

**TETON COUNTY  
CHOTEAU, MONTANA**

**FINANCIAL &  
COMPLIANCE  
REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**DONALD NOLAN DAVIES  
CERTIFIED PUBLIC ACCOUNTANT**



**TETON COUNTY  
CHOTEAU, MONTANA**

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**TETON COUNTY  
CHOTEAU, MONTANA**

**ELECTED OFFICIALS**

**JUNE 30, 2014**

Board of County Commissioners

James Hodgskiss, Chair  
Joseph Dellwo  
Ron Ostberg

Attorney

Jody "Joe" Coble

Clerk and Recorder/Election Administrator/Surveyor

Paula Jaconetty

Clerk of District Court

Lisa Sinton

Justice of the Peace

John "Pete" Howard

Public Administrator

Scott Swanson

School Superintendent

Diane Inbody

Sheriff/Coroner

Keith Van Setten

Treasurer/Assessor

Diane Ameline

**TETON COUNTY  
CHOTEAU, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the report provides readers with a narrative overview and analysis of the financial activities of Teton County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the County's financial performance.

**FINANCIAL HIGHLIGHTS**

The County's net position increased \$547,000 due to several factors:

- Reduction in existing long term debt
- Retention of PILT funds for future projects and operations, and
- Gain resulting from the trade-in and purchase of four graders.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**1. Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business.

The *statement of net position* (page 10) presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The *statement of activities* (page 11) presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. As a result, revenues and expenses are reported in the statement for some items that will only require cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Government activities included general government, public safety, public works, public health, culture and recreation, social and economic, housing and community development, and debt service.

**2. 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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County

can be divided into three categories: (a) government funds, (b) proprietary funds and (b) fiduciary funds.

- a. **Government Funds.** Government funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements report using the modified accrual basis of accounting which focuses on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenues are reported on the cash basis because most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred revenues are recorded in the government funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. Capital asset acquisitions are reported as expenditures in government funds and the proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation between government funds and government activities view of financial position. These statements are found on pages 12-15.

The County maintains several government funds. Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts. Information is presented separately for the General Fund, Road Fund, Emergency Management Services Fund, Protective Services Fund, 911 Emergency Fund, and the Capital Projects Fund which are considered major government funds. Data for the other non-major funds are combined into a single column.

Schedules providing budgetary comparison for the major government funds have been provided within this report to demonstrate compliance with budgets.

- b. **Proprietary funds.** There are two types of proprietary funds: enterprise and internal service funds. The County maintains only one enterprise fund, the Teton County Nursing Home. This is used to report the same functions as business-type activities in the government-wide statements. This fund is considered to be a major fund of the County. The County has no internal funds. These statements can be found on pages 16-18.
- c. **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* included in the government-wide financial statements because the resources of these funds are not available to support the County's operations. The basic fiduciary fund financial statements are on page 19.

3. **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 20-31.

### COUNTY-WIDE FINANCIAL ANALYSIS

The following table provides a summary comparison of the County's government-wide net position for fiscal year 2014 to fiscal year 2013.

#### TETON COUNTY Government Net Position

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
<b>Assets</b>				
Current and Other Assets .....	\$4,035,000	\$3,570,000	\$291,000	\$289,000
Capital Assets .....	7,322,000	7,072,000	134,000	153,000
<b>Total Assets</b> .....	<b>11,357,000</b>	<b>10,642,000</b>	<b>425,000</b>	<b>442,000</b>
<b>Liabilities and Deferred Inflows</b>				
Current Liabilities .....	\$325,300	\$290,000	\$36,000	\$62,000
Long-term Liabilities .....	769,000	626,000	89,000	89,000
<b>Total Liabilities and Deferred Inflows</b> . . . .	<b>1,094,300</b>	<b>916,000</b>	<b>125,000</b>	<b>151,000</b>
<b>Net Position</b>				
Net Investment in Capital Assets .....	\$6,708,000	\$6,627,000	\$134,000	\$153,000
Restricted .....	1,893,000	2,120,000		
Unrestricted .....	1,662,000	979,000	166,000	137,000
<b>Total Net Position</b> .....	<b>\$10,263,000</b>	<b>\$9,726,000</b>	<b>\$300,000</b>	<b>\$290,000</b>

The increase in Net Investment in Capital Assets was due to the continued payment of debt and the net effect of the purchase of the graders. The net increase in Restricted and Unrestricted Net Position was mostly due to the retention of the PILT funds for future projects and operations. The 2013 net positions reflects a reclassification of the PILT funds from restricted to unrestricted in 2014 to allow for better comparability.

The Business-type activities (Nursing Home) remained stable in 2014.

The following table shows the changes in net position for governmental and business-type activities in 2014.

**TETON COUNTY**  
**Changes in Net Position**

	<b>Government Activities</b>		<b>Business-Type Activities</b>	
	2014	2013	2014	2013
<b>Revenues</b>				
Program Revenues:				
Charges for Services .....	\$978,000	\$1,070,000	\$1,636,000	\$1,549,000
Operating Grants .....	983,000	952,000		
General Revenues:				
Property Taxes .....	2,907,000	2,848,000	164,000	162,000
Intergovernmental Revenue .....	1,315,000	1,080,000		
Gain on Sale of Assets .....	449,000	206,000		
Transfers .....	(128,000)	(119,000)	128,000	119,000
Other General Revenues .....	62,000	190,000	14,000	6,000
<b>Total Revenues .....</b>	<b>6,566,000</b>	<b>6,227,000</b>	<b>1,942,000</b>	<b>1,836,000</b>
<b>Expenses</b>				
General Government .....	1,502,000	1,318,000		
Public Safety .....	1,554,000	1,518,000		
Public Works .....	1,925,000	1,811,000		
Public Health .....	709,000	973,000	1,932,000	1,791,000
Culture and Recreation .....	158,000	221,000		
Economic Development .....	171,000	237,000		
Interest Expense .....	10,000	75,000		
<b>Total Expenses .....</b>	<b>6,029,000</b>	<b>6,153,000</b>	<b>1,932,000</b>	<b>1,791,000</b>
<b>Change in Net Position .....</b>	<b>\$537,000</b>	<b>\$74,000</b>	<b>\$10,000</b>	<b>\$45,000</b>

The fiscal year 2014 change in net position for governmental activities decreased compared to 2013 mainly due to net effect of the sale of 4 graders and the subsequent purchase of 4 additional graders. The County remained stable in other areas.

The Business-type activities (Nursing Home) revenues remained stable but nursing costs continue to increase. The County is evaluating options to better manage the operations.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

### **Government Funds Overview**

The County has these major government funds: the General Fund, Road Fund, Emergency Management Services Fund, Protective Services Fund, 911 Emergency Fund and Capital Projects Fund.

1. General Fund - This is the primary operating fund of County's government. It accounts for many of the County's general and administrative, legal, and public safety services.
2. Road Fund - This fund is used to account for the tax collections, and other revenues, and related expenses for construction, maintenance, or improvement of County roads outside of the incorporated cities and towns.
3. Emergency Management Services - This fund is used to account for the financial operations of the County-owned ambulance service which provides emergency services to the citizens of the County.
4. Protective Services - This fund is utilized to account for the activities related to providing law enforcement services to the citizens of the County.
5. 911 Emergency - This fund accounts for the revenues received from other governments to provide 911 services to the County.
6. Capital Projects Fund - This fund is used to accumulated resources for capital projects.

The County reports the major proprietary funds:

Nursing Home - This fund is used to account for the activities of the County owned long-term care facility.

Additionally, the County reports the following fund types:

External Investment Pool - This pool consists of funds deposited in the County's Investment pool which belong to other participating local government and are reported separately from the county's invested funds.

Agency Funds - These funds consist of cash held for other governments that do not participate in the County's investment pool and property taxes receivable belonging to other governments. Cash amounts consist primarily of property tax collections and other funds collected by the County on behalf of the other governments that are remitted to the other governments soon after the end of the month. The County manages all of the property taxes levies in the County.

**Budgetary Comparisons.** Teton County adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided as a supplemental schedule for its major government funds on page 30, 31 and 32 of this report.

In October of 2013, the Commissioners appropriated \$1,428,000 for general fund expenditures and transfers in 2014. The budget anticipated \$1279,000 of revenues and transfers in. Actual revenues

and transfer were approximately as anticipated. Actual expenditures were \$155,000 less than anticipated, mainly due to decreased expenditures for general government and public safety.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The County's investment in capital assets for its governmental activities as of June 30, 2014 totals \$7,322,000 (net of accumulated depreciation) and \$134,000 (net) for its enterprise activity. The County purchased four graders, a backhoe/loader, a pickup truck, and other equipment in 2014. The County was not required to retroactively record infrastructure assets; however, the County reports infrastructure assets as soon as the assets are valued and measured. See Note 5 to the Financial Statements for detailed information on the capital assets.

**Long-term debt.** In 2014, the County obtained capital leases to purchase the four graders and a backhoe/loader for the Road department. The County has other debt, see Note 6 to the Financial Statements.

## **FUTURE OF THE COUNTY**

During the challenging economic issues in the past several years, the County has continued to maintain a strong financial position through prudent budgeting and management of costs. The County continues to explore various approaches for operating reserves and capital reserves so that it can sustain operations and capital needs during prolonged downward economic times. With the threat of reduced federal funding and the increase in expenses such as health care, the County must continue to explore and develop strategies for more efficient operation so that they can continue to keep up with demand for services with little if any, increase in available funds.

Increasing operating costs, such as insurance, supplies, equipment and salaries were considered in developing the budget for fiscal year 2015. The Teton County board of Commissioners issued a pay increase of 1.5% for the elected officials and \$.25 per hour for all employees. Employees under a Collective Bargaining Agreement for the 2015 fiscal year received \$.25 per hour.

Teton County's health insurance rate increased and the Commissioners increased the county health insurance benefit from \$446 to \$487 per employee enrolled in MACo Health Care Trust.

The Cemetery District was granted another \$9,000 to continue to remove dead trees at the Choteau Cemetery. Protective Services will be replacing two new vehicles. Commissioners have always asked department heads to be conservative in their budgets.

Teton County is most fortunate to have a qualified pool of leaders, both elected and appointed, running its various departments, as well as a talented and dedicated staff. We continue to be optimistic that the challenges we are faced with will be dealt with thoughtfully, efficiently and effectively.

**REQUESTS FOR INFORMATION** - This financial report is designed to provide a general overview of Teton County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk and Recorder, Paula J. Jaconetty, at P.O. Box 610, Choteau, MT 59422.

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Teton County  
Choteau, Montana

**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Teton County, Choteau, 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 U.S. generally accepted accounting principles; 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Audit Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Teton County, Choteau, Montana, as of June 30, 2014,

and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 7 and the schedule of revenues, expenditures, and other sources (uses) - budget and actual - general, road, emergency management service, protective services, Emergency 911, and the capital project funds on pages 32 and 35 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. I have applied certain limited procedures to the required supplemental information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures applied do not provide me with sufficient evidence to express an opinion or provide any assurance.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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



March 26, 2015

**TETON COUNTY  
CHOTEAU, MONTANA**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Investments .....	\$3,699,196	\$92,756	\$3,791,952
Property Taxes Receivable .....	145,288	9,060	154,348
Accounts Receivable - (net of allowance for uncollectible) ..	78,730	175,143	253,873
Inventories .....	111,959		111,959
Prepays .....		13,591	13,591
<b>Total Current Assets .....</b>	<b>4,035,173</b>	<b>290,550</b>	<b>4,325,723</b>
Capital Assets .....	11,443,700	1,087,173	12,530,873
Less Accumulated Depreciation .....	(4,121,416)	(953,058)	(5,074,474)
<b>Capital Assets - Net .....</b>	<b>7,322,284</b>	<b>134,115</b>	<b>7,456,399</b>
<b>Total Assets .....</b>	<b>11,357,457</b>	<b>424,665</b>	<b>11,782,122</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable .....	141,206	25,441	166,647
Current Portion of Long-term Debt .....	184,101	10,000	194,101
<b>Total Current Liabilities .....</b>	<b>325,307</b>	<b>35,441</b>	<b>360,748</b>
Non-current Liabilities:			
Capital Lease .....	348,905		348,905
Loans Payable .....	131,315		131,315
Compensated Absences .....	288,786	89,135	377,921
<b>Total Non-current Liabilities .....</b>	<b>769,006</b>	<b>89,135</b>	<b>858,141</b>
<b>Total Liabilities .....</b>	<b>1,094,313</b>	<b>124,576</b>	<b>1,218,889</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets .....	6,707,963	134,115	6,842,078
Restricted .....	1,892,727		1,892,727
Unrestricted .....	1,662,454	165,974	1,828,428
<b>Total Net Position .....</b>	<b>\$10,263,144</b>	<b>\$300,089</b>	<b>\$10,563,233</b>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	- - Program Revenue - -			Net (Expenses) Revenue		Total
	Expenses	Charges for Services	Operating Grants	Government Activities	Business-type Activities	
<b>Primary Government:</b>						
<b>GOVERNMENT ACTIVITIES:</b>						
General Government . . . . .	\$1,501,896	\$227,849	\$19,204	(\$1,254,843)		(\$1,254,843)
Public Safety . . . . .	1,554,003	499,388	209,453	(845,162)		(845,162)
Public Works . . . . .	1,925,430	160,121	310,658	(1,454,651)		(1,454,651)
Public Health . . . . .	708,894	90,840	424,380	(193,674)		(193,674)
Culture and Recreation . . .	157,747		18,977	(138,770)		(138,770)
Social and Economic Development . . . . .	171,028			(171,028)		(171,028)
Interest Expense . . . . .	10,310			(10,310)		(10,310)
<b>Total governmental activities . . . . .</b>	<b>\$6,029,308</b>	<b>\$978,198</b>	<b>\$982,672</b>	<b>(4,068,438)</b>		<b>(4,068,438)</b>
Business-type activities						
Nursing Home . . . . .	1,931,642	1,636,316			(295,326)	(295,326)
<b>Total Business-type activities . . . . .</b>	<b>1,931,642</b>	<b>1,636,316</b>	<b>0</b>	<b>0</b>	<b>(295,326)</b>	<b>(295,326)</b>
<b>Total primary government . .</b>	<b>\$7,960,950</b>	<b>\$2,614,514</b>	<b>\$982,672</b>	<b>(4,068,438)</b>	<b>(295,326)</b>	<b>(4,363,764)</b>
<b>GENERAL REVENUES:</b>						
Property Taxes . . . . .				2,907,120	163,715	3,070,835
Intergovernmental . . . . .				1,315,019	4,273	1,319,292
Other . . . . .				44,669	8,855	53,524
Investment Earnings . . . . .				17,720	86	17,806
Gain on Sale of Assets . . . . .				449,165		449,165
Transfers . . . . .				(128,200)	128,200	0
<b>Total General Revenues . . . . .</b>				<b>4,605,493</b>	<b>305,129</b>	<b>4,910,622</b>
<b>CHANGE IN NET POSITION . . . . .</b>				<b>537,055</b>	<b>9,803</b>	<b>546,858</b>
<b>NET POSITION:</b>						
Beginning of the Year . . . . .				9,726,089	290,286	10,016,375
End of the Year . . . . .				<b>\$10,263,144</b>	<b>\$300,089</b>	<b>\$10,563,233</b>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	----- Major Funds -----						Total Government Funds	
	General	Road	Protective Services	Emergency Medical Services	911 Emergency	Capital Project		Other Government Funds
<b>ASSETS:</b>								
Cash and Investments .....	\$1,542,524	\$338,177	\$278,084	\$33,216	\$276,881	\$368,783	\$861,531	\$3,699,196
Property Taxes Receivable .....	24,269	21,371	24,882	3,432			71,334	145,288
Other Receivables .....	2,102	692		74,052	567	755	562	78,730
Inventory .....		111,959						111,959
<b>Total Assets .....</b>	<b>\$1,568,895</b>	<b>\$472,199</b>	<b>\$302,966</b>	<b>\$110,700</b>	<b>\$277,448</b>	<b>\$369,538</b>	<b>\$933,427</b>	<b>\$4,035,173</b>
<b>LIABILITIES:</b>								
Accounts Payable .....	\$11,132	\$6,649	\$20,951	\$10,828	\$3,944	\$38,020	\$49,682	\$141,206
<b>DEFERRED INFLOWS:</b>								
Deferred Tax Revenues .....	25,075	21,371	24,882	77,484			71,358	220,170
<b>Total Liabilities and Deferred Inflows</b>	<b>36,207</b>	<b>28,020</b>	<b>45,833</b>	<b>88,312</b>	<b>3,944</b>	<b>38,020</b>	<b>121,040</b>	<b>361,376</b>
<b>FUND BALANCE:</b>								
Non-spendable .....		111,959						111,959
Restricted .....		332,220	257,133	22,388	273,504		812,387	1,697,632
Assigned .....						331,518		331,518
Unassigned .....	1,532,688							1,532,688
<b>Total Fund Balance .....</b>	<b>1,532,688</b>	<b>444,179</b>	<b>257,133</b>	<b>22,388</b>	<b>273,504</b>	<b>331,518</b>	<b>812,387</b>	<b>3,673,797</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance .....</b>	<b>\$1,568,895</b>	<b>\$472,199</b>	<b>\$302,966</b>	<b>\$110,700</b>	<b>\$277,448</b>	<b>\$369,538</b>	<b>\$933,427</b>	<b>\$4,035,173</b>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

JUNE 30, 2014

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

Fund balance as reported above .....		\$3,673,797
Add assets not reported in the governmental funds statements:		
Capital assets .....	\$11,443,700	
Less accumulated depreciation .....	<u>(4,121,416)</u>	7,322,284
Less compensated absences liabilities not reported in the governmental funds statements .....		(338,786)
Less capital lease liability not reported in the governmental funds statements .....		(472,415)
Less loans payable not reported in the governmental funds statements .....		(141,906)
Deferred property tax revenue recognized as revenue in the government-wide statements .....		145,288
Deferred emergency medical services charges for services revenue recognized as revenue in the government-wide statements .....		<u>74,882</u>
Net position of governmental activities reported in the government-wide statements .....		<u>\$10,263,144</u>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

----- Major Funds -----

	General Fund	Road Fund	Protective Services	Emergency Medical Services	911 Emergency	Capital Projects	Other Government Funds	Total
<b>REVENUES:</b>								
Property Taxes .....	\$503,672	\$390,172	\$480,005	\$68,825		\$35,369	\$1,438,178	\$2,916,221
Intergovernmental .....	1,039,741	217,141	52,559	1,799	\$141,251		821,655	2,274,146
Charges for Services .....	166,884	43,800	240,359	232,956			221,703	905,702
Fines and Forfeitures .....	19,502						23,178	42,680
Interest Earnings .....	3,800	514			691	12,032	683	17,720
Other .....	17,631	5,626		980			29,050	53,287
<b>Total Revenues .....</b>	<b>1,751,230</b>	<b>657,253</b>	<b>772,923</b>	<b>304,560</b>	<b>141,942</b>	<b>47,401</b>	<b>2,534,447</b>	<b>6,209,756</b>
<b>EXPENDITURES:</b>								
General Government .....	1,195,555						293,042	1,488,597
Public Safety .....	68,910		938,129	261,478	17,978	37,674	105,716	1,429,885
Public Works .....		647,722				5,576	798,479	1,451,777
Public Health .....	57,086						614,616	671,702
Culture and Recreation .....							157,747	157,747
Economic Development .....	8,740						162,288	171,028
Capital Outlay .....	959,328	98,129	6,600		27,181	97,533	9,023	1,197,794
Debt Service .....	144,130	21,393		7,661			48,327	221,511
<b>Total Expenditures .....</b>	<b>2,433,749</b>	<b>767,244</b>	<b>944,729</b>	<b>269,139</b>	<b>45,159</b>	<b>140,783</b>	<b>2,189,238</b>	<b>6,790,041</b>
Excess (Deficiency) of Revenues Over Expenditures .....	(682,519)	(109,991)	(171,806)	35,421	96,783	(93,382)	345,209	(580,285)
<b>Other Sources (Uses):</b>								
Capital Lease Proceeds .....	282,279	98,129						380,408
Gain on Sale of Assets .....	352,349							352,349
Sale of Assets .....	309,100					93,850	3,275	406,225
Transfers In (Out) .....	46,194	87,901	151,367	(36,303)	(85,000)	143,005	(435,364)	(128,200)
<b>Change in Fund Balance ..</b>	<b>307,403</b>	<b>76,039</b>	<b>(20,439)</b>	<b>(882)</b>	<b>11,783</b>	<b>143,473</b>	<b>(86,880)</b>	<b>430,497</b>
<b>Fund Balance:</b>								
Beginning of the Year (as restated - see Note 9)	1,225,285	368,140	277,572	23,270	261,721	188,045	899,267	3,243,300
<b>End of the Year .....</b>	<b>\$1,532,688</b>	<b>\$444,179</b>	<b>\$257,133</b>	<b>\$22,388</b>	<b>\$273,504</b>	<b>\$331,518</b>	<b>\$812,387</b>	<b>\$3,673,797</b>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

**RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

---

Change in fund balances as reported in the governmental funds statement . . . . .	\$430,497
(Decrease) in property taxes receivable not reflected in revenue in the governmental funds statement . . . . .	(9,101)
Increase (Decrease) in emergency medical services receivable not reflected in revenue in the governmental funds statement . . . . .	122
Decrease in compensated absences not reflected as a reduction in expenditures in the governmental funds statement . . . . .	34,328
Capital lease proceeds reported in the governmental funds statement not included in statement of activities . . . . .	(380,408)
Amounts reported as expenditures in the governmental funds statement not included as expenses in the statement of activities:	
Capital outlays . . . . .	1,197,794
Principal payments on capital lease . . . . .	176,686
Principal payments on loans payable . . . . .	34,515
Net book value of asset deletions . . . . .	(309,409)
Assets previously reported as expenditures . . . . .	44,621
Depreciation expense reported on the statement of activities not included in the governmental funds statement . . . . .	(682,590)
Change in net position of governmental activities on the statement of activities . . . . .	<u>\$537,055</u>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA  
PROPRIETARY FUNDS - NURSING HOME  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

<b>ASSETS:</b>	
Current Assets:	
Cash and Investments .....	\$92,756
Property Taxes Receivable .....	9,060
Other Receivables (net of allowance for uncollectible receivables) .....	175,143
Prepaid Expenses .....	<u>13,591</u>
<b>Total Current Assets .....</b>	<b><u>290,550</u></b>
Noncurrent Assets:	
Land .....	31,500
Buildings .....	633,709
Machinery and Equipment .....	421,964
Less accumulated Depreciation .....	<u>(953,058)</u>
<b>Total Noncurrent Assets .....</b>	<b><u>134,115</u></b>
<b>Total Assets .....</b>	<b><u>\$424,665</u></b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable .....	\$25,441
Compensated Absences - current portion .....	<u>10,000</u>
<b>Total Noncurrent Liabilities .....</b>	<b><u>35,441</u></b>
Noncurrent Liabilities:	
Compensated Absences .....	<u>89,135</u>
<b>Total Liabilities .....</b>	<b><u>124,576</u></b>
<b>NET POSITION:</b>	
Net Investment in Capital Assets .....	134,115
Unrestricted .....	<u>165,974</u>
<b>Total Net Position .....</b>	<b><u>\$300,089</u></b>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA  
PROPRIETARY FUNDS - NURSING HOME  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES FUND NET POSITION  
JUNE 30, 2014**

---

<b>OPERATING REVENUES:</b>	
Charges for Services .....	<u>\$1,636,316</u>
Total Operating Revenues .....	<u>1,636,316</u>
<b>OPERATING EXPENSES:</b>	
Personal Services .....	1,425,446
Supplies .....	127,386
Purchased Services .....	289,284
Fixed Costs .....	70,837
Depreciation Expense .....	18,689
Total Operating Expenses .....	<u>1,931,642</u>
<b>OPERATING INCOME (LOSS) .....</b>	<u><b>(295,326)</b></u>
<b>NONOPERATING REVENUES, EXPENSES AND TRANSFERS IN:</b>	
Taxes .....	163,715
Intergovernmental .....	4,273
Miscellaneous .....	8,855
Interest Income .....	86
Transfers In .....	<u>128,200</u>
<b>Total Nonoperating Revenues, Expenses and Transfers In .....</b>	<u><b>305,129</b></u>
<b>Increase (Decrease) in Net Position .....</b>	<b>9,803</b>
<b>BEGINNING NET POSITION .....</b>	<u><b>290,286</b></u>
<b>ENDING NET POSITION .....</b>	<u><u><b>\$300,089</b></u></u>

See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA  
PROPRIETARY FUNDS - NURSING HOME  
STATEMENT OF CASH FLOWS  
JUNE 30, 2014**

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers .....	\$1,640,834
Cash paid to suppliers .....	(514,351)
Cash paid to employees .....	<u>(1,425,446)</u>
 Cash Provided (Used) by Operating Activities .....	 <u>(298,963)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers in from other funds .....	128,200
Cash received from other governments .....	<u>177,402</u>
 Cash Provided (Used) by Noncapital Financing Activities .....	 <u>305,602</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest earned .....	<u>200</u>
 Cash Provided (Used) by Investing Activities .....	 <u>200</u>

Increase (Decrease) in cash and cash equivalents .....	6,839
Cash and cash equivalents - June 30, 2013 .....	<u>85,917</u>
Cash and cash equivalents - June 30, 2014 .....	<u><u>92,756</u></u>

**Reconciliation of operating income to cash provided (used) by operating activities:**

Operating Income .....	(\$295,326)
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Depreciation expense .....	18,689
(Increase) decrease in accounts receivable .....	4,518
Increase (decrease) in accounts payable .....	<u>(26,844)</u>

Cash provided (used) by operating activities .....	<u><u>(298,963)</u></u>
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See Notes to Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

**STATEMENT OF FIDUCIARY NET POSITION  
AND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

<b>FIDUCIARY NET POSITION</b>	External Investment Pool	Agency Funds
<b>ASSETS:</b>		
Cash and Investments .....	\$9,541,163	\$226,473
Property Taxes Receivable .....		506,996
<b>Total Assets</b> .....	<b>9,541,163</b>	<b>733,469</b>
<b>LIABILITIES:</b>		
Due to Other Governments .....		733,469
<b>NET POSITION:</b>		
Held in Trust for Pool Participants and Individual Investment Accounts .....	<b>\$9,541,163</b>	<b>\$0</b>

**CHANGES IN FIDUCIARY NET POSITION**

<b>ADDITIONS TO INVESTMENTS:</b>	
Contributions and Investment Earnings .....	\$51,561,723
<b>DISTRIBUTIONS FROM INVESTMENTS</b> .....	<b>50,714,760</b>
<b>CHANGE IN NET POSITION HELD IN TRUST</b> .....	<b>846,963</b>
<b>NET POSITION:</b>	
Beginning of the Year .....	8,694,200
End of the Year .....	<b>\$9,541,163</b>

See Notes to the Financial Statements

**TETON COUNTY  
CHOTEAU, MONTANA**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

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Teton County 2014 Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Teton County is governed by an elected three-member Board of County Commissioners and is considered to be an independent government. The accompanying financial statements include the activities of the County controlled by the County Commissioners. Teton County has no component units.

B. Basis of Presentation and Basis of Accounting

**Government-wide Financial Statements** - The statement of net position and the statement of activities show information about the overall financial position and activities of the County with the exception of the funds held by the County in a trustee capacity as an agent for individuals, private organizations, or other governments.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The governmental activities of the County are generally financed through property taxes, and federal and state grants while the business-type activities are financed through charges for services. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental and business-type 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. Program revenues include fees for services and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both components of restricted and unrestricted net position are available.

**Fund Financial Statements** - These statements provide information about the County's funds, including a separate statements for the County's proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental funds. 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.

Governmental Funds

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end (generally within 60 days) are recognized as

## Teton County 2014 Notes to Financial Statements (continued)

revenue. However, most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. 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.

Under the terms of the County's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the County applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

U.S. generally accepted accounting principles (GAAP) requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds or 5% of the total amounts for combined government funds and proprietary funds also be reported as major funds. GAAP also allows governments to report funds that do not exceed this 10% threshold if the government officials believe it is important to the users of the financial statements. The County reports the following major governmental funds:

General fund. This is the County's primary operating fund which accounts for all financial resources of the County except those required to be accounted for in other funds. The PILT (Payment in lieu of taxes) fund is combined with the County's general fund for reporting purposes.

Road fund. This fund is used to account for the tax collections, federal forest reserve funds, and related expenses for construction, maintenance or improvement of County roads outside of incorporated cities and towns.

Protective Services fund. This fund is set up to account for the activities related to providing law enforcement services to the citizens of the County.

Emergency Medical Services fund. This fund is used to account for the financial operations of the County-owned ambulance service which provides emergency services to the citizens of the County

911 Emergency fund. This fund accounts for the revenues received from other governments to provide 911 services to the County.

Capital Projects fund. - This fund accounts for the capital projects funds. This fund is reserved for future capital asset costs or special projects.

### Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

## Teton County 2014 Notes to Financial Statements (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services provided. Operating expenses include the cost of providing such services and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Nursing Home fund. This fund accounts for the activities of the County-owned long-term care facility.

Fiduciary Funds - Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting and consist of the following:

External Investment Pool. This pool consists of funds deposited in the County's investment pool which belong to other participating local governments and are reported separately from the County's invested funds.

Agency funds. These funds consist of cash held for other governments that do not participate in the County's investment pool and property taxes receivable belonging to other governments. Cash amounts consist primarily of property tax collections and other funds collected by the County on behalf of other governments that are remitted to the other governments soon after the end of the month. The County manages all of the property taxes levied in the County.

C. Cash and Investments - Except for certain specific bank deposits and investments held separately on behalf of certain special districts, available cash resources of the individual funds are combined to form an investment pool, which is managed by the County Treasurer. Investments of pooled cash, which are authorized by state law, consist primarily of demand deposits, non-negotiable certificates of deposit, and bank repurchase agreements. The County cash and cash equivalents are considered to be cash on hand, demand and other time deposits are short-term investments with original maturity dates of three months or less from time of acquisition.

Legally separate entities that are not part of the County reporting entity are permitted to participate in the investment pool, and those entities' portion of the investment pool is reported in an investment trust fund. The investment pool is managed in accordance with the County's stated investment policy.

The County reports most investments at fair value. Certain minor investments and bank deposits are reported at cost or amortized cost which approximates fair value. Investment income includes realized gains and losses and the change in fair value of investments. Investment income on pooled investments is allocated to participating external entities on the basis of month-end balances. The County's share of pooled investment income not related to specific investments is allocated to the general fund.

The County issues warrants in payment of its obligations. When warrants are presented to the County Treasurer, the County issues a check to pay the warrants.

Teton County 2014 Notes to Financial Statements (continued)

D. Property Taxes - Property tax levies are approved on or before the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue. Real property (and certain attached personal property) taxes are billed in October and are due in equal amounts on November 30 and the following May 31. After those dates they become delinquent (and a lien placed upon the property). After three years the County may exercise the lien and take title to the property. Personal property taxes (other than those billed with real estate) are generally billed in May or June and are normally due 30 days after billing.

State law limits the number of mills the County can levy to the amount of property tax dollars levied in the prior fiscal year plus amounts related to the taxable value for the annexation of real property, new construction and improvements, debt service, and certain other exceptions. Additionally, the mill levy limits can be exceeded for one year in the event that an emergency levy is required.

Taxable valuations (which are a small percentage of assessed valuations), mill values, and mill levies for November 2013 property tax billings were as follows:

	<u>Taxable Valuation</u>	<u>Value of Mill</u>	<u>Mills levied</u>
County-wide levies . . . . .	\$16,593,263	\$16,593	104.27
Unincorporated areas only (Road Fund) . . .	\$13,775,120	\$13,775	28.71

E. Inventories - Inventories are valued at cost using the first-in/first-out expenditures method. Inventories are recorded as expenditures when consumed rather than when purchased. Inventories consist mainly of road items such as fuel, chemicals, gravel, sand, and gravel.

F. Capital Assets - Capital assets are carried at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Major additions and betterments with a cost in excess of capitalization thresholds are recorded as additions to capital assets.

Capital assets, other than infrastructure assets, are defined by the County as assets with an initial cost of more than \$50,000 for building and building improvements, \$25,000 for land improvements, and \$5,000 for vehicles, machinery, or equipment. Repair and maintenance costs are not capitalized. The County has elected to not report infrastructure retroactively. Depreciation on assets is provided over their estimated useful lives on the straight-line method.

The useful lives of these assets have been estimated as follows:

Buildings . . . . .	40 years
Building Improvements . . . . .	15 - 25 years
Other improvements . . . . .	5 - 20 years
Vehicles, Machinery and Equipment . . . . .	5 - 15 years

G. Compensated Absences - County employees earn vacation and sick leave as required by State law. Up to two years of accumulated vacation leave and 25% of accumulated sick leave is payable to the employee on termination. The amounts reported as compensated absences payable is based on the termination benefits.

Teton County 2014 Notes to Financial Statements (continued)

2. CASH AND INVESTMENTS - A summary of cash and investments at June 30, 2014 was as follows:

Cash on Hand .....	\$80,057
Cash and Deposits with Banks .....	5,729,531
Certificates of Deposits .....	7,750,000
	<hr/>
Total .....	<u>\$13,559,588</u>

The ownership of cash and investments was as follows:

County Government Funds .....	\$3,699,196
County Business-type Funds .....	92,756
Fiduciary Funds:	
External Investment Pool .....	9,541,163
Agency Accounts .....	226,473
	<hr/>
Total Cash at County .....	<u>\$13,559,588</u>

Certificates of deposit are recorded at fair value which approximates cost, and are generally for terms of two years or less. Credit risk is minimized by compliance with state law.

The County does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates (Interest rates risk). However, under state statute, an investment may not have a maturity date exceeding five years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Custodial credit risk is the risk that in the event of a bank failure, the governments's deposits may not be returned to it. All of the cash and investments except cash-on-hand is either insured or collateralized. State Law (MCA 7-6-207) requires that 50% of funds held must be insured or collateralized.

3. PROPERTY TAXES RECEIVABLE - Changes in property taxes receivable were as follows:

Balance - June 30, 2013 .....	\$165,008
Taxes Levied .....	2,852,400
Collections .....	(2,795,763)
Other Changes .....	(67,297)
	<hr/>
Balance - June 30, 2014 .....	<u>\$154,348</u>

Other changes include rebates and tax abatements due to revaluations of taxable values.

4. INTER-FUND TRANSFERS AND BALANCES - The County pays health insurance and other fringe benefits from its operating funds and transfers monies from the comprehensive insurance fund to reimburse the operating funds. The County accounts for the receipt of Federal Payments-in-lieu-of-taxes (PILT) revenues in a single fund and transfers out to various funds.

Teton County 2014 Notes to Financial Statements (continued)

Transfers between funds were as follows:

Transfers from	Transfers to	Amount
PILT fund	General fund	\$18,200
	Capital Projects fund	60,000
	Non-major funds	40,000
General fund	Non-major funds	15,000
Emergency Medical Services fund	Non-major funds	45,000
Protective Services fund	Non-major funds	54,073
Non-major funds	General fund	161,194
	Road fund	87,901
	Emergency Medical Services fund	8,697
	Protective Services fund	205,440
	Nursing Home	128,200
	Other non-major funds	142,249
Total transfers		<u>\$965,954</u>

5. CAPITAL ASSETS

Changes in general government capital assets were as follows:

	Balance June 30, 2013	Additions	Deletions	Other Changes	Balance June 30, 2014
<b>Cost:</b>					
Land	\$684,648				\$684,648
Improvements	1,607,211				1,607,211
Buildings	4,275,156			\$45,013	4,320,169
Machinery and Equipment	4,284,208	\$1,197,794	(596,649)	(53,681)	4,831,672
Total	<u>10,851,223</u>	<u>1,197,794</u>	<u>(596,649)</u>	<u>(8,668)</u>	<u>11,443,700</u>
<b>Accumulated Depreciation:</b>					
Improvements	649,473	64,592		(1)	714,064
Buildings	825,234	91,721		483	917,438
Machinery and Equipment	2,304,648	526,277	(287,240)	(53,771)	2,489,914
Total	<u>3,779,355</u>	<u>682,590</u>	<u>(287,240)</u>	<u>(53,289)</u>	<u>4,121,416</u>
Capital Assets - Net	<u>\$7,071,868</u>	<u>\$515,204</u>	<u>(\$309,409)</u>	<u>\$44,621</u>	<u>\$7,322,284</u>

Depreciation expense for general governmental assets was charged to functions as follows:

General government	\$24,741
Public safety	135,561
Public works	485,096
Public Health	37,192
Total	<u>\$682,590</u>

Teton County 2014 Notes to Financial Statements (continued)

Changes in Business-type capital assets were as follows:

	Balance June 30, 2013	Additions	Deletions	Other Changes	Balance June 30, 2014
<b>Cost:</b>					
Land .....	\$31,500				\$31,500
Buildings .....	633,709				633,709
Machinery and Equipment .	421,964				421,964
<b>Total .....</b>	<b>1,087,173</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,087,173</b>
<b>Accumulated Depreciation:</b>					
Buildings .....	570,159	6,257			576,416
Machinery and Equipment .	364,210	12,432			376,642
<b>Total .....</b>	<b>934,369</b>	<b>18,689</b>	<b>0</b>	<b>0</b>	<b>953,058</b>
<b>Capital Assets - Net .....</b>	<b>\$152,804</b>	<b>(\$18,689)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$134,115</b>

6. **LONG TERM DEBT - Changes in long-term debt were as follows:**

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Amount due in 2015
<b>Governmental Activities:</b>					
Compensated Absences .....	\$373,114		(\$34,328)	\$338,786	\$50,000
Loans Payable .....	176,421		(34,515)	141,906	10,591
Capital Lease .....	268,691	\$380,408	(176,685)	472,414	123,510
<b>Total .....</b>	<b>\$818,226</b>	<b>\$380,408</b>	<b>(\$245,528)</b>	<b>\$953,106</b>	<b>\$184,101</b>
<b>Business-type Activities:</b>					
Compensated Absences .....	\$99,135			\$99,135	\$10,000

Capital Leases - The County has obtained major equipment items through the following capital leases:

The County obtained a capital lease for four graders in 2013 for the road department. The \$281,808 lease was issued in April 2013 and has five annual payments of \$59,572 annually with the final payment April 30, 2018. It has a purchase option of \$4 at the end of the lease and carries a 2.85% interest rate.

The County obtained a capital lease for a backhoe/loader on August 15, 2013. The \$98,129 lease has six annual payments of \$17,600 with the final payment due August 15, 2018. It has a purchase option of \$1 at the end of the lease and carries a 2.99% interest rate.

In 2014, the County entered into a capital lease for four graders for the road department. The \$282,278 lease was issued in March 2014 and has five annual payments of \$59,390

Teton County 2014 Notes to Financial Statements (continued)

with the final payment in March 7, 2019. It has a purchase option of \$4 at the end of the lease and carries a 2.6% interest rate.

InterCap Notes Payable - from the State of Montana Board of Investments. All of the InterCap loans have semi-annual payments. The interest rate on this loan is variable, based on the interest cost of the underlying State bonds. The interest rate at June 30, 2014 was 1.00%. On December 16, 2011, the County obtained an intercap loan for the ambulance building. The \$75,000 loan has 20 semi-annual payments with the final payment due February 15, 2022.

Bank Loan Payable - On April 10, 2010, the County and the City of Choteau obtained a bank loan for the Choteau Fire Hall building in the amount of \$185,300. The County and the City are each liable for their share (50%) of the loan. The County must make 20 annual payment of \$6,982. The interest rate is 4.5% with final payment due in July 5, 2030.

Compensated Absences - The County generally liquidates governmental compensated absences with the general fund.

The County was in compliance with all significant contractual provisions of its long-term debt.

**FUTURE DEBT SERVICE PAYMENTS**

Debt service principal and interest payments required on the loans payable and capital leases are as follows:

Year Ended June 30,	Loans Payable		Capital Lease		Combined
	Principal	Interest	Principal	Interest	
2015	10,591	4,118	123,509	13,053	151,271
2016	10,885	3,910	126,922	9,639	151,356
2017	11,192	3,674	130,431	6,131	151,428
2018	11,506	3,430	74,468	2,525	91,929
2019	11,832	3,177	17,084	518	32,611
2020	12,168	2,915			15,083
2021	12,516	2,642			15,158
2022	12,873	2,360			15,233
2023	4,916	2,066			6,982
2024	5,137	1,845			6,982
2025	5,368	1,613			6,981
2026	5,609	1,372			6,981
2027-2031	27,313	2,848			30,161
Total	\$141,906	\$35,970	\$472,414	\$31,866	\$682,156

**7. RETIREE HEALTH CARE COSTS**

Federal law (COBRA) allows terminated employees to remain on the County's health insurance plan for up to 18 months after termination if they pay the monthly premium and State law allows retirees to remain on the plan to age 65 if they pay the monthly premium.

Teton County 2014 Notes to Financial Statements (continued)

The County has 65 employees with an average age of 49. The County has not utilized any post-employment healthcare benefits in the last 10 years. The County's insurance carrier (the Montana Association of Counties Health Care Trust) does not calculate an age-rated premium for individual employees or for individual participating governments. Consequently, the County does not believe that the accrued actuarial liability for future retiree health care costs (if any) would be material to the County's financial position and has not recorded any such liability.

8. GOVERNMENT-WIDE RESTRICTED NET POSITION

Restricted Net Position - are resources that were received by the County with an understanding between the County and the provider that the funds would be used for specific purposes. The debt service fund and all special revenue funds, except PILT are considered restricted.

9. GOVERNMENTAL FUNDS BALANCE REPORTING

Government Accounting Standards Board (GASB) Statement No. 54 requires classifying fund balances into specifically defined classifications. There were no non-spendable funds at June 30, 2014. Committed and assigned funds must be so designated by the County's Board of Commissioners and/or assigned by the Clerk and Recorder.

The County spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County spends first committed, then assigned, and lastly unassigned funds. The County had \$337,962 restricted by grantors or contributors, and \$1,359,593 restricted by enabling legislation.

Non-spendable fund balances consist of the following:

Road .....	<u>\$111,959</u>
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**Restricted** fund balances consist of the following:

General Government .....	\$290,316
Public Safety .....	697,223
Public Works .....	414,655
Public Health .....	130,893
Social and Economic .....	164,545
Total Restricted Fund Balances .....	<u>\$1,697,632</u>

**Assigned** fund balances consist of the following:

Capital Projects .....	<u>\$331,518</u>
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**Unassigned** fund balances consist of the following:

General Fund .....	\$452,790
PILT Fund .....	<u>1,079,898</u>
Total Unassigned Fund Balances .....	<u>\$1,532,688</u>

Total Fund Balances .....	<u>\$3,673,797</u>
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Teton County 2014 Notes to Financial Statements (continued)

For financial statement reporting purpose, the County has combined the PILT (payment in lieu of taxes) fund with the general fund. The general fund beginning fund (as restated) reflects this reclassification of PILT as a major fund in 2013 to being combined with the general fund in 2014. This is shown on the following table:

	General Fund	PILT Fund	Combined
Assets .....	\$488,633	\$1,080,262	\$1,568,895
Liabilities and Deferred Inflows .....	(35,843)	(364)	(36,207)
Fund Balances .....	<u>\$452,790</u>	<u>\$1,079,898</u>	<u>\$1,532,688</u>
Revenues .....	\$1,112,324	\$638,906	\$1,751,230
Expenses .....	1,258,240	1,175,509	2,433,749
Excess (Deficiency) of Revenues Over Expenses	(145,916)	(536,603)	(682,519)
Other Sources (Uses) .....	164,394	825,528	989,922
Change in Fund Balances .....	18,478	288,925	307,403
Fund Balances:			
Beginning .....	434,312	790,973	1,225,285
Ending .....	<u>\$452,790</u>	<u>\$1,079,898</u>	<u>\$1,532,688</u>

10. RETIREMENT PLANS

The County participates in two statewide mandatory cost-sharing, multiple-employer, defined benefit retirement plans which cover all employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, death, and disability benefits to plan members and beneficiaries. Sheriff employees are covered by the Montana Sheriffs' Retirement System (MSRS), and other County employees are covered by the Montana Public Employees' Retirement System (MPERS).

Contribution rates for both plans are required and determined by State law. Contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	State	Total
MSRS .....	10.115%	9.245%	-	19.36%
MPERS .....	7.90%	8.07%	0.10%	16.07%

The amounts contributed to MSRS and MPERS during the year ended June 30, 2014 were equal to the required contribution for the year. The amounts contributed by the County and employees is as follows:

	2014
MSRS .....	\$86,940
MPERS .....	\$416,813

The State's contributions to the plans in 2014 were approximately \$2,557 for MPERS. The plans issue publicly available financial reports that includes financial statements and supplementary information.

## Teton County 2014 Notes to Financial Statements (continued)

Those reports may be obtained from the following:

Sheriffs' Retirement System  
P.O. Box 200131  
100 North Park, Suite 200  
Helena, Montana 59620-0131  
Telephone (406) 444-3154

Montana Public Employees Retirement System  
P.O. Box 200131  
100 North Park, Suite 200  
Helena, Montana 59620-0131  
Telephone: (406) 444-3154

### 11. RISK MANAGEMENT

The County faces a number of risks of loss including (a) loss or damage to property, (b) general liability, (c) workers' compensation, and (d) employee medical insurance and (e) environmental damages. There were no significant changes in how the County covered its risks in 2014. The County manages these risks through a combination of commercial insurance, participation in a risk pool, and self-insurance. Given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

The County covers its liability and general insurance coverage through the Montana Association of Counties Joint Powers Insurances Authority Trust Pool. Insurance coverage is used to manage risks of loss for all activities except workers' compensation claims.

The County covers its workers' compensation risk through participation in the Montana Association of Counties Workers' Compensation Joint Powers Authority (the Authority). The Authority is supervised by a Board of Trustees, which is comprised of seven persons, who are elected by the participant counties at the annual meeting. The Authority is liable for the payment of benefits to employees of member counties under the Workers' Compensation and Occupational Disease Act. The Authority charges the County an annual workers' compensation premium to cover anticipated workers' claims. Audited summary financial information is available for the Authority from Montana Association of County Officials (MACO).

### 12. JOINT VENTURES

The Airport is owned and operated by Teton County, the City of Choteau, the Town of Fairfield and the Town of Dutton. The joint airport is administered by a five-member board comprised of two members from the County, one from the city and one member from each Town. Each member is appointed for three years. The Airport was formed as a joint venture in 1947 for the purpose of operating and maintaining an airport. The budget is approved by the controlling governments with each entity budgeting for their share within their respective budgets. The joint airport is accounted for by the County as a special revenue fund.

### 13. INTER-LOCAL AGREEMENTS

The County has entered into inter-local agreements with the City of Choteau and Town of Fairfield for law enforcement and county attorney services and the Town of Dutton for county attorney services.

The County and the City of Choteau have entered into an Interlocal agreement with Teton county Fire Service area for maintenance of the Choteau Fire Hall building. The maintenance cost are to equally between the City and County.

### 14. COMMITMENTS

The County agreed, on October 3, 2013, to be the guarantor for a line of credit for daily operation in the amount of \$24,000 for the Teton County Refuse District #1.

**TETON COUNTY  
CHOTEAU, MONTANA**

**SCHEDULE OF REVENUE, EXPENDITURES, AND OTHER SOURCES (USES)  
BUDGET AND ACTUAL**

**GENERAL FUND AND ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund			Road Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
Property Taxes .....	\$438,002	\$438,002	\$429,766	\$396,558	\$396,558	\$390,172
Local Options Taxes .....	70,000	70,000	73,906			
Licenses and Permits .....	2,000	2,000	(2,114)			
Intergovernmental .....	386,618	386,618	400,835	122,897	205,583	217,141
Charges for Services .....	161,124	161,124	166,884	44,000	44,000	43,800
Fines and Forfeitures .....	21,000	21,000	19,502			
Sale of Assets .....						
Interest Earnings .....	6,500	6,500	3,800	2,463	2,463	514
Other .....	20,000	20,000	19,745	2,500	2,500	5,626
<b>Total Revenues .....</b>	<b>1,105,244</b>	<b>1,105,244</b>	<b>1,112,324</b>	<b>568,418</b>	<b>651,104</b>	<b>657,253</b>
<b>EXPENDITURES:</b>						
General Government .....	1,112,006	1,114,006	1,029,914			
Public Safety .....	106,696	106,696	68,910			
Public Works .....				709,340	792,026	647,722
Public Health .....	67,041	67,041	57,086			
Culture and Recreation .....						
Social and Economic Development ..	13,000	13,000	8,740			
Miscellaneous .....	92,220	95,220	77,990			
Capital Outlay .....	22,100	22,100	15,600	36,477	134,606	98,129
Debt Service .....				45,000	45,000	21,393
<b>Total Expenditures .....</b>	<b>1,413,063</b>	<b>1,418,063</b>	<b>1,258,240</b>	<b>790,817</b>	<b>971,632</b>	<b>767,244</b>
Excess (Deficiency) of Revenues over Expenditures .....	(307,819)	(312,819)	(145,916)	(222,399)	(320,528)	(109,991)
<b>Other Sources and Uses:</b>						
Transfers In .....	174,394	179,394	179,394	87,901	87,901	87,901
Transfers (Out) .....	(15,000)	(15,000)	(15,000)			
Capital Lease Proceeds .....					98,129	98,129
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses) .....	(\$148,425)	(\$148,425)	\$18,478	(\$134,498)	(\$134,498)	\$76,039

See Notes to the Budget and Actual Schedule

**TETON COUNTY  
CHOTEAU, MONTANA**

SCHEDULE OF REVENUE, EXPENDITURES, AND OTHER SOURCES (USES)  
BUDGET AND ACTUAL

**EMERGENCY MEDICAL SERVICES FUND AND PROTECTIVE SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Emergency Medical Services		Protective Services	
	Original and Final Budget	Actual	Original and Final Budget	Actual
<b>REVENUES:</b>				
Property Taxes .....	\$70,190	\$68,825	\$490,459	\$480,005
Intergovernmental .....		1,799	40,000	52,559
Charges for Services .....	268,291	232,956	228,702	\$240,359
Fines and Forfeitures .....				
Sale of Assets .....				
Interest Earnings .....				
Other .....	2,000	980		
<b>Total Revenues</b> .....	<b>340,481</b>	<b>304,560</b>	<b>759,161</b>	<b>772,923</b>
<b>EXPENDITURES:</b>				
General Government .....				
Public Safety .....	334,583	261,478	997,737	938,129
Public Works .....				
Public Health .....				
Culture and Recreation .....				
Social and Economic Development .....				
Miscellaneous .....				
Capital Outlay .....				6,600
Debt Service .....	7,661	7,661		
<b>Total Expenditures - Original</b> .....	<b>342,244</b>	<b>269,139</b>	<b>997,737</b>	<b>944,729</b>
Excess (Deficiency) of Revenues over Expenditures ...	(1,763)	35,421	(238,576)	(171,806)
<b>Other Sources and Uses:</b>				
Proceeds from Sales of Assets .....	15,000			
Transfers In .....	8,697	8,697	205,440	205,440
Transfers (Out) .....	(45,000)	(45,000)	(54,073)	(54,073)
<b>Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)</b> .....	<b>(\$23,066)</b>	<b>(\$882)</b>	<b>(\$87,209)</b>	<b>(\$20,439)</b>

See Notes to the Budget and Actual Schedule

**TETON COUNTY  
CHOTEAU, MONTANA**

SCHEDULE OF REVENUE, EXPENDITURES, AND OTHER SOURCES (USES)  
BUDGET AND ACTUAL

**PILT FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	PILT Fund		
	Final Budget	Final Budget	Actual
<b>REVENUES:</b>			
Property Taxes .....			
Intergovernmental .....			\$638,906
Charges for Services .....			
Fines and Forfeitures .....			
Sale of Assets .....			
Interest Earnings .....			
Other .....			
<b>Total Revenues</b> .....			<b>638,906</b>
<b>EXPENDITURES:</b>			
General Government .....	\$494,580	\$494,580	87,651
Public Safety .....			
Public Works .....			
Public Health .....	6,300	6,300	
Culture and Recreation .....			
Social and Economic Development .....			
Miscellaneous .....			
Capital Outlay .....	31,000	974,728	943,728
Debt Service .....	145,892	145,892	144,130
<b>Total Expenditures - Original</b> .....	<b>677,772</b>	<b>1,621,500</b>	<b>1,175,509</b>
Excess (Deficiency) of Revenues over Expenditures .....	(677,772)	(1,621,500)	(536,603)
<b>Other Sources and Uses:</b>			
Capital Lease Proceeds .....		282,279	282,279
Sale of Assets .....		309,100	309,100
Gain on sale of Assets .....		352,349	352,349
Transfers (Out) .....	(113,200)	(113,200)	(118,200)
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses) .....	(\$790,972)	(\$790,972)	\$288,925

See Notes to the Budget and Actual Schedule

**TETON COUNTY  
CHOTEAU, MONTANA**

**NOTES TO THE BUDGET AND ACTUAL SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

State law requires the County to prepare budgets for all funds. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. Amendments to the budget can be made for unanticipated state and federal revenue with the approval of the County Commissioners.

The Board approves the original budgets on or before the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue.

The County budgets may also include encumbrances, which represent commitments to expend funds under current budget appropriations. All appropriations lapse at the end of the fiscal year except for accounts payable and encumbrances. There were no encumbrances in 2014 or 2013.

**DONALD NOLAN DAVIES**  
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8281 PHILPOTT COURT  
CLINTON, MONTANA 59825

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Commissioners  
Teton County  
Choteau, Montana



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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

My 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. Given these limitations, during my audit I did identify a deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Teton County's financial statements are free from material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express

such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

**PURPOSE OF THIS REPORT**

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

A handwritten signature in black ink that reads "Donald Nelson Davis". The signature is written in a cursive style with a large initial "D".

March 26, 2015