	10,763	2,029	0	0	10,763	2,029
2019	11,328	1,464	0	0	11,328	1,464
2020-2021	<u>21,851</u>	<u>1,117</u>	<u>0</u>	<u>0</u>	<u>21,850</u>	<u>1,117</u>
Totals	<u>\$73,115</u>	<u>\$13,571</u>	<u>\$33,914</u>	<u>\$1,728</u>	<u>\$107,029</u>	<u>\$15,299</u>

**NOTE 14: OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS**

**Plan Description** – In accordance with MCA (2-18-704) the County allows employees who are at least age 50 with 5 years of service to remain on the County’s health insurance plan after retiring from the County as long as they pay the same premium as active employees. Since retirees are usually older than the average age of the active participants, they receive a benefit of lower insurance rates. This benefit is referred to as the “OPEB liability.” The County has less than 100 plan members and elected to use the “Alternative Measurement Method” to calculate its OPEB liability. The OPEB plan does not provide a stand-alone financial report. The County pays 100% of the single active employee’s health insurance premium up to \$800 per member and/or member and spouse. The monthly implicit subsidy is \$612 per member and \$800 per member and spouse. The Schedule of Funding Progress is reported in the Required Supplementary Information section immediately following the notes to the financial statements.

**Funding Policy** – The County pays its OPEB liabilities on a “pay-as-you-go” basis. The County’s OPEB liability is amortized on a level dollar basis annually until the Actuarial Accrued Liability (AAL) is reached. A trust fund for future liabilities has not been established. Therefore, the County’s OPEB liability will continue to grow until it reaches the Actuarial Accrued Liability (AAL) shown below.

**Funding status and progress** – As of June 30, 2014 the funded status of the plan was as follows:

<u>Actuarial Cost Method</u>	<u>Alternative Measurement Method</u>
Actuarial Accrued Liability (AAL)	\$ 211,280
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 211,280
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$1,112,848
UAAL as a percentage of covered payroll	18.9%
Date of latest AAL calculation	June 30, 2014

**Annual OPEB Cost and Net OPEB Obligation** – The County’s annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, 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 County’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County’s net OPEB obligation.

The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County’s net OPEB obligation.

<u>Actuarial Cost Method</u>	<u>Alternative Measurement Method</u>
Annual Required Contribution (ARC)	\$ 20,579
Interest on net OPEB obligation	3,293
Adjustment to ARC	<u>(2,744)</u>
Annual OPEB cost (expense)	21,128
Contribution made	<u>0</u>
Increase in net OPEB obligation	21,128
Net OPEB obligation - beginning of year	<u>82,316</u>
Net OPEB obligation - end of year	<u>\$103,444</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

<u>Actuarial Cost Method</u>	<u>Alternative Measurement Method</u>
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	4%
Average Salary Increase	3%
Health care cost rate trend	
<u>Year</u>	<u>% Increase</u>
2015	5.7%
2016	6.3%
2017 and after	5.9%

Actuarial calculations reflect a long-term perspective and consistent with that perspective, the actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The County has no actuarial value of assets because the plan is not funded.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Annual Required Contribution (ARC) for the current and preceding two fiscal years is illustrated below. The ARC is a misleading term, since no cash contribution is actually required. No interest has been applied to the Net OPEB obligation.

<u>Fiscal Year</u>	<u>Annual Required</u>	<u>Percent of ARC</u>	<u>Net OPEB</u>
<u>Ending June 30:</u>	<u>Contribution (ARC)</u>	<u>Contributed</u>	<u>Obligation</u>
2012	\$20,579	0%	\$ 61,737
2013	20,579	0%	82,316
2014	21,128	0%	103,444

The required supplementary information section of this report presents multiple years fund information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits. The projection of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and if applicable, the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the patterns of cash shares between the employer and plan members in the future.

**NOTE 15: ENDOWMENTS**

**Harmon Trust** – This permanent fund is used to account for money donated to the County by the Harmon estate. Only the earnings of this fund can be spent for governmental purposes. The principal or endowment corpus of \$311,774 must remain intact. The Net Position of this fund is included in Governmental Activities on the Statement of Net Position. The Harmon Trust allows for the “total returns policy” earnings on the principal to be spent at the discretion of the County Commissioners in accordance with State law. The County agreed to allow the earnings of the trust be used to secure two FmHA loans for the Medical Center as described in Note 13 – Contingent Liability.

**Library Trust** – This fund is used to account for money donated to the County by Don Johnston. The trust was established to assist the Meagher County and the City in achieving long-term building and maintenance goals for the library. The primary goal of this fund is to replace or rebuild the portion of the library building which has been condemned. Upon completion of the primary goal, the fund shall become a permanent fund and interest only shall be used for special projects approved by the Board. Currently, the County holds these monies in a special revenue fund rather than a permanent fund because the primary goal has not been reached. Additional donations may be added to this fund and library shall be restricted in their use to the goals and purposes of the trust. As of June 30, 2014 donor-restricted funds totaled \$45,700.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 16: DEFICIT FUND BALANCES**

<u>FUND</u>	<u>BALANCE</u>	<u>HOW TO CORRECT</u>
Weed Grants	<u>(\$5,873)</u>	Collect Future Revenues

**NOTE 17: GOVERNMENTAL OPERATING TRANSFERS**

<u>Transferred From</u>	<u>Amount</u>	<u>Transferred To</u>
General	\$ 1	Crime Control
Road	599	Weed (Levied)
Road	31,666	Health Insurance
Road	236,405	Road – Capital Projects
Weed Grants	100,435	Weed (Levied)
PILT	3,000	General
PILT	7,000	Land Use Planning
Airport	835	Weed
Ambulance	63,617	Ambulance – Capital Projects
Senior Citizens	411	General
Meagher Co. Health	165	MCH
Meagher Co. Health	3,120	Immunization
Compensated Absences	<u>5,779</u>	Extension
Total Transfers	<u>\$453,033</u>	

**NOTE 18: PRIOR PERIOD ADJUSTMENTS**

<u>FUND</u>	<u>BALANCE</u>	<u>REASON</u>
General	\$ 711	Payroll Adv. Payback fund not a combined fund in the prior year
Other Governmental Funds	( 711)	Payroll Adv. Payback fund not a combined fund in the prior year
Forest Reserve Title III	( 66,863)	Unspent federal grant – Secure Roads & Schools
Health Alert Network	<u>( 117,769)</u>	Unspent federal grant – Public Health Emergency Prep.
Total	<u>(\$178,632)</u>	

**NOTE 19: RESTATEMENT of FUND BALANCE**

A restatement of prior year fund balance of \$307,027 was made to bring the Capital Assets reported on the Statement of Net Position into agreement with the capital assets listing. Fiscal year 2013 was the first year that a capital asset listing was compiled. During the process, additional assets were identified and researched as to date of acquisition. The Capital Assets table (Note 6) includes a prior period adjustments column to illustrate the capital asset adjustments by asset category.

**NOTE 20: SUBSEQUENT REPORTABLE EVENTS**

Subsequent events were evaluated through June 15, 2015. Since June 30, 2014, the County applied for a loan of \$120,000 for the construction of an ambulance barn. As of the date of this report the loan is still in the application process. A contract was granted to Reed Mountain Construction of Alberton, MT for \$177,200 to finish the ambulance barn.

Since June 30, 2014, the County awarded a contract to Bishop, Inc. for \$93,800 to crush gravel for County road projects.

Meagher County Commissioners  
 Meagher County  
 White Sulphur Springs, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 MAJOR, SPECIAL REVENUE, GOVERNMENTAL FUNDS  
 for the Fiscal Year Ended June 30, 2014  
 Page 1 of 3

	General Fund		Road Fund		
	Original & Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>					
Taxes/Assessments	\$ 823,901	\$ 1,041,971	\$ 276,499	\$ 276,499	\$ 322,372
Investment Earnings	-	18,246	-	-	-
Licenses and Permits	-	2,725	-	-	-
Fines and Forfeitures	-	6,491	-	-	-
Miscellaneous	-	2,756	-	-	2,426
Intergovernmental Revenue	-	22,645	-	236,404	301,163
Charges for Services	<u>358,444</u>	<u>47,514</u>	<u>83,095</u>	<u>83,095</u>	<u>3,432</u>
Total Revenues	1,182,345	1,142,346	359,594	595,998	629,393
<b>EXPENDITURES:</b>					
General Government	605,000	604,463	-	-	-
Public Safety	385,000	383,657	-	-	-
Public Works	-	-	385,000	385,000	382,740
Public Health	15,000	14,818	-	-	-
Social & Economic Services	6,000	5,225	-	-	-
Miscellaneous	<u>70,682</u>	<u>-</u>	<u>-</u>	<u>192,217</u>	<u>-</u>
Total Current Expenditures	1,081,682	1,008,163	385,000	577,217	382,740
Capital Outlay	<u>13,000</u>	<u>12,746</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Outlays	1,094,682	1,020,909	385,000	577,217	382,740
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
		121,437			246,653
<b>OTHER FINANCING SOURCES/USES</b>					
Sale of Capital Assets	-	-	-	-	15,299
Fund Transfers In	-	3,411	-	-	-
Fund Transfers (Out)	<u>-</u>	<u>(1)</u>	<u>(228,483)</u>	<u>(272,670)</u>	<u>(268,670)</u>
<b>NET CHANGES IN FUND BALANCES</b>		124,848			(6,717)
<b>FUND BALANCES:</b>					
BEGINNING FISCAL YEAR FUND BALANCES		244,883			376,586
PRIOR PERIOD ADJUSTMENTS		<u>-</u>			<u>-</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 369,730</u>			<u>\$ 369,869</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(Budget and Actual)  
MAJOR, SPECIAL REVENUE, GOVERNMENTAL FUNDS  
for the Fiscal Year Ended June 30, 2014  
Page 2 of 3

	Harmon Trust Fund		Weed Grants Fund		
	Original & Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>					
Taxes/Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	-	35,499	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Intergovernmental Revenue	-	-	-	93,442	57,028
Charges for Services	-	-	39,000	39,000	3,087
Total Revenues	-	35,499	39,000	132,442	60,115
<b>EXPENDITURES:</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	61,444	54,451	40,179
Public Health	-	-	-	-	-
Social & Economic Services	-	-	-	-	-
Miscellaneous	-	4,385	-	-	-
Total Current Expenditures	-	4,385	61,444	54,451	40,179
Capital Outlay	-	-	-	-	7,500
Total Outlays	-	4,385	61,444	54,451	47,679
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
		31,114			12,437
<b>OTHER FINANCING SOURCES/USES</b>					
Sale of capital Assets	-	-	-	-	-
Fund Transfers In	-	-	-	-	-
Fund Transfers (Out)	-	-	-	(100,435)	(100,435)
<b>NET CHANGES IN FUND BALANCES</b>					
		31,114			(87,998)
<b>FUND BALANCES:</b>					
BEGINNING FISCAL YEAR FUND BALANCES		1,097,236			82,125
PRIOR PERIOD ADJUSTMENTS		-			-
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 1,128,350</u>			<u>\$ (5,873)</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 MAJOR, SPECIAL REVENUE, GOVERNMENTAL FUNDS  
 for the Fiscal Year Ended June 30, 2014  
 Page 3 of 3

	Forest Reserve Title III Fund		Health Alert Network Fund	
	Original & Final Budget	Actual	Original Budget	Actual
<b>REVENUES:</b>				
Taxes/Assessments	\$ -	\$ -	\$ -	\$ -
Investment Earnings	-	-	-	-
Licenses and Permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	94
Intergovernmental Revenue	38,105	36,205	25,272	26,875
Charges for Services	-	-	-	-
Total Revenues	<u>38,105</u>	<u>36,205</u>	<u>25,272</u>	<u>26,969</u>
<b>EXPENDITURES:</b>				
General Government	-	-	-	-
Public Safety	38,105	36,205	-	-
Public Works	-	-	-	-
Public Health	-	-	57,472	25,270
Social & Economic Services	-	-	-	-
Miscellaneous	-	-	-	-
Total Current Expenditures	<u>38,105</u>	<u>36,205</u>	<u>57,472</u>	<u>25,270</u>
Capital Outlay	-	-	32,201	-
Total Outlays	<u>38,105</u>	<u>36,205</u>	<u>89,673</u>	<u>25,270</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		-		1,699
<b>OTHER FINANCING SOURCES/USES</b>				
Sale of capital Assets	-	-	-	-
Fund Transfers In	-	-	-	-
Fund Transfers (Out)	-	-	-	-
<b>NET CHANGES IN FUND BALANCES</b>		-		1,699
<b>FUND BALANCES:</b>				
BEGINNING FISCAL YEAR FUND BALANCES		66,863		110,070
PRIOR PERIOD ADJUSTMENTS		<u>(66,863)</u>		<u>(111,769)</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ -</u>		<u>\$ -</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

**NOTE 1: BUDGETS**

County budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the end of the fiscal year, unless the County elects to encumber supplies and personal property ordered but not received at year end.

**General Budget Policies:**

The County's funds are budgeted in accordance with State statutes. A legal budget must be adopted to have expenditures. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major Special Revenue funds.

**Budget Operation:**

The County operates within the budget requirements for Counties as specified by State law. The financial report reflects the following budgetary standards:

- (1) Before the fourth Monday in July, the County Clerk & Recorder estimates the revenue required for each fund.
- (2) By the first Monday in August, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the County's borders.
- (3) Before the later of the first Thursday after the first Tuesday in September or within 30 calendar days of the receipt of the Certified Taxable Valuations from the County Assessor, the Meagher County Commissioners must meet to legally adopt the final budget. The final budget for the General Fund is fund total only.
- (4) Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- (5) According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

**NOTE 2: BUDGET AMENDMENTS**

In fiscal year 2014, the following budget amendments were approved due to unanticipated revenues and expenditures.

<u>FUND</u>	<u>AMOUNT</u>	<u>REASON</u>
Road	\$236,404	Unanticipated Revenues
Library	18,221	Unanticipated Revenues
Mental Health	1,891	Unanticipated Revenues
Records Preservation	9,000	Unanticipated Revenues
Alcohol Rehabilitation	5,000	Unanticipated Revenues
Senior Citizen's	10,000	Unexpected Expenditures
Land Use Planning	7,000	Unanticipated Revenues
Tobacco	537	Unanticipated Revenues
Weed Grants	93,442	Allow Transfers to Other Funds
Road – Capital Projects	236,404	Allow Capital Asset Purchase
Golf	<u>10,000</u>	Unanticipated Revenues
Total	<u>\$627,899</u>	

NOTES TO THE BUDGET AND ACTUAL SCHEDULE (Continued)

**NOTE 3: EXCESS EXPENDITURES OVER APPROPRIATIONS**

After the budget amendments in Note 2, the following funds had expenditures in excess of their budgets.

<u>FUND</u>	<u>AMOUNT</u>	<u>REASON</u>
Harmon Trust	\$ 4,385	No budget established for this fund
Hospital	3,584	Inattention to budget to actual
Senior Citizens	411	Inattention to budget to actual
Meagher County Health	10,188	Inattention to budget to actual
Compensated Absences	<u>5,779</u>	No budget established for this fund
Total	<u>\$24,347</u>	

Meagher County Commissioners  
 Meagher County  
 White Sulphur Springs, Montana 59645

SCHEDULE OF FUNDING PROGRESS  
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
 OTHER THAN PENSIONS  
 For the Fiscal Year Ended June 30, 2014

The following table shows information as of the most recent actuarial valuation and the two preceding valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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))
2011	\$0	\$818,976	\$0	0%	\$1,223,979	67%
2014	0	211,280	0	0%	1,112,848	19%

The requirement to calculate the OPEB liability was effective in fiscal year 2010. The OPEB was calculated for the first time on June 30, 2011. Since 2011, covered payroll decreased by \$111,131 or 9%. It was determined that the prior valuation showing the AAL at 67% of the covered payroll was too high. The fiscal year 2014 actuarial valuation was prepared using a lower premium increase. Also, a lower percentage of participants were expected to remain on the plan in the future after retirement based on current retiree participant information.

The purpose of the above table is to provide information that serves as a surrogate for the funding progress of the Other Post-Employment Benefit plan.

2011 was the first year that the County calculated its OPEB liability. The County recalculated its OPEB Accrued Actuarial Liability (AAL) as of June 30, 2014 in accordance with the 3-year recalculation requirement of GASB Statement No. 45.

Meagher County Commissioners  
 Meagher County  
 White Sulphur Springs, Montana

SCHEDULE OF COMBINED FUNDS  
 BALANCE SHEET - COMBINED FUNDS  
 as of June 30, 2014

	General Fund	PILT Fund	Payroll Advance Payback Fund	Compensated Absences Fund	Total General Fund
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash & Investments	\$ 369,746	\$ 662,644	\$ 1,891	\$ -	\$ 1,034,280
Taxes/Assessments Receivable	21,806	-	-	-	21,806
Receivable From Other Funds	-	-	-	-	-
Due From Other Governments	-	-	-	-	-
Total Current Assets	391,552	662,644	1,891	-	1,056,086
<b>Restricted Assets:</b>					
Cash & Investments	-	-	-	-	-
Total Assets	391,552	662,644	1,891	-	1,056,086
<b>LIABILITIES:</b>					
Payable to Other Funds	-	-	-	-	-
Accounts Payable	16	-	-	-	16
Other Current Liabilities	-	-	-	-	-
Revenues Collected in Advance	-	-	-	-	-
Total Liabilities	16	-	-	-	16
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Revenue - Property Taxes	21,806	-	-	-	21,806
<b>FUND BALANCES:</b>					
Unassigned	369,730	662,644	1,891	-	1,034,265
Total Fund Balances	369,730	662,644	1,891	-	1,034,265
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 391,552</u>	<u>\$ 662,644</u>	<u>\$ 1,891</u>	<u>\$ -</u>	<u>\$ 1,056,086</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

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

	General Fund	PILT Fund	Payroll Advance Payback Fund	Compensated Absences Fund	Total General Fund
<b>REVENUES:</b>					
Taxes/Assessments	\$ 1,041,971	\$ -	\$ -	\$ -	\$ 1,041,971
Investment Income	18,246	-	-	-	18,246
Licenses & Permits	2,725	-	-	-	2,725
Fines & Forfeitures	6,491	-	-	-	6,491
Miscellaneous	2,756	-	1,180	5,779	9,714
Intergovernmental Rev	22,645	174,341	-	-	196,986
Charges for Services	47,514	-	-	-	47,514
<b>Total Revenues</b>	<b>1,142,346</b>	<b>174,341</b>	<b>1,180</b>	<b>5,779</b>	<b>1,323,646</b>
<b>EXPENDITURES:</b>					
General Government	604,463	-	-	-	604,463
Public Safety	383,657	-	-	-	383,657
Public Health	14,818	-	-	-	14,818
Social & Economic Services	5,225	-	-	-	5,225
Miscellaneous	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,008,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,008,163</b>
Capital Outlay	12,746	-	-	-	12,746
<b>Total Outlays</b>	<b>1,020,909</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,909</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>121,437</b>	<b>174,341</b>	<b>1,180</b>	<b>5,779</b>	<b>302,737</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Fund Transfers In	3,411	-	-	-	3,411
Fund Transfers (Out)	(1)	(10,000)	-	(5,779)	(15,780)
<b>NET CHANGES IN FUND BALANCES</b>	<b>124,848</b>	<b>164,341</b>	<b>1,180</b>	<b>-</b>	<b>290,369</b>
<b>FUND BALANCES:</b>					
Beginning of the Year	244,883	498,303	-	-	743,185
Prior Period Adjustments	-	-	711	-	711
<b>End of the Year</b>	<b>\$ 369,730</b>	<b>\$ 662,644</b>	<b>\$ 1,891</b>	<b>\$ -</b>	<b>\$ 1,034,265</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 COMBINED FUNDS  
 for the Fiscal Year Ended June 30, 2014  
 Page 1 of 2

	General Fund		PILT Fund		Payroll Advance Payback	
	Original & Final Budget	Actual	Original & Final Budget	Actual	Original & Final Budget	Actual
<b>REVENUES:</b>						
Taxes/Assessments	\$ 823,901	\$ 1,041,971	\$ -	\$ -	\$ -	\$ -
Investment Earnings	-	18,246	-	-	-	-
Licenses and Permits	-	2,725	-	-	-	-
Fines and Forfeitures	-	6,491	-	-	-	-
Miscellaneous	-	2,756	-	-	-	1,180
Intergovernmental Revenue	-	22,645	-	174,341	-	-
Charges for Services	358,444	47,514	-	-	-	-
Total Revenues	1,182,345	1,142,346	-	174,341	-	1,180
<b>EXPENDITURES:</b>						
General Government	605,000	604,463	-	-	-	-
Public Safety	385,000	383,657	-	-	-	-
Public Works	-	-	-	-	-	-
Public Health	15,000	14,818	-	-	-	-
Social & Economic Services	6,000	5,225	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
Miscellaneous	70,682	-	50,000	-	711	-
Total Current Expenditures	1,081,682	1,008,163	50,000	-	711	-
Capital Outlay	13,000	12,746	-	-	-	-
Debt Service (Principal, Interest, Fees)	-	-	-	-	-	-
Total Outlays	1,094,682	1,020,909	50,000	-	711	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
		121,437		174,341		1,180
<b>OTHER FINANCING SOURCES/USES</b>						
Sale of capital Assets	-	-	-	-	-	-
Fund Transfers In	-	3,411	-	-	-	-
Fund Transfers (Out)	-	(1)	(10,000)	(10,000)	-	-
<b>NET CHANGES IN FUND BALANCES</b>		124,848		164,341		1,180
<b>FUND BALANCES:</b>						
BEGINNING FISCAL YEAR FUND BALANCES *		244,883		498,303		711
PRIOR PERIOD ADJUSTMENTS		-		-		-
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 369,730</u>		<u>\$ 662,644</u>		<u>\$ 1,891</u>

\* The General Fund beginning balance differs from the previous statement because the Payroll Advance Payback fund was combined with the General fund in current year for the first time.

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 COMBINED FUNDS  
 for the Fiscal Year Ended June 30, 2014  
 Page 2 of 2

	<b>Compensated Absences Fund</b>	
	Original &	
	Final	
	Budget	Actual
<b>REVENUES:</b>		
Taxes/Assessments	\$ -	\$ -
Investment Earnings	-	-
Licenses and Permits	-	-
Fines and Forfeitures	-	-
Miscellaneous	-	5,779
Intergovernmental Revenue	-	-
Charges for Services	-	-
Total Revenues	-	5,779
<b>EXPENDITURES:</b>		
General Government	-	-
Public Safety	-	-
Public Works	-	-
Public Health	-	-
Social & Economic Services	-	-
Culture & Recreation	-	-
Miscellaneous	-	-
Total Current Expenditures	-	-
Capital Outlay	-	-
Debt Service (Principal, Interest, Fees)	-	-
Total Outlays	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		5,779
<b>OTHER FINANCING SOURCES/USES</b>		
Sale of capital Assets	-	-
Fund Transfers In	-	-
Fund Transfers (Out)	-	(5,779)
<b>NET CHANGES IN FUND BALANCES</b>		-
<b>FUND BALANCES:</b>		
BEGINNING FISCAL YEAR FUND BALANCES *		-
PRIOR PERIOD ADJUSTMENTS		-
ENDING FISCAL YEAR FUND BALANCES		<u>\$ -</u>

\* The General Fund beginning balance differs from the previous statement because the Payroll Advance Payback fund was combined with the General fund in current year for the first time.

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

GRANTOR/PASS THROUGH GRANT AND PROGRAM TITLE	Pass Through or Grantor Contract #	CFDA Number	GRANT AWARD AMOUNT
U.S. DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS:			
Airport Improvement Program		20.106	\$18,094
Highway Planning & Construction (CTEP)		20.205	1,878
U.S. DEPARTMENT OF JUSTICE DIRECT PROGRAMS:			
Edward Byrne Memorial Justice		16.738	13,693
U.S. DEPARTMENT OF INTERIOR PASSED THROUGH STATE OF MONTANA DEPT. OF MILITARY AFFAIRS-DISASTER AND EMERGENCY SERVICES:			
Federal Emergency Mgt Agency (FEMA)	FEMA-1996-DR-MT	97.036	9,117
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES PASSED THROUGH STATE OF MONTANA DEPT. OF PUBLIC HEALTH & HUMAN SERVICES:			
Public Health Emergency Preparedness <sup>2</sup>		93.069	30,537
Immunization		93.268	1,958
MIPCD Program		93.536	9,927
CDBG Family Planning		93.569	3,160
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH STATE OF MONTANA DEPT. OF ADMINISTRATION:			
Secure Rural Schools & Roads – Grants to States – Title I		10.665	236,405
Secure Rural Schools & Roads – Grants to States – Title II		10.665	60,000
Secure Schools & Roads – Grants to States – Title III <sup>2</sup>		10.665	43,280
Forest Health Protection – (Noxious Weeds) Checkerboard		10.680	14,735
Forest Health Protection – (Noxious Weeds)		10.680	19,571
Taylor Grazing			432

Notes: 1. The SEFA is prepared using the modified accrual basis of accounting which is described in note 1B.  
2. Prior period adjustments were necessary to bring the unspent grant balances into agreement with cash on hand in the funds attributed to the federal grants. These two lines are reported on the cash basis to illustrate the ending federal grants still to spend.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) <sup>1</sup>  
Fiscal Year Ended June 30, 2014  
Page 2 of 2

GRANTOR/PASS THROUGH GRANT AND PROGRAM TITLE	Balance July 1, 2013	Prior Period Adjustments	Revenues	Allowable Expenditures	Balance June 30, 2014
<b>U.S. DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS:</b>					
Airport Improvement Program	\$ 0	\$ 0	\$ 18,094	\$ 18,094	\$ 0
Highway Planning & Construction (CTEP)	<u>0</u>	<u>0</u>	<u>1,878</u>	<u>1,878</u>	<u>0</u>
TOTAL DEPARTMENT OF TRANSPORTATION	0	0	19,972	19,972	0
<b>U.S. DEPARTMENT OF JUSTICE DIRECT PROGRAMS:</b>					
Edward Byrne Memorial Justice	0	0	13,693	13,693	0
<b>U.S. DEPARTMENT OF INTERIOR: PASSED THROUGH STATE OF MONTANA DEPT. OF MILITARY AFFAIRS-DISASTER AND EMERGENCY SERVICES:</b>					
Federal Emergency Management Agency (FEMA)	0	0	9,117	9,117	0
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES: PASSED THROUGH STATE OF MONTANA DEPT. OF PUBLIC HEALTH &amp; HUMAN SERVICES:</b>					
Public Health Emergency Preparedness <sup>2</sup>	5,267	111,769	25,270	25,270	117,036
Immunization	0	0	1,958	1,958	0
MIPCD Program	0	0	9,927	9,927	0
CDBG Family Planning	<u>0</u>	<u>0</u>	<u>3,160</u>	<u>3,160</u>	<u>0</u>
TOTAL DEPT OF H & H SERVICES:	5,267	111,769	40,315	40,315	117,036
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH STATE OF MONTANA DEPT. OF ADMINISTRATION:</b>					
Secure Rural Schools & Roads – Grants to States – Title I	0	0	236,405	236,405	0
Secure Rural Schools & Roads – Grants to States – Title II	0	0	60,000	60,000	0
Secure Rural Schools & Roads – Grants to States – Title III <sup>2</sup>	14,077	66,863	29,203	36,205	73,938
Forest Health Preservation – (Noxious Weeds)	14,735	0	0	14,735	0
Forest Health Preservation – (Noxious Weeds)	0	0	19,571	19,571	0
Taylor Grazing	<u>0</u>	<u>0</u>	<u>432</u>	<u>432</u>	<u>0</u>
TOTAL DEPT. OF AGRICULTURE	28,812	66,863	345,611	367,348	73,938
<b>TOTAL FEDERAL PROGRAMS:</b>	<u>\$34,079</u>	<u>\$178,632</u>	<u>\$428,708</u>	<u>\$450,445</u>	<u>\$190,974</u>

Notes: 1. The SEFA is prepared using the modified accrual basis of accounting which is described in note 1B.

2. Prior period adjustments were necessary to bring the unspent grant balances into agreement with cash on hand in the funds attributed to the federal grants. These two lines are reported on the cash basis to illustrate the ending federal grants still to spend.

**T**ripp & **A**ssociates  
1645 Ave. D, Suite E  
Billings, Montana 59102

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*

Meagher County Commissioners  
Meagher County  
White Sulphur Springs, Montana 59645

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meagher County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Meagher County's basic financial statements, and have issued our report thereon dated June 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Meagher 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 Meagher County's internal control. Accordingly, we do not express an opinion on the effectiveness of Meagher County's internal control.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses; items 2014-001, 2014-003, 2014-006 and 2014-007.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies; items 2014-004.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Meagher County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2014-002 and 2014-005.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tripp & Associates*

**T**ripp & **A**ssociates  
Billings, Montana  
June 24, 2015

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

**2013-004 – AIRPORT FENCE LOAN:**

This is not a finding for fiscal year 2014.

**2013-007 – OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

This is not a finding for fiscal year 2014.

**2013-008 – FUND BALANCE CLASSIFICATIONS:**

This is not a finding for fiscal year 2014.

**2013-009 – BEGINNING BALANCE:**

This is not a finding for fiscal year 2014.

**2013-001: CAPITAL ASSETS (Repeat Finding from 2001 – 2012):**

The County provided a list of capital assets for the first time in fiscal year 2013. However, the list did not support the balances reported as capital assets; accumulated depreciation, or current year depreciation expenses, additions and removals.

This is still a finding for fiscal year 2014. It is reported as finding #2014-001.

**2013-002: BUDGET (Repeat Finding from 2003 – 2012):**

5 of 69 budgeted funds overspent their official budget filed with the State of Montana.

This is a repeat finding for fiscal year 2014. It is reported as finding # 2014-002.

**2013-003 – ACCRUALS:**

The County miscoded federal, State and local revenues and did not make revenue accruals for federal grants. The County reported federal revenues as local revenues and State revenues as federal revenues on the Schedule of Federal/State Grants. The County did not make the necessary revenue accruals for receivables or unspent federal monies.

This is a repeat finding for fiscal year 2014. It is reported as finding # 2014-003.

**2013-005 – STALE DATED CHECKS AND WARRANTS:**

Stale dated checks and warrants were reported in the clearing funds dating back to 2003.

This is still a finding for fiscal year 2014. It is reported as finding # 2014-004.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

**2013-006 – FOREST SERVICE TITLE III – PUBLIC COMMENT PERIOD – 2013:**

Program CFDA Number and Title: 10.665 Schools and Roads – Grants to States

Federal Award Number: NONE

Federal Award Year: 2013

The County did not provide a 45-day public comment period for the Forest Service – Secure Schools and Roads Title III monies.

This is a repeat finding for fiscal year 2014. It is reported as finding # 2014-005.

SCHEDULE OF FINDINGS AND RESPONSES

**A.** Summary of Auditor's Results

***Financial Statements:***

The auditor, Tripp & Associates, has issued an unmodified opinion on Meagher County's financial statements as of and for the year ended June 30, 2014.

***Internal Control over financial reporting:***

- Material Weaknesses identified?                     YES     NO
- Significant Deficiencies identified?                 YES     NONE REPORTED

Noncompliance material to financial statements noted?                     YES     NO

**B.** Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards.

**2014-001 – CAPITAL ASSETS –2014 (Repeat Finding since 2001):**

Criteria: Generally Accepted Accounting Principles (GAAP) requires capital assets to be correctly reported.  
Condition: The capital asset listing presented for audit did not support the balances reported on the Statement of Net Position as capital assets; accumulated depreciation, or current year depreciation expenses, additions and removals.  
Context: The County reported capital assets as \$3,674,343 net of accumulated depreciation rather than \$3,684,851. Assets were deleted from the listing rather than reported as removals. The capital asset listing was changed after the Annual Financial Report (AFR) was submitted. The County reported a prior period adjustment to restate the beginning balance of capital assets of \$335,085. However, the actual restatement was \$370,027.  
Effect: Net capital assets reported on the Statement of Net Position were understated by \$10,410. The prior period adjustment for Capital assets reported on the Statement of Activities was understated by \$34,942.  
Cause: Significant improvements have been made to the capital asset listing since fiscal year 2013. However, the County continues to correct errors found in the capital asset listing.  
Recommendation: We recommend that the County review the capital asset listing to assure that each item reports either historical or estimated costs and the proper amount of depreciation. The County should continue to inventory all assets that meet the definition of capital assets and maintain a depreciation schedule for each asset still in use by the County. The County should report the same capital asset total on the Statement of Net Position as the County's capital asset listing even if prior period adjustments are necessary.  
Auditee Response: Meagher County will continue to inventory all assets that meet the definition of a capital asset and maintain a depreciation schedule for each asset.

**2014-002 – BUDGET – 2014 (Repeat Finding since 2003):**

Criteria: MCA codes 7-6-4033 and 7-6-4005 indicate that budgeted funds may not be spent above their appropriations limit, and if they are overspent. All of the County's funds are budgeted.  
Condition: 5 of 69 budgeted funds overspent their official budget filed with the State of Montana.  
Context: The major Harmon Trust fund and 4 non-major budgeted funds had expenditures in excess of their spending authority.  
Effect: The effect is noncompliance with State budgeting statutes.  
Cause: Some funds were not assigned a budget amount. Therefore, those funds have a zero spending authority until either budget amendments are made, or future year budgets are assigned to them. Budgets were not closely monitored until near the end of the year when one budget amendment is made for multiple funds.

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Recommendation: We recommend that the County more closely track budget-to-actuals throughout the year to prevent overspending its legal budget appropriation limits. The County should make budget amendments **before** spending or encumbering funds because the County does not have spending authority until the budget amendment is in place.

Auditee response: Meagher County will continue to have quarterly budget reviews with the Commissioners and the Clerk & Recorder and make budget amendments as necessary.

### **2014-003 – ACCRUALS – (Repeat finding since 2013):**

Criteria: MCA states that the County must use the BARS accounting coding system. GAAP requires that revenues are properly reported by source. Due to its nature, the County is required to report on the accrual basis.

Condition: The County miscoded and misreported federal and State revenues. The County reported federal revenues of \$12,600 as local revenues, State revenues of \$7,441 as federal revenues and missed reporting federal revenues of \$13,693 on the Schedule of Federal/State Grants. The County did not make the proper revenue accruals for receivables or unspent federal monies.

Context: A receivable from an immunization federal grant of \$3,150 was reported before the corresponding expenditures were made. The revenues for the immunization grant of \$12,600 were coded and reported as State grants rather than federal grants. Federal grants still to be spent (Revenues Collected in Advance) totaling \$190,974 was left off of the liability section of the Balance Sheet. A state Tobacco grant of \$7,441 was reported as a federal grant.

Effect: The County did not report its activities on the accrual basis. The Schedule of Federal/State Grants included in the AFR submitted to the State did not properly report federal revenues.

Cause: As of June 30, 2014, the County was still developing a tracking system for its federal grants.

Recommendation: We recommend that the County take more care in properly coding federal, state, and local grants and awards in accordance with BARS accounting system. State revenues should be coded as 334xxx and federal revenues should be coded as 331xxx. Care should be taken to assure that all grants are reported on the proper lines of the Schedule of Federal/State Grants page of the AFR. The County should continue tracking the awards, grant receipts and expenditures and make the proper revenue and receivable or advances accruals to properly report the federal grants.

Auditee response: Meagher County will work closely with each department receiving a grant to get all the grant paperwork prior to receiving any funding. Meagher County will contact each grant source to ensure where the funding is originating from and report the money accordingly.

### **2014-004 – STALE DATED CHECKS AND WARRANTS – (Repeat finding since 2013):**

Criteria: GAAP requires that assets, liabilities, expenses, and revenues are properly reported.

Condition: Stale dated checks and warrants are reported in the clearing funds dating back to 2003.

Context: 5 stale dated checks and 13 stale date warrants dating back to 2003 were reported in the clearing funds.

Effect: Cash is held in clearing accounts rather than in proper funds. Cash is understated while liabilities and expenses are overstated.

Cause: Inattention to clearing stale dated items as previously agreed.

Recommendation: We recommend that on a monthly basis, when the bank reconciliation is being conducted, that the County void or re-issue the stale dated checks and warrants.

Auditee response: Meagher County will void or re-issue an outstanding warrant over one year old.

### **2014-005 – FOREST SERVICE TITLE III – Public Comment Period (Repeat finding since 2013):**

Program CFDA Number and Title: 10.665

Schools and Roads – Grants to States

Federal Award Number: NONE

Federal Award Year: 2013

Criteria: The Secure Rural Schools Title III grant requires that a public notice of “intent to spend” Federal Schools and Roads Title III monies is published in a publication of local record 45 days prior to expenditures.

Condition: The County did not provide a 45-day public comment period for the Forest Service – Secure Schools and Roads Title III monies prior to spending the grant monies as required by the conditions of the grant.

Context: In fiscal year 2014, the County spent \$36,205 of Forest Service Schools and Roads Title III grant money on board approved expenditures but did not provide the 45-day public comment period prior to spending these funds as required by the grant terms.

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Effect: The County is not in compliance with the federal grant's 45-day public comment period requirement.

Cause: Inattention to grant requirements.

Recommendation: We recommend that the County publish notices of “**intent to spend**” for both Title II and Title III monies prior to spending these funds as required in the grant.

Auditee response: Meagher County has, and will continue to have a 45day “intent to spend” comment period for Forest Reserve Title III funds.

**2014-006 – FOREST SERVICE TITLE III – Unspent federal grants (2014):**

Program CFDA Number and Title: 10.665  
Federal Award Number: NONE

Secure Rural Schools and Roads – Grants to States  
Federal Award Years: 2009 - 2010

Criteria: GAAP requires that the County's financial statements are reported on the accrual basis.

Condition: The County did not properly accrue the federal Revenues Collected in Advance liability of \$73,938 for the Secure Rural Schools and Roads – Grants to States grant.

Context: The Secure rural schools and roads federal grant was researched back to fiscal year 2009. It was determined that the County was in possession of unspent federal grant monies totaling \$73,938 and that federal grants of \$66,863 were previously reported as spent. A prior period adjustment of \$66,863 was made to the Forest Reserve Title III fund to bring the “Revenues Collected in Advance” balance into agreement with the unspent federal monies.

Effect: The Schedule of Expenditures of Federal Awards (SEFA) previously overreported revenue amounts for this grant. The Revenues Collected in Advance liability on the Balance Sheet and Statement of Net Position may have been underreported by \$66,863 since 2009. The Forest Service – Title III fund became a major fund for fiscal year 2014.

Cause: Previously, it was believed that federal, state and local monies were comingled in the fund associated with this project. However, after it was researched further, it was determined that all monies held in the fund were federal grants.

Recommendation: We recommend that the County keep the grants recap spreadsheet up to date going forward.

Auditee response: Meagher County will continue to keep the grant recap worksheet up to date.

**2014-007 – PUBLIC HEALTH EMERGENCY PREPAREDNESS – Unspent federal grants (2014):**

Program CFDA Number and Title: 93.069  
Federal Award Number: NONE

Public Health Emergency Preparedness  
Federal Award Years: 2009 - 2010

Criteria: GAAP requires that the County's financial statements are reported on the accrual basis.

Condition: The County did not properly accrue the Revenues Collected in Advance liability of \$117,036 for the Public Health Emergency Preparedness grant.

Context: The Public Health Emergency Preparedness grants were researched back to fiscal year 2009. It was determined that the County was in possession of unspent federal grant monies totaling \$117,036 and that federal revenues of \$111,769 were previously reported as spent. A prior period adjustment of \$111,769 was made to the Public Health Emergency Preparedness grant when it was discovered that the full balance of the cash in the Health Alert Network fund was actually unspent federal grants.

Effect: The County's Schedule of Expenditures of Federal Awards (SEFA) has been reported incorrectly since 2009. The Revenues Collected in Advance liability on the Balance Sheet and Statement of Net Position may have been underreported by \$111,769 since 2009. The Public Health Emergency Preparedness fund became a major fund for fiscal year 2014.

Cause: It was believed that federal, state and local monies were held in the fund associated with this project. However, after it was researched further, it was determined that all monies held in the fund were actually federal grants.

Recommendation: We recommend that the County keep the grants recap spreadsheet up to date going forward.

Auditee response: Meagher County will continue to keep the grant recap worksheet up to date.