

RICHLAND COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

RICHLAND COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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RICHLAND COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Loren Young
Shane Gorder
Duane Mitchell

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Mike Weber
Sandra Christensen
Stephanie Verhasselt
Janice Klempel
Gregory Mohr
Gail Staffanson
Brad Baisch

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

RICHLAND COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Richland County, we offer readers of Richland County's financial statements this narrative overview and analysis of the financial activities of Richland County for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- Richland County's governmental assets exceeded its liabilities at June 30, 2014 by \$173,880,095.
- The County's total net position increased by \$14,161,963.
- As of June 30, 2014, Richland County's governmental funds reported combined ending fund balances of \$90,138,663. Of this amount \$53,529,584 is available for spending at the government's discretion.
- At the end of the year, the unassigned fund balance for the general fund was \$53,529,584.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Richland County's basic financial statements. Where prior year information is available, a comparative analysis of government-wide data is presented. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS.

The government-wide financial statements are designed to provide readers with a broad overview of Richland County's finances, in a manner similar to a private-sector business. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements report the net position and changes in them. The County's net position – the difference between assets and liabilities – are one way to measure the financial position of the County. Over time, increases or decreases in the County's net position are an indicator of whether the financial health is improving or deteriorating. You will need to consider other financial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net position and the Statement of Activities, our government has two kinds of activities:

RICHLAND COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities – Services reported here include general government, public safety, public works, public health, social and economic services and culture and recreation. Property taxes, federal and state shared revenues and investment earnings finance most of these activities.

Business type and internal service fund – Business type funds are ones that are self sustaining meaning they pay for themselves and include services such as the landfill. Internal Service funds provide goods or services to other funds, departments, or agencies of the county such as the Central Communications.

FUND FINANCIAL STATEMENTS. 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. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by State law and by bond covenants. Also, the County establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. Richland County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds use the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Richland County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road Fund, Law Enforcement Fund, Richland County Oil and Gas Severance Fund, Richland County Oil and Gas Mineral Fund, and Richland County Construction fund; which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary funds. Proprietary funds are used to account for the same functions reported as business type activities in the government-wide financial statements. They are used to account for the activities for which fees are charged to external users (enterprise funds) or other funds, departments or agencies of the County (internal service funds). Data for the proprietary funds are presented on pages.

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Richland County's own programs. Data for the fiduciary funds/proprietary funds are presented on pages.

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 can be found on pages.

Required and Other supplemental information. This section provides detailed information concerning revenues, expenditures and changes in fund balances, comparing budget to actual.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the most recent fiscal year, the assets of Richland County exceeded its liabilities by \$173,880,095 at June 30, 2014.

**RICHLAND COUNTY
Net Position
Government wide Activities**

	Governmental Activities			Business-type Activities		
	FY 14	FY 13	Change Inc (Dec)	FY 14	FY13	Change Inc (DEC)
Current and other assets	\$ 92,802,231	\$ 87,010,146	\$ 5,792,085	\$ 1,820,095	\$ 1,330,293	\$ 489,802
Capital Assets	\$ 83,664,588	\$ 76,158,235	\$ 7,506,353	\$ 2,219,463	\$ 2,305,347	\$ (85,884)
Total Assets	\$ 176,466,819	\$163,168,381	\$ 13,298,438	\$ 4,039,558	\$ 3,635,640	\$ 406,918
Long-Term Debt						
Outstanding	\$ 1,791,990	\$ 1,421,237	\$ 370,753	\$ 92,985	\$ 81,958	\$ 11,027
Other Liabilities	\$ 794,734	\$ 1,335,325	\$ (540,591)	\$ 520,167	\$ 289,883	\$ 230,284
Total Liabilities	\$ 2,586,724	\$ 2,756,562	\$ (169,838)	\$ 613,152	\$ 371,841	\$ 241,311
Net investment in capital assets	\$ 83,664,588	\$ 76,158,235	\$ 7,506,353	\$ 2,219,463	\$ 2,305,347	\$ (85,884)
Restricted	\$ 36,992,093	\$ 78,897,969	\$(41,905,876)	\$ 743,892	\$ 649,858	\$ 94,034
Unrestricted (deficit)	\$ 53,223,414	\$ 5,355,615	\$ 47,867,799	\$ 463,051	\$ 308,594	\$ 154,457
Total net position	\$ 173,880,095	\$160,411,819	\$ 13,468,276	\$ 3,426,406	\$ 3,263,799	\$ 162,607

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**RICHLAND COUNTY
Net position**

A portion of Richland County's net position, \$85,884,051 reflects its investment in capital assets (land, buildings, machinery & equipment, etc.) less any related debt to acquire those assets that is still outstanding. Richland County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Richland County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$53,686,465 may be used to meet the government's ongoing obligations to citizens and creditors.

The county's net position increased \$14,161,963 during the current fiscal year. This increase can be largely attributed to the increase in oil prices for oil royalty payments and quarterly oil severance tax payments.

Richland County's total expenses of \$28,206,677 were less than total revenues of \$42,368,640 for an increase in net position of \$14,161,963.

The following were confirmed to be accurate

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 2,282,351	\$ 2,184,773	\$ 97,578	\$ 1,223,408	\$ 1,053,879	\$ 169,529
Operating grants and contributions	1,369,322	1,847,927	(478,605)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	5,205,421	3,933,145	1,272,276	-	-	-
Licenses and permits	18,872	90,325	(71,453)	-	-	-
Miscellaneous	195,377	156,363	39,014	-	-	-
Interest/investment earnings	8,890,525	5,498,040	3,392,485	13,201	(2,013)	15,214
Montana oil and gas production tax	23,295,987	19,994,593	3,301,394	-	-	-
State entitlement	524,689	397,265	127,424	-	-	-
State allocated federal mineral royalties	387,846	625,872	(238,026)	-	-	-
Other unrestricted federal/state shared revenues	198,250	211,389	(13,139)	-	-	-
Total revenues	\$ 42,368,640	\$ 34,939,692	\$ 7,428,948	\$ 1,236,609	\$ 1,051,866	\$ 184,743
Program expenses						
General government	\$ 10,053,830	\$ 3,484,800	\$ 6,569,030			
Public safety	3,804,712	4,449,461	(644,749)			
Public works	8,451,130	9,271,427	(820,297)			
Public health	1,250,760	1,173,552	77,208			
Social and economic services	1,249,212	1,325,086	(75,874)			
Culture and recreation	3,064,651	1,492,607	1,572,044			
Housing and community development	52,203	50,138	2,065			
Conservation of natural resources	21,012	21,011	1			
Internal services	4,249	2,893	1,356			
Miscellaneous	254,918	152,424	102,494			
Landfill				\$ 899,002	\$ 716,861	\$ 182,141
Total expenses	\$ 28,206,677	\$ 21,423,399	\$ 6,783,278	\$ 899,002	\$ 716,861	\$ 182,141
Increase (decrease) in net position	\$ 14,161,963	\$ 13,516,293	\$ 645,670	\$ 337,607	\$ 335,005	\$ 2,602

Governmental Activities. The cost of all Richland County governmental activities for the year ending June 30, 2014 was \$28,206,677. The largest portion of that expense is for:

General Government	\$ 10,053,830
Public Safety	\$ 3,804,712
Public Works	\$ 8,451,130
Culture and Recreation	\$ 3,064,651

Operating grants decreased by (\$478,605). Tax revenues increased from fiscal year 2013 by the amount of (\$1,272,276).

Richland County taxpayers contributed \$5,205,421 through property taxes to fund the \$28,206,677 in expenses. The balance was funded by those who directly benefited from the programs (\$2,282,351), and by other governments and organizations that subsidized governmental programs through payment in lieu of taxes, entitlements and operating grants. Again, governmental activities increased the County's net position by \$14,161,963.

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

RICHLAND COUNTY'S FUND FINANCIAL ANALYSIS

Governmental funds:

Richland County has six governmental funds which are reported as major funds. These are: General Fund, Law Enforcement, Road Fund, Oil & Gas Severance Fund, County Oil & Gas Mineral Fund and Richland County Construction Fund.

General Fund: This is the primary operating fund for Richland County and includes such accounts as Commissioners, Justice of the Peace, Clerk & Recorder, Treasurer, Elections, County Attorney, Building Operations, School Superintendent, Disaster & Emergency Services, Coroner, Sanitarian, Veteran's Services, and Indigent Services. The General fund balance as of June 30, 2014 was \$19,251,846, an increase of \$11,944,487 from the previous fiscal year.

General fund revenues were \$25,724,505, an increase of \$23,304,317 from the prior year.

The information below compares revenues by source of the General Fund for 2014:

<u>Revenues by Source</u>	
Taxes and Assessments	\$1,421,023
Licenses and Permits	900
Intergovernmental	23,489,750
Charges for Services	307,606
Fines & Forfeitures	171,153
Misc	71,961
Investment & Royalty Earnings	<u>262,122</u>
Total Revenues	\$ 25,724,515

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$480,546 more than anticipated.

Actual expenditures were less than budgetary estimates by \$4,488,845 due to capital projects that will carry on into the new fiscal year.

Road Fund: The Road fund records costs related to maintenance of county roads and road construction expenses. Fund balance was \$6,392,052 as of June 30, 2014 an increase of \$940,878.

Road fund revenues were \$1,373,742, an increase of \$59,673 over the prior year. Tax revenues accounted for \$1,024,046 of the total revenues. Expenditures in the Road fund were decreased by \$1,666,203 from the prior year.

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Law Enforcement-Public Safety: The Law Enforcement-Public Safety fund is for the Law and Justice Center Building, the Sheriff's department, dispatchers, jailers, cooks. This fund is to ensure the Law Enforcement are able to do their job. Fund balance was \$1,820,625 as of June 30, 2014. This is a new major fund this year.

Richland County Construction: This fund is for any new construction or remodel of county buildings. It also is part of our capital improvement plans as far as buildings. Fund balance as of June 30, 2014 was (\$54,671). This is a new major fund this year.

City of Sidney Project: These are funds we have set aside to help the City of Sidney with infrastructure issues. We have committed to pay for Phase 1 of the lagoon project and the Fischer By-Pass which was causing a major issue for the city and had it not been fixed would have caused many problems. We have also paid for a city police car and salary out of this fund, as well as other city items. Fund balance as of June 30, 2014 was \$2,107,044. This is a new major fund this year.

County oil & Gas Mineral Royalty: The Oil & Gas Mineral Royalty fund is money the County receives for land that once was owned by the County that we have royalty rights on. This money is used for the fixing and maintain of roads, Public Safety and Law Enforcement, and Construction of Buildings. The Oil & Gas Mineral Royalty fund balance as of June 30, 2014 was \$34,365,806 a decrease of \$3,793,537 from the previous fiscal year.

DEBT ADMINISTRATION

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

Governmental Activities:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Environmental Remediation	\$ 645,000	\$	\$ (93,014)	\$ 551,986	\$ -
Compensated absences	865,077	85,544	-	950,621	619,689
Other post-employment benefits*	556,160	285,209	-	841,369	-
Total	<u>\$ 2,066,237</u>	<u>\$ 370,753</u>	<u>\$ (93,014)</u>	<u>\$ 2,343,976</u>	<u>\$ 619,689</u>

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

	Balance July 1, 2013	Additions	Restatement	Balance June 30, 2014	Due Within One Year
Closure/Postclosure	\$ 289,461	\$ 49,808	\$ 175,000	\$ 514,269	\$ -
Compensated absences	57,543	1,903	-	59,446	33,392
Other post-employment benefits*	24,415	9,124	-	33,539	-
Total	<u>\$ 371,419</u>	<u>\$ 60,835</u>	<u>\$ 175,000</u>	<u>\$ 607,254</u>	<u>\$ 33,392</u>

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS

The capital assets of the County are those assets which are used in the performance of the County's functions. Infrastructure assets have not previously been booked and therefore are not included in this report. At June 30, 2014, net capital assets of the governmental activities totaled \$83,664,588. Depreciation on capital assets is recognized in the government-wide financial statements.

Capital Assets Purchased in 2014

General Fund

- Courthouse renovations and architect fees
- Landscaping at courthouse
- Office Equipment
- Building Maintenance Equipment

Road Fund

- Road resurfacing and engineering fees
- Crushed gravel
- Vehicle
- Equipment
- Motor Power Equipment
- Road alternative paving projects
- Vehicles

Disaster & Emergency Services

- Radios for communication
- Vehicle

Bridge Fund

- Bridge replacement
- Engineering Fees for bridges
- Titan Machinery

Weed Fund

- Equipment

Fair

- Equipment
- Spray Foam on shop
- Wiring projects
- Restroom

Records Administration

- Vault equipment

Public Safety

- Vehicles

**RICHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Senior Citizens

Bus

ECONOMIC FACTORS AND BUDGETS

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

As the County enters fiscal year 2015, it is in a solid financial position overall. Reserves are at the maximum level allowed by law, insuring adequate cash flow throughout the year. The County is committed to maintaining a long-term Capital Improvements Plan, with a primary function of protecting and replacing infrastructure and equipment.

In summary, Richland County continues to maintain services at a level necessary to serve its citizens, while keeping individual taxes at a minimum.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Richland County with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact: Stephanie Verhasselt, Richland County Clerk and Recorder, 201 West Main, Sidney, MT 59270, or email sverhasselt@richland.org.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Richland County
Sidney, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 10, 49 through 52, and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2015, on our consideration of the Richland County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County, Montana's internal control over financial reporting and compliance.

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

June 3, 2015

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 89,474,471	\$ 1,435,379	\$ 90,909,850
Taxes and assessments receivable, net	554,098	-	554,098
Special assessments receivable	-	22,800	22,800
Interest receivable	45,030	979	46,009
Inventories	2,176,646	-	2,176,646
Total current assets	<u>\$ 92,250,245</u>	<u>\$ 1,459,158</u>	<u>\$ 93,709,403</u>
Noncurrent assets			
Restricted cash and investments	\$ 551,986	\$ -	\$ 551,986
Restricted cash and investments held by trustee	-	360,937	360,937
Capital assets - land	1,130,430	210,000	1,340,430
Capital assets - depreciable, net	82,534,158	2,009,463	84,543,621
Total noncurrent assets	<u>\$ 84,216,574</u>	<u>\$ 2,580,400</u>	<u>\$ 86,796,974</u>
Total assets	<u>\$ 176,466,819</u>	<u>\$ 4,039,558</u>	<u>\$ 180,506,377</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 2,377	\$ -	\$ 2,377
Accounts payable	69,706	-	69,706
Accrued payroll	161,502	5,898	167,400
Current portion of compensated absences payable	619,689	33,392	653,081
Total current liabilities	<u>\$ 853,274</u>	<u>\$ 39,290</u>	<u>\$ 892,564</u>
Noncurrent liabilities			
Deposits payable	\$ 9,163	\$ -	\$ 9,163
Landfill closure postclosure liability	-	514,269	514,269
Environmental remediation	551,986	-	551,986
Noncurrent portion of long-term liabilities	841,369	33,539	874,908
Noncurrent portion of compensated absences	330,932	26,054	356,986
Total noncurrent liabilities	<u>\$ 1,733,450</u>	<u>\$ 573,862</u>	<u>\$ 2,307,312</u>
Total liabilities	<u>\$ 2,586,724</u>	<u>\$ 613,152</u>	<u>\$ 3,199,876</u>
NET POSITION			
Net investment in capital assets	\$ 83,664,588	\$ 2,219,463	\$ 85,884,051
Restricted for debt service	30,787	-	30,787
Restricted for capital projects	52,392,320	-	52,392,320
Restricted for special projects	18,739,814	-	18,739,814
Restricted for landfill closure costs	-	360,937	360,937
Unrestricted	19,052,586	846,006	19,898,592
Total net position	<u>\$ 173,880,095</u>	<u>\$ 3,426,406</u>	<u>\$ 177,306,501</u>

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:						
Governmental activities:						
General government	\$ 10,053,830	\$ 660,935	\$ 230,111	\$ (9,162,784)	\$ -	\$ (9,162,784)
Public safety	3,804,712	217,052	173,786	(3,413,874)	-	(3,413,874)
Public works	8,451,130	250,644	103,937	(8,096,549)	-	(8,096,549)
Public health	1,250,760	336,657	356,941	(557,162)	-	(557,162)
Social and economic services	1,249,212	248,405	498,996	(501,811)	-	(501,811)
Culture and recreation	3,064,651	518,638	5,551	(2,540,462)	-	(2,540,462)
Housing and community development	52,203	50,020	-	(2,183)	-	(2,183)
Conservation of natural resources	21,012	-	-	(21,012)	-	(21,012)
Internal services	4,249	-	-	(4,249)	-	(4,249)
Miscellaneous	254,918	-	-	(254,918)	-	(254,918)
Total governmental activities	\$ <u>28,206,677</u>	\$ <u>2,282,351</u>	\$ <u>1,369,322</u>	\$ <u>(24,555,004)</u>	\$ <u>-</u>	\$ <u>(24,555,004)</u>
Business-type activities:						
Landfill	\$ 899,002	\$ 1,223,408	\$ -	\$ -	\$ 324,406	\$ 324,406
Total business-type activities	\$ <u>899,002</u>	\$ <u>1,223,408</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>324,406</u>	\$ <u>324,406</u>
Total primary government	\$ <u>29,105,679</u>	\$ <u>3,505,759</u>	\$ <u>1,369,322</u>	\$ <u>(24,555,004)</u>	\$ <u>324,406</u>	\$ <u>(24,230,598)</u>
General Revenues:						
Property taxes for general purposes				\$ 5,205,421	\$ -	\$ 5,205,421
Licenses and permits				18,872	-	18,872
Miscellaneous				195,377	-	195,377
Interest/investment earnings				8,890,525	13,201	8,903,726
Montana oil and gas production tax				23,295,987	-	23,295,987
State entitlement				524,689	-	524,689
State allocated federal mineral royalties				387,846	-	387,846
Other unrestricted federal/state shared revenues				198,250	-	198,250
Total general revenues, special items and transfers				\$ <u>38,716,967</u>	\$ <u>13,201</u>	\$ <u>38,730,168</u>
Change in net position				\$ <u>14,161,963</u>	\$ <u>337,607</u>	\$ <u>14,499,570</u>
Net position - beginning				\$ 160,411,819	\$ 3,263,799	\$ 163,675,618
Restatements				(693,687)	(175,000)	(868,687)
Net position - beginning - restated				\$ <u>159,718,132</u>	\$ <u>3,088,799</u>	\$ <u>162,806,931</u>
Net position - end				\$ <u>173,880,095</u>	\$ <u>3,426,406</u>	\$ <u>177,306,501</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Law Enforcement - Public Safety</u>	<u>County Oil & Gas Mineral Royalty</u>	<u>Richland County Construction</u>	<u>City of Sidney Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 19,287,599	\$ 4,399,711	\$ 1,855,979	\$ 34,347,878	\$ 538	\$ 2,107,044	\$ 26,161,904	\$ 88,160,653
Taxes and assessments receivable, net	152,185	121,838	82,235	-	-	-	178,941	535,199
Interest receivable	14,632	2,269	988	17,928	-	-	8,295	44,112
Inventories	-	2,017,630	-	-	-	-	159,016	2,176,646
Total current assets	\$ 19,454,416	\$ 6,541,448	\$ 1,939,202	\$ 34,365,806	\$ 538	\$ 2,107,044	\$ 26,508,156	\$ 90,916,610
Total assets	\$ 19,454,416	\$ 6,541,448	\$ 1,939,202	\$ 34,365,806	\$ 538	\$ 2,107,044	\$ 26,508,156	\$ 90,916,610
Current liabilities:								
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,377	\$ 2,377
Accounts payable	-	5,011	-	-	55,209	-	9,486	69,706
Accrued payroll	50,385	22,547	36,342	-	-	-	52,228	161,502
Total current liabilities	\$ 50,385	\$ 27,558	\$ 36,342	\$ -	\$ 55,209	\$ -	\$ 64,091	\$ 233,585
Noncurrent liabilities:								
Deposits payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,163	\$ 9,163
Total noncurrent liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,163	\$ 9,163
Total liabilities	\$ 50,385	\$ 27,558	\$ 36,342	\$ -	\$ 55,209	\$ -	\$ 73,254	\$ 242,748
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	\$ 152,185	\$ 121,838	\$ 82,235	\$ -	\$ -	\$ -	\$ 178,941	\$ 535,199
Total deferred inflows of resources	\$ 152,185	\$ 121,838	\$ 82,235	\$ -	\$ -	\$ -	\$ 178,941	\$ 535,199
FUND BALANCES								
Nonspendable	\$ -	\$ 2,017,630	\$ -	\$ -	\$ -	\$ -	\$ 159,016	\$ 2,176,646
Restricted	-	4,374,422	1,820,625	34,365,806	-	-	10,049,291	50,610,144
Committed	-	-	-	-	-	2,107,044	16,081,051	18,188,095
Unassigned fund balance	19,251,846	-	-	-	(54,671)	-	(33,397)	19,163,778
Total fund balance	\$ 19,251,846	\$ 6,392,052	\$ 1,820,625	\$ 34,365,806	\$ (54,671)	\$ 2,107,044	\$ 26,255,961	\$ 90,138,663

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	\$	90,138,663
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		83,664,588
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		535,199
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets		1,885,621
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,343,976)
Total net position - governmental activities	\$	<u><u>173,880,095</u></u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Law Enforcement - Public Safety</u>	<u>County Oil & Gas Mineral Royalty</u>	<u>Richland County Construction</u>	<u>City of Sidney Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 1,421,023	\$ 1,024,046	\$ 758,454	\$ -	\$ -	\$ -	\$ 1,700,993	\$ 4,904,516
Licenses and permits	900	31,250	-	-	-	-	-	32,150
Intergovernmental	23,489,750	203,261	95,474	-	-	-	2,010,030	25,798,515
Charges for services	307,606	35,216	218,404	-	-	-	1,334,495	1,895,721
Fines and forfeitures	171,153	-	-	-	-	-	81,035	252,188
Miscellaneous	71,961	49,869	5,852	-	9,795	-	141,469	278,946
Investment earnings	262,112	30,100	11,079	8,466,894	4,965	-	115,377	8,890,527
Total revenues	<u>\$ 25,724,505</u>	<u>\$ 1,373,742</u>	<u>\$ 1,089,263</u>	<u>\$ 8,466,894</u>	<u>\$ 14,760</u>	<u>\$ -</u>	<u>\$ 5,383,399</u>	<u>\$ 42,052,563</u>
EXPENDITURES								
General government	\$ 3,696,597	\$ -	\$ -	\$ -	\$ -	\$ 4,150,379	\$ 609,787	\$ 8,456,763
Public safety	291,711	-	2,314,090	-	117,676	-	216,955	2,940,432
Public works	-	2,118,332	-	195,000	53,978	-	1,555,746	3,923,056
Public health	231,446	-	-	-	-	-	1,019,314	1,250,760
Social and economic services	12,489	-	-	-	-	-	1,102,900	1,115,389
Culture and recreation	-	-	-	-	1,445,328	-	1,405,944	2,851,272
Housing and community development	-	-	-	-	-	-	50,020	50,020
Internal services	4,249	-	-	-	-	-	-	4,249
Miscellaneous	47,738	-	-	-	-	-	207,180	254,918
Capital outlay	317,627	402,505	26,480	-	12,505,310	-	1,057,685	14,309,607
Total expenditures	<u>\$ 4,601,857</u>	<u>\$ 2,520,837</u>	<u>\$ 2,340,570</u>	<u>\$ 195,000</u>	<u>\$ 14,122,292</u>	<u>\$ 4,150,379</u>	<u>\$ 7,225,531</u>	<u>\$ 35,156,466</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 21,122,648</u>	<u>\$ (1,147,095)</u>	<u>\$ (1,251,307)</u>	<u>\$ 8,271,894</u>	<u>\$ (14,107,532)</u>	<u>\$ (4,150,379)</u>	<u>\$ (1,842,132)</u>	<u>\$ 6,896,097</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ 2,015,564	\$ 1,180,419	\$ -	\$ 12,050,000	\$ 5,642,831	\$ 2,900,454	\$ 23,789,268
Transfers out	(12,250,109)	-	-	(12,065,431)	-	-	-	(24,315,540)
Total other financing sources (uses)	<u>\$ (12,250,109)</u>	<u>\$ 2,015,564</u>	<u>\$ 1,180,419</u>	<u>\$ (12,065,431)</u>	<u>\$ 12,050,000</u>	<u>\$ 5,642,831</u>	<u>\$ 2,900,454</u>	<u>\$ (526,272)</u>
Net Change in Fund Balance	<u>\$ 8,872,539</u>	<u>\$ 868,469</u>	<u>\$ (70,888)</u>	<u>\$ (3,793,537)</u>	<u>\$ (2,057,532)</u>	<u>\$ 1,492,452</u>	<u>\$ 1,058,322</u>	<u>\$ 6,369,825</u>
Fund balances - beginning	\$ 10,379,307	\$ 5,451,174	\$ 1,891,513	\$ 38,159,343	\$ 1,977,991	\$ 614,592	\$ 25,197,639	\$ 83,671,559
Restatements	-	72,409	-	-	24,870	-	-	97,279
Fund balances - beginning, restated	<u>\$ 10,379,307</u>	<u>\$ 5,523,583</u>	<u>\$ 1,891,513</u>	<u>\$ 38,159,343</u>	<u>\$ 2,002,861</u>	<u>\$ 614,592</u>	<u>\$ 25,197,639</u>	<u>\$ 83,768,838</u>
Fund balance - ending	<u>\$ 19,251,846</u>	<u>\$ 6,392,052</u>	<u>\$ 1,820,625</u>	<u>\$ 34,365,806</u>	<u>\$ (54,671)</u>	<u>\$ 2,107,044</u>	<u>\$ 26,255,961</u>	<u>\$ 90,138,663</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds	\$ 6,369,825
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	14,309,607
- Depreciation expense	(5,990,823)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	316,077
The change in compensated absences is shown as an expense in the Statement of Activities	(85,544)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	93,014
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(285,209)
Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense.	
	(564,984)
Change in net position - Statement of Activities	\$ <u>14,161,963</u>

See accompanying Notes to the Financial Statements

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

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Landfill	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 1,435,379	\$ 1,865,804
Taxes and assessments receivable, net	-	18,899
Special assessments receivable	22,800	-
Interest receivable	979	918
Total current assets	\$ 1,459,158	\$ 1,885,621
Noncurrent assets:		
Restricted cash and investments held by trustee	\$ 360,937	\$ -
Capital assets - land	210,000	-
Capital assets - depreciable, net	2,009,463	-
Total noncurrent assets	\$ 2,580,400	\$ -
Total assets	\$ 4,039,558	\$ 1,885,621
LIABILITIES		
Current liabilities:		
Accrued payroll	\$ 5,898	\$ -
Current portion of compensated absences payable	33,392	-
Total current liabilities	\$ 39,290	\$ -
Noncurrent liabilities:		
Landfill closure postclosure liability	\$ 514,269	\$ -
Noncurrent portion of long-term liabilities	33,539	-
Noncurrent portion of compensated absences	26,054	-
Total noncurrent liabilities	\$ 573,862	\$ -
Total liabilities	\$ 613,152	\$ -
NET POSITION		
Net investment in capital assets	\$ 2,219,463	\$ -
Restricted for landfill closure cost	360,937	-
Unrestricted	846,006	1,885,621
Total net position	\$ 3,426,406	\$ 1,885,621
Total liabilities and net position	\$ 4,039,558	\$ 1,885,621

See accompanying Notes to the Financial Statements

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

	<u>Business-Type Activities - Enterprise Fund</u>		<u>Governmental Activities</u>	
	<u>Landfill</u>		<u>Internal Service Funds</u>	
OPERATING REVENUES				
Charges for services	\$	1,223,409	\$	412,478
Miscellaneous revenues		-		50,265
Total operating revenues	\$	<u>1,223,409</u>	\$	<u>462,743</u>
OPERATING EXPENSES				
Personal services	\$	328,933	\$	-
Supplies		180,096		-
Purchased services		243,514		1,821,858
Fixed charges		60,575		-
Depreciation		85,884		-
Total operating expenses	\$	<u>899,002</u>	\$	<u>1,821,858</u>
Operating income (loss)	\$	<u>324,407</u>	\$	<u>(1,359,115)</u>
NON-OPERATING REVENUES (EXPENSES)				
Taxes/assessments revenue	\$	-	\$	193,203
Intergovernmental revenue		-		46,580
Interest revenue		13,200		15,734
Total non-operating revenues (expenses)	\$	<u>13,200</u>	\$	<u>255,517</u>
Income (loss) before contributions and transfers	\$	<u>337,607</u>	\$	<u>(1,103,598)</u>
Transfers in		-		526,272
Change in net position	\$	<u>337,607</u>	\$	<u>(577,326)</u>
Net Position - Beginning of the year	\$	3,263,799	\$	2,441,482
Restatements		(175,000)		21,465
Net Position - Beginning of the year - Restated	\$	<u>3,088,799</u>	\$	<u>2,462,947</u>
Net Position - End of the year	\$	<u>3,426,406</u>	\$	<u>1,885,621</u>

See accompanying Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds	
	Landfill	Internal Service funds
Cash flows from operating activities:		
Cash received from providing services	\$ 1,223,409	\$ 412,478
Cash payments to suppliers	(240,671)	-
Cash payments for professional services	(193,706)	(1,830,981)
Cash payments to employees	(312,430)	-
Net cash provided (used) by operating activities	\$ 476,602	\$ (1,368,238)
Cash flows from non-capital financing activities:		
Tax levies and contributions from the County	\$ (9,746)	\$ 181,996
Net cash provided (used) from non-capital financing activities	\$ (9,746)	\$ 754,848
Cash flows from investing activities:		
Interest on investments	\$ 12,926	\$ 15,643
Net cash provided (used) by investing activities	\$ 12,926	\$ 15,643
Net increase (decrease) in cash and cash equivalents	\$ 479,782	\$ (597,747)
Cash and cash equivalents at beginning	\$ 1,316,534	\$ 2,463,551
Cash and cash equivalents at end	\$ 1,796,316	\$ 1,865,804
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 324,407	\$ (1,359,115)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	\$ 85,884	\$ -
Other post-employment benefits	9,124	-
Changes in assets and liabilities:		
Increase in closure postclosure liability	\$ 49,808	\$ -
Decrease in accounts payable	-	(9,123)
Increase in compensated absences and accrued wages	7,379	-
Net cash provided (used) by operating activities	\$ 476,602	\$ (1,368,238)

See accompanying notes to the financial statements

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

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 68,193,501	\$ 2,475,838
Taxes receivable	-	419,539
Total assets	<u>\$ 68,193,501</u>	<u>\$ 2,895,377</u>
LIABILITIES		
Warrants payable	\$ -	\$ 2,642,870
Due to others	-	252,507
Total liabilities	<u>\$ -</u>	<u>\$ 2,895,377</u>
NET POSITION		
Assets held in trust	<u>\$ 68,193,501</u>	

See accompanying Notes to the Financial Statements

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

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	9,815,608
Total contributions	\$	<u>9,815,608</u>
Investment earnings:		
Interest and change in fair value of investments	\$	94,288
Total investment earnings		94,288
Net investment earnings	\$	<u>94,288</u>
Total additions	\$	<u>9,909,896</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	3,081,972
Total deductions	\$	<u>3,081,972</u>
Change in net position	\$	<u>6,827,924</u>
Net Position - Beginning of the year	\$	61,365,577
Net Position - End of the year	\$	<u><u>68,193,501</u></u>

See accompanying Notes to the Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County adopted additional provisions of GASBs No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2014. The County included, in addition to PILT, the State Allocated Federal Mineral Royalties and Oil & Gas Severance Finds as part of the General Fund. In prior year, these funds were reported as special revenue funds.

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

Financial Reporting Entity

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

Primary Government

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

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

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

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

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

Major Funds:

The County reports the following major governmental funds:

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

Road Fund – This is a special revenue fund that accounts for state gas tax and property tax revenue which are used to maintain the county roads.

Law Enforcement Public Safety – This is a special revenue fund that accounts for property tax revenues which are used to maintain Law Enforcement.

County Oil & Gas Mineral Royalty Fund – This is a capital projects fund that accounts for financial resources related to oil and gas mineral royalties that are allocated towards construction within the County.

Richland County Construction – This is a capital projects fund is used to fund construction projects within the County.

City of Sidney Project – This is a capital projects fund that is used towards City of Sidney capital projects.

Proprietary Funds:

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

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

Major Funds:

The County reports the following major proprietary funds:

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

Fiduciary Funds

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

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

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

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies for the government on a cost-reimbursement basis. The County maintains two internal service funds, one for self-insurance fund activity and one for central communication.

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

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

		<u>Primary Government</u>
<u>Cash on hand and deposits:</u>		
Cash on hand	\$	984,774
Petty Cash		1,000
Cash in banks:		
Demand deposits		5,363,776
Savings deposits		285,822
Time deposits		4,253,391
<u>Investments:</u>		
State Short-Term Investment Pool (STIP)		272
U.S. Treasury Bills		338,748
U.S. Government Securities		54,367,219
Repurchase agreements		96,897,110
Total	\$	<u><u>162,492,112</u></u>

Repurchase Agreements

An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Custodial Credit Risk

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

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 4,492,832
- Collateral held by the County agent in the County's name	4,051,518
Uninsured and uncollateralized	1,598,180
Total deposits and investments	<u>\$ 10,142,530</u>

Deposit Security

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

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

The amount of collateral held for County deposits at June 30, 2014, equaled or exceeded the amount required by State statutes.

Concentration of Credit Risk

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

	<u>% of credit risk</u>
Repurchase agreements:	
Wells Fargo	2%
Stockmans Bank	<u>58%</u>
Total	<u>60%</u>

RICHLAND COUNTY, MONTANA
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June 30, 2014

Interest Rate Risk

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

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Certificates of Deposit (Time Deposits):			
Stockman Bank Lambert HS Endowment	0.200%	8/14/2014	\$ 7,364
Stockman Bank Lambert HS Endowment	0.250%	5/21/2015	36,246
Stockman Bank	0.700%	8/5/2014	101,342
First Bank	0.350%	1/27/2016	211,729
Wells Fargo	0.900%	6/15/2015	254,499
Wells Fargo	0.900%	6/15/2015	254,499
Merchants Bank	0.500%	8/7/2014	150,752
Discover Bank	0.700%	11/14/2014	250,138
Sallie Mae BK	0.750%	11/14/2014	250,185
Ally Bank	0.500%	3/20/2015	249,820
SAFRA National Bank	0.650%	5/28/2015	250,228
Everbank	0.800%	11/16/2015	250,240
Wex Bank	0.550%	11/16/2015	249,385
Beal Bank USA	0.600%	11/18/2015	249,543
1 st United Bank	0.700%	5/9/2016	248,895
Everbank	0.950%	11/30/2016	247,923
CIT Bank	0.900%	3/20/2017	245,975
Silvergate Bank	0.900%	5/26/2017	247,655
Goldman Sachs Bk USA	1.500%	11/14/2017	250,770
GE Capital Bank	1.200%	11/30/2017	<u>246,203</u>
Total Certificates of Deposit			<u>\$ 4,253,391</u>
Government Securities:			
Federal National Mortgage Association Step CPN Notes	0.850%	7/10/2017	\$ 1,124,595
Federal Home Loan Mortgage Crop Medium Term Notes	1.050%	7/17/2017	1,124,978
Federal National Mortgage Association Unsecured Multi Step Up	0.750%	8/28/2017	749,190
Federal National Mortgage Association Multi Step CPN Notes	0.700%	9/27/2017	1,447,550
Federal National Mortgage Association Multi Step CPN Notes	0.700%	12/13/2017	999,700
Federal National Mortgage Association Multi Step CPN Notes	0.700%	12/13/2017	999,700
Federal National Mortgage Association Multi Step CPN Notes	0.850%	3/28/2018	941,735
Federal Home Loan Bank Bonds	1.000%	5/16/2018	491,590
Federal National Mortgage Association Note	1.100%	8/28/2017	1,500,645
Federal Home Loan Bank	1.000%	9/18/2017	1,272,080
Federal Home Loan Bank	1.010%	9/26/2017	1,266,254
Federal National Mortgage Association Note	1.000%	9/27/2017	1,268,957
Federal National Mortgage Association Note	0.750%	10/4/2107	445,561
Federal National Mortgage Association Note	0.700%	10/17/2017	1,206,663
Federal National Mortgage Association Note	0.750%	11/15/2017	1,000,220
Federal National Mortgage Association Note	0.750%	11/21/2017	798,632

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

Federal Home Loan Bank	0.920%	1/28/2017	1,304,099
Federal National Mortgage Association Note	0.700%	12/13/2017	1,269,594
Federal National Mortgage Association Note	0.700%	12/19/2017	497,355
Federal Home Loan Bank	0.950%	12/28/2017	989,310
Federal National Mortgage Association Note	0.700%	1/22/2018	994,920
Federal Home Loan Bank	1.000%	1/30/2018	1,337,094
Federal National Mortgage Association Note	0.700%	1/30/2018	894,672
Federal National Mortgage Association Note	1.030%	5/21/2018	639,178
Federal National Mortgage Association Note	1.000%	5/21/2018	638,651
Federal Farm Credit Bank	1.080%	5/22/2018	617,975
Federal Home Loan Bank	1.125%	5/25/2018	1,778,166
Federal National Mortgage Association Note	1.050%	5/25/2018	1,480,485
Federal Home Loan Bank	1.400%	6/12/2018	992,290
Federal Home Loan Bank	1.200%	6/12/2018	2,362,721
Federal Farm Credit Bank	1.500%	6/26/2018	998,900
Federal Home Loan Bank	1.400%	6/26/2018	993,340
Federal Home Loan Bank	1.375%	12/18/2018	1,001,750
Federal National Mortgage Association Medium Term Note Step Up	1.000%	9/27/2015	1,740,358
Federal National Mortgage Association Medium Term Note	0.700%	9/12/2014	746,820
Freddie Mac	1.000%	9/12/2017	2,750,787
Fannie Mae	0.600%	11/15/2017	2,388,600
Fannie Mae	0.750%	12/13/2017	1,994,010
Federal Home Loan Bank	1.130%	3/27/2018	985,608
Freddie Mac	1.050%	5/15/2018	988,614
Freddie Mac	1.050%	5/15/2018	988,614
Federal Home Loan Bank	1.000%	5/16/2018	984,978
Fannie Mae	1.125%	5/25/2018	492,772
Freddie Mac	1.000%	12/20/2018	1,001,203
Federal Home Loan Bank	1.500%	3/27/2019	999,027
Federal Home Loan Bank	2.010%	4/2/2019	747,735
Federal Home Loan Bank	2.070%	4/15/2019	374,735
Federal Home Loan Bank	1.250%	5/22/2019	1,000,056
Federal Home Loan Bank	1.000%	5/28/2019	1,243,395
Federal Home Loan Bank	1.000%	6/26/2019	499,971
Total Government Securities			<u>\$ 54,367,219</u>
US Treasury Bills:			
US Treasury Note	0.375%	2/15/2016	\$ 25,028
US Treasury Note	0.375%	3/15/2015	25,051
US Treasury Note	0.875%	4/30/2017	24,045
US Treasury Note	0.250%	5/15/2015	25,031
US Treasury Note	0.500%	6/15/2016	25,031
US Treasury Note	0.750%	6/30/2017	24,899
US Treasury Note	0.250%	7/15/2015	25,025
US Treasury Note	1.375%	7/31/2018	25,031
US Treasury Note	0.500%	8/15/2014	25,012
US Treasury Note	0.250%	8/15/2014	25,024
US Treasury Note	1.000%	8/31/2016	25,258

RICHLAND COUNTY, MONTANA
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Treasury Bond	0.980%	N/A	24,103
Treasury Bond	1.910%	N/A	<u>29,210</u>
Total US Treasury Bills			\$ <u>338,748</u>
 STIP	 0.110%	 N/A	 \$ 272
Wells Fargo Repurchase Agreement	0.020%	7/1/2014	3,093,800
Stockman Bank Repurchase	.24%	N/A	<u>93,893,337</u>
<i>Total Investments</i>			<u>\$155,946,767</u>

Cash and Investment Pool

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

Investment in the Treasurer's Pools

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

The County has one pooled investment trust fund which consist of investments in the State Short-term Investment Pool (STIP), U.S. Government Notes and Securities, demand deposits, and savings accounts. The pooled funds are carried at fair value.

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

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

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

Investment Income

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

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

Condensed statements of investments pools

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

Statement of Net Assets

Net assets held in trust for all pool participants:	
Equity of internal pool participants	\$ 94,295,830
Equity of external pool participants	68,199,139
Total equity	<u>\$ 162,494,969</u>

Condensed Statement of Changes in Net Assets

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 94,288	\$ 130,367
Contributions to trust	8,131,917	11,243,630
Distributions paid	<u>(1,392,643)</u>	<u>(5,950,631)</u>
Net change in net assets	\$ 6,833,562	\$ 5,423,366
Net assets at beginning of year	61,365,577	88,872,464
Net assets at end of year	<u>\$ 68,199,139</u>	<u>\$ 94,295,830</u>

Cash equivalents

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

NOTE 3. RESTRICTED CASH/INVESTMENTS

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

<u>Description</u>	<u>Amount</u>
Landfill Closure/Post Closure	\$ 360,937
General Environmental Remediation	<u>551,986</u>
	<u>\$ 912,923</u>

NOTE 4. RECEIVABLES

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

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

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

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

NOTE 5. INVENTORIES

Inventories are valued at cost using the First In First Out (FIFO) method.

The cost of inventories are recorded as an expenditure when consumed.

NOTE 6. CAPITAL ASSETS

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

Buildings	30 – 50 years
Improvements	10 – 40 years
Equipment	5 – 10 years
Infrastructure	30 – 50 years

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

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

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 1,130,428	\$ -	\$ -	\$ 1,130,428
Other capital assets:				
Buildings	\$ 43,663,175	\$ 2,645,650	\$ -	\$ 46,308,825
Improvements other than buildings	3,181,944	21,747	347,182	3,550,873
Machinery and equipment	17,685,685	849,461	-	18,535,146
Infrastructure	38,401,800	10,792,749	(1,159,612)	48,034,937
Total other capital assets at historical cost	\$ 102,932,604	\$ 14,309,607	\$ (812,430)	\$ 116,429,781
Less: accumulated depreciation	\$ (27,904,798)	\$ (5,990,823)	\$ -	\$ (33,895,621)
Total	<u>\$ 76,158,234</u>	<u>\$ 8,318,784</u>	<u>\$ (812,430)</u>	<u>\$ 83,664,588</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 228,073
Public safety	864,280
Public works	4,528,073
Social and economic services	133,823
Culture and recreation	213,379
Housing and community development	2,183
Conservation of natural resources	<u>21,012</u>
Total governmental activities depreciation expense	<u>\$ 5,990,823</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 210,000	\$ -	\$ -	\$ 210,000
Construction in progress	952,125	-	(952,125)	-
Total capital assets not being depreciated	<u>\$ 1,162,125</u>	<u>\$ -</u>	<u>\$ (952,125)</u>	<u>\$ 210,000</u>
Other capital assets:				
Buildings	\$ 62,045	\$ -	\$ -	\$ 62,045
Improvements other than buildings	1,209,093	-	952,125	2,161,218
Machinery and equipment	567,530	-	-	567,530
Total other capital assets at historical cost	\$ 1,838,668	\$ -	\$ 952,125	\$ 2,790,793
Less: accumulated depreciation	\$ (695,446)	\$ (85,884)	\$ -	\$ (781,330)
Total	<u>\$ 2,305,347</u>	<u>\$ (85,884)</u>	<u>\$ -</u>	<u>\$ 2,219,463</u>

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

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

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

Governmental Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Environmental Remediation	\$ 645,000	\$ -	\$ (93,014)	\$ 551,986	\$ -
Compensated absences	865,077	85,544	-	950,621	619,689
Other post-employment benefits*	556,160	285,209	-	841,369	-
Total	<u>\$ 2,066,237</u>	<u>\$ 370,753</u>	<u>\$ (93,014)</u>	<u>\$ 2,343,976</u>	<u>\$ 619,689</u>

*See Note 8

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

Business-type Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Closure and postclosure	\$ 289,461	\$ 49,808	\$ 175,000	\$ 514,269	\$ -
Compensated absences	57,543	1,903	-	59,446	33,392
Other post-employment benefits*	24,415	9,124	-	33,539	-
Total	<u>\$ 371,419</u>	<u>\$ 60,835</u>	<u>\$ 175,000</u>	<u>\$ 607,254</u>	<u>\$ 33,392</u>

*See Note 8

RICHLAND COUNTY, MONTANA
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Compensated Absences

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

Environmental Remediation

Environmental remediation costs were recognized in the governmental activities during the fiscal year ended June 30, 2011. Land adjacent to the County's old landfill has been contaminated by waste material contained in the landfill. The costs to remedy this contamination are estimated to be \$551,986. In fiscal year 2012, the County created a special revenue fund to account for the project. As of June 30, 2014 the fund balance was \$212,844. The starting date of the project has not been established.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

The County implemented Governmental Accounting Standards Board Statement No. 45 *Accounting and Reporting for Postemployment Benefits Other than Pensions*, for certain postemployment health care provided by the County. The requirements of this Statement were implemented retroactively to June 30, 2010, with the actuarially determined liability of \$1,863,327 as of June 30, 2014.

Plan Description. Pursuant to the provisions of MCA 2-18-704, former employees who retire from the County, and eligible dependents, may continue to participate in the County's health and hospitalization plan for medical and prescription coverage. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group (implicitly subsidized) premium because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Actuarial methods and assumptions: The following are the newly applied actuarial methods and assumptions for the most recent valuation:

- 1.) 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 subjected to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

- 2.) Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of costs sharing between the employer and plan members in the future.

- 3.) Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

- 4.) The actuarial methods and significant assumptions are
 - a. Projected Unit Credit funding method.
 - b. Actuarial value of assets is fair value
 - c. Discount rate is 4.25%
 - d. Salary scale is 2.5%
 - e. Healthcare cost trend rate is 5.9% for fiscal year ending 6/30/10 grading to 5.0% for fiscal year ending 6/30/19.

Funding Policy. The County has not advanced-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB Obligations.

Description	Amount
Normal Cost (service cost for one year)	\$ 211,070
Amortization of Unfunded Actuarial Accrued Liability	83,263
Annual Required Contribution	294,333
Increase in net OPEB Obligation	294,333
Net OPEB Obligation – Beginning of Year	580,575
Net OPEB Obligation – End of Year	\$ 874,908

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

NOTE 9. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that Richland County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and postclosure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date.

The \$514,269 reported as a liability the landfill closure and postclosure liability at June 30, 2014 for both the old and the new landfill. The new landfill liability is \$321,769 and represents 13% of the estimated capacity of the landfill. The old landfill liability is \$192,500 and represents 100% of the estimated capacity of the landfill. For the new landfill the County will recognize the remaining estimated cost of closure care of \$2,111,778 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2014. The County expects to close the landfill in the year 2094. Actual costs may be higher due to inflation, change in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and postclosure care costs. For the fiscal year ended June 30, 2014, Richland County demonstrated its ability to handle closure and postclosure care costs by depositing in a trust fund. The balance in the trust fund was \$360,937.

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

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

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Oil & Gas Budgeted Amounts	Road – Major Governmental	County Oil & Gas Mineral Royalty – Major Governmental	\$ 2,015,564
Oil & Gas Budgeted Amounts	Rural Addressing – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	23,756
Oil & Gas Budgeted Amounts	Bridge – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	898,010
Oil & Gas Budgeted Amounts	District Court – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	209,576

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

Oil & Gas Budgeted Amounts	Library – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	43,535
Oil & Gas Budgeted Amounts	Ambulance Maintenance – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	23,058
Oil & Gas Budgeted Amounts	County Planning – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	270,925
Oil & Gas Budgeted Amounts	Health – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	77,551
Oil & Gas Budgeted Amounts	Senior Citizens – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	109,389
Oil & Gas Budgeted Amounts	Law Enforcement – Public Safety – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	1,180,419
Oil & Gas Budgeted Amounts	Rural Fire Fighters – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	724,565
Oil & Gas Budgeted Amounts	Museums – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	139,980
Oil & Gas Budgeted Amounts	Employer Contribution Group Health – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	526,272
Oil & Gas severance monies for capital improvements	Richland County Construction – Major Governmental	General – Major Governmental	12,050,000
Oil & Gas severance monies for capital improvements	AG & Ext Capital Improvements – Nonmajor Governmental	General – Major Governmental	200,109
Royalty to City of Sidney	City of Sidney Project – Major Governmental	County Oil & Gas Mineral Royalty – Major Governmental	5,642,831
Royalty to Town of Fairview	City of Fairview – Nonmajor Governmental	County Oil & Gas Mineral Royalty – Major Governmental	<u>180,000</u>
			<u>\$ 24,315,540</u>

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

NOTE 11. STATE-WIDE RETIREMENT PLANS

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

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

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

* For PERS members hired before 7/1/2011 that rate is 6.9%

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

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

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

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

	<u>PERS</u>	<u>SRS</u>
2012	\$ 351,834	\$ 112,840
2013	\$ 402,111	\$ 123,835
2014	\$ 483,108	\$ 122,271

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

NOTE 12. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

NOTE 13. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Nonspendable fund balances are balances that the County cannot spend because they are not available to be converted to cash as they are comprised of inventories, prepaid amount, and long-term notes receivable, or they are legally or contractually required to remain intact.

Restricted amounts are fund balances that are restricted for specific purposes as determined by external parties, constitutional provision, or enabling legislation. Restrictions can only be changes with the consent of the resource provider.

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

Assigned fund balances are amounts that are intended to be used by the County for specific purposes that re neither restricted nor committed. Assigned amounts include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed. Specific amounts that are not restricted or committed in special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignments within the General fund convent that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

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

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

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

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ 2,017,630	Inventory
Aggregate remaining funds:	<u>159,016</u>	Inventory
	<u>\$ 2,176,646</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 4,374,422	Public works
Law Enforcement – Public Safety	1,820,625	Public safety
All other aggregate:		
	990,011	General government
	2,506,196	Public safety
	37,182,869	Public works
	1,263,658	Public health
	537,263	Social and economic services
	1,934,645	Culture and recreation
	<u>455</u>	Housing and community development
	<u>\$ 50,610,144</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
City of Sidney Projects	\$ 2,107,044	Public works
All other aggregate:	<u>16,081,051</u>	Public works
	<u>\$ 18,188,095</u>	

NOTE 14. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
DUI Court	\$ 2,731	Negative Cash, no revenues recorded	Future bequest revenues
WORC – Job Opportunities and Basic Skills	\$ 30,666	Unreported due from	Future grant revenues
Richland County Construction	\$ 54,671	Expenditures exceeded revenues	Transfer from Royalty fund

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

NOTE 15. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Road	\$ 72,409	
Richland County Construction	24,870	
Landfill	(175,000)	Restate old landfill that the county is now recognizing
Governmental	21,465	Allocating CIP improvements from Internal Service
Governmental	<u>(812,431)</u>	Assets were miscoded to supplies in prior years
	<u>\$ (868,687)</u>	

NOTE 16. JOINTLY GOVERNED ORGANIZATIONS

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

City/County Public Library

The City of Sidney entered into an agreement with the County whereby operations of the library would be transferred to the County. The County provides a building, utilities, insurance, maintenance, and operating costs. The City/County library is governed by a board of trustees composed of five members. Three members are appointed by the County and two members appointed by the City. The County accounts for the operations of the library as a special revenue fund.

City Judge/Justice of the Peace

On March 6, 1989, the City of Sidney entered into an agreement with the County whereby the Justice Court would also serve as the City Court beginning January 1, 1990. The agreement states that the City's cost of operating the Court will be 20% of the fines collected by the Court for violations cited into the Court when it is sitting as City Court. The Justice Court is operated as part of the general fund of the County.

NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

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

NOTE 18. SELF INSURANCE

The County provides medical insurance coverage for its employees via a partially self-insured plan administered by Joint Powers Trust (JPT). It provides medical benefits and is operated as an Internal Service Fund. The plan purchases commercial “stop-loss” coverage from JPT from a public entity risk pool governed by Montana and Wyoming counties, for individual claims greater than \$450,000. A reconciliation of claims payable follows:

Claims Payable, June 30, 2013	\$ 30,588
Claims incurred	1,515,407
Claims paid	<u>(1,361,621)</u>
Claims Payable, June 30, 2014	<u>\$ 184,374</u>

The County provides medical insurance coverage for its employees via a partially self-insured plan administered by Joint Powers Trust (JPT). It provides medical benefits and is operated as an Internal Service Fund. The plan purchases stop-loss coverage from JPT from a public entity risk pool governed by Montana and Wyoming counties, for individual claims greater than \$450,000.

NOTE 19. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

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

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

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

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

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

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

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,301,527	\$ 1,301,527	\$ 1,421,023	\$ 119,496
Licenses and permits	500	500	900	400
Intergovernmental	245,802	245,802	516,446	270,644
Charges for services	369,654	369,654	307,606	(62,048)
Fines and forfeitures	242,144	242,144	171,153	(70,991)
Miscellaneous	-	-	71,961	71,961
Investment earnings	-	-	151,084	151,084
Amounts available for appropriation	<u>\$ 2,159,627</u>	<u>\$ 2,159,627</u>	<u>\$ 2,640,173</u>	<u>\$ 480,546</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 4,694,776	\$ 4,694,776	\$ 3,686,597	\$ 1,008,179
Public safety	730,747	730,747	291,711	439,036
Public works	-	-	-	-
Public health	301,568	301,568	231,446	70,122
Social and economic services	31,400	31,400	12,489	18,911
Internal services	5,000	5,000	4,249	751
Miscellaneous	2,500	2,500	826	1,674
Capital outlay	696,138	696,138	261,527	434,611
Total charges to appropriations	<u>\$ 6,462,129</u>	<u>\$ 6,462,129</u>	<u>\$ 4,488,845</u>	<u>\$ 1,973,284</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (1,848,672)</u>	
Fund balance - beginning of the year			\$ 7,138,472	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 7,138,472</u>	
Fund balance - end of the year			<u><u>\$ 5,289,800</u></u>	

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

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 948,937	\$ 948,937	\$ 1,024,046	\$ 75,109
Licenses and permits	-	-	31,250	31,250
Intergovernmental	164,994	164,994	203,261	38,267
Charges for services	51,976	51,976	35,216	(16,760)
Fines and forfeitures	-	-	-	-
Miscellaneous	35,488	35,488	49,869	14,381
Investment earnings	12,189	12,189	30,100	17,911
Amounts available for appropriation	<u>\$ 1,213,584</u>	<u>\$ 1,213,584</u>	<u>\$ 1,373,742</u>	<u>\$ 160,158</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	4,435,899	4,435,899	2,118,332	2,317,567
Public health	-	-	-	-
Social and economic services	-	-	-	-
Internal services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	1,340,000	1,340,000	402,505	937,495
Total charges to appropriations	<u>\$ 5,775,899</u>	<u>\$ 5,775,899</u>	<u>\$ 2,520,837</u>	<u>\$ 3,255,062</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Transfers in	-	-	2,015,564	2,015,564
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,015,564</u>	<u>\$ 2,010,564</u>
Net change in fund balance			<u>\$ 868,469</u>	
Fund balance - beginning of the year			\$ 5,451,174	
Restatements			72,409	
Fund balance - beginning of the year - restated			<u>\$ 5,523,583</u>	
Fund balance - end of the year			<u><u>\$ 6,392,052</u></u>	

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

	Law Enforcement - Public Safety			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 706,896	\$ 706,896	\$ 758,454	\$ 51,558
Licenses and permits	-	-	-	-
Intergovernmental	67,437	67,437	95,474	28,037
Charges for services	200,000	200,000	218,404	18,404
Fines and forfeitures	-	-	-	-
Miscellaneous	5,000	5,000	5,852	852
Investment earnings	2,636	2,636	11,079	8,443
Amounts available for appropriation	\$ 981,969	\$ 981,969	\$ 1,089,263	\$ 107,294
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	2,928,563	2,928,563	2,314,090	614,473
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Internal services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	40,000	40,000	26,480	13,520
Total charges to appropriations	\$ 2,968,563	\$ 2,968,563	\$ 2,340,570	\$ 627,993
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	1,180,419	1,180,419
Total other financing sources (uses)	\$ -	\$ -	\$ 1,180,419	\$ 1,180,419
Net change in fund balance			\$ (70,888)	
Fund balance - beginning of the year			\$ 1,891,513	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 1,891,513	
Fund balance - end of the year			\$ 1,820,625	

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

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

	<u>General</u>	<u>Road</u>	<u>Law Enforcement - Public Safety</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,640,173	\$ 1,373,742	\$ 1,089,263
Combined funds (GASBS 54) revenues	23,084,332	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 25,724,505</u>	<u>\$ 1,373,742</u>	<u>\$ 1,089,263</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,488,845	\$ 2,520,837	\$ 2,340,570
Combined funds (GASBS 54) expenditures	113,012	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,601,857</u>	<u>\$ 2,520,837</u>	<u>\$ 2,340,570</u>

Richland County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2010	\$ -	\$ 946,002	\$ 946,002	0%	\$ 5,694,077	16.6%
July 1, 2012	\$ -	\$ 1,863,327	\$ 1,863,327	0%	\$ 7,433,406	25.1%

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

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

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

Board of County Commissioners
Richland County
Sidney, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Richland County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Richland County's basic financial statements and have issued our report thereon dated June 3, 2015.

Internal Control Over Financial Reporting

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

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

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 below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 below to be significant deficiencies as identified as items 2014-002 through 2014-003.

2014-001 Exceeding Budget Authority

Condition:

The County exceeded its budget authority in the County Oil and Gas Mineral Royalty Fund.

Criteria:

MCA 7-6-4005. Expenditures are limited to appropriations:

- (1) Local government officials may not make a disbursement or expenditure or incur and obligation in excess of the total appropriations for a fund.

Effect:

The County exceeded its budget authority in the County Oil & Gas Mineral Royalty by \$11,865,431

Cause:

Revenues and corresponding expenditures fluctuate during the year. The County forgot to amend its budget as the year progressed.

Recommendation:

We recommend that the County limit expenditures to the amount budgeted. When expenditures are going to be made that are in excess of the budgeted amounts, an official budget amendment must also be approved.

Auditee Response:

The County will review its budget in greater detail in the future.

2014-002 Exceeding Budgeted Cash Reserve Limits

Condition:

The County's cash reserves in the Rural Addressing, Bridge, Weed Control, Health, Senior Citizens, Agriculture Extension, and Economic Development funds exceeded 1/3 of the budgeted appropriations.

Criteria:

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

- (a) a county's fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year..."

Effect:

The County's cash reserves were exceeded by \$609,561, \$413,167, \$687,675, \$393,975, \$64,103, \$50,962, \$77,540, \$695,776 respectively, in the General, Weed Control, Fair, Health, Senior Citizens, Agriculture Extension, Economic Development, Rural Fire Fighters funds, respectively.

Cause:

The County based their calculations on amounts provided by the Department of Revenue.

Recommendation:

The County should ensure that budgeted cash reserves for each levied funds do not exceed 1/3 of the appropriation.

Auditee Response:

The County now has the correct amounts and will take care in preparing the tax levy requirements schedule in future years.

2014-003 District Court Internal Controls

Condition:

Unlocatable money for oil royalties is deposited into a bank account. This money is more than a year stale and not been followed up on or remitted to the state.

Criteria:

Unlocatable money that is outstanding for more than a year should be remitted to the state, or research should be done to locate the person's whom the money is owed.

Cause:

The County does not have a system in place to follow up on unlocatable money for oil royalties.

Recommendation:

We recommend the District Court Clerk either follow up on unlocatable monies or turn the money over to the Department of Revenue for them to follow up.

Auditee Response:

The District Court Clerk is looking into this matter.

Compliance and Other Matters

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

Richland County's Response to Findings

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

Purpose of this Report

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

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

June 3, 2015

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

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Richland County
Sidney, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Clerk of District Court Trust Account	Repeated
Timeliness of delivery to Board of Commissioners Minutes	Implemented
Exceed Budgeted Cash Reserve Limit	Repeated

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

June 3, 2015