

TREASURE COUNTY

HYSHAM, MONTANA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

**Treasure County
Hysham, Montana
Organization
June 30, 2014**

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**Treasure County
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TREASURE COUNTY COMMISSIONERS

Morris Spannagel	Chairman
Doug Hollowell	Commissioner
Marlo Moehr	Commissioner

OFFICIALS

Ruth L. Baker	County Clerk & Recorder/ Clerk of District Court
Kathleen Thomas	County Treasurer/Assessor/ School Superintendent
Gary A. Ryder	County Attorney
Erin Fink	Justice of the Peace
Wayne Robison	Sheriff/Coroner

**Treasure County
Hysham, MT
Management's Discussion and Analysis
June 30, 2014**

As management of Treasure County, Hysham, Montana, we offer readers of Treasure County's basic financial statements, this narrative overview and analysis of the financial activities of Treasure County.

Financial Highlights:

- Treasure County's total governmental assets exceeded its liabilities by \$2,639,742.
- The County's capital assets (net of related debt) increased by \$91,347.
- As of June 30, 2014 Treasure County's governmental funds had a combined ending fund balance of \$1,566,914. This is an increase of \$286,440 over fiscal year 2013.
- Treasure County's beginning FY14 total debt of \$26,980 (does not include compensated absences) decreased to \$12,616. The decrease was caused by regular payments on existing obligations, and no new loans being taken out.
- Cash and cash equivalents in FY2014 equaled \$1,584,731, an increase of \$336,720 from FY2013's amount of \$1,248,011.
- Treasure County's Fiscal Year 2014 governmental taxes receivable balance (unavailable revenue – "delinquent taxes") is \$45,287. This decreased by \$168,371 over last year's balance of \$213,658.

Overview of Financial Statements:

Treasure County's analysis is comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Under the government-wide financial statements most of the County's services are reported. These include public safety, public works, public health and general administration. Property taxes, local option vehicle taxes and state and federal entitlements and grants finance most of these activities.

Treasure County maintains individual funds divided into proprietary funds (Treasure County's Ambulance Fund) and fiduciary funds.

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Under proprietary funds, Treasure County maintains an ambulance service that operates like a business. It is maintained by a small tax levy and fees charged to the patients that are treated and/or transported.

Under general government funds, the County operates the Weed Board and two Cemetery Boards. These boards are financed by small tax levies and an occasional cemetery plot sale. The Weed Control Fund also receives some revenue from grants and work agreements with Federal and/or State agencies.

Treasure County has three inter-local cooperative contract services. The Sheriff's Department operates with an inter-local agreement between the Town of Hysham and Treasure County. The County paid \$84,396 for law enforcement personal services of which the Town of Hysham contributed \$8,000. This service is financed by tax levies and grants. This amount increased from the previous year's amount because of the cost of living increase. The local canister site is an inter-local cooperative effort. This fiscal year we are currently in the process of leasing the land with monthly payments of \$200 to Ben and Tawny Worm, until the purchase can be completed. The Recreation Board is a local effort jointly shared between Treasure County and the Town of Hysham. Each entity contributes \$5,500 to the Recreation Fund, paid for by tax levies.

Financial Notes

The notes to the financial statements provide more detailed information about some of Treasure County's fiscal activities and are essential for a fuller understanding of the data provided in this report.

General Fund and Special Revenue Funds Budgetary Highlights

Treasure County's budget for fiscal year 2014 remained as originally adopted although several resolutions were required during the year to cover line item deficits within the different funds. A number of resolutions were passed to bring unanticipated revenue (grants/contracts/etc.) into the County's accounting. Fiscal year 2014 resolutions brought on \$160,137 of unanticipated revenue, of which \$143,906 was from various grants. This fiscal year the County had a big decrease from the previous fiscal year. The reason for the big decrease this year is at budget time we were able to add monies into the original adopted budget. This fiscal year we had two donations. One donation was fairly large. The appraisal was in the amount of \$69,600 which is a two story brick building of 9,750 sq. ft. sitting on lots 5, 6, and 7, Block 2, Original Town of Hysham on Elliott Street. The old grocery store building was donated by Jessie Bills, Wilbona J. Hadden and Trina Soria. The County then repaired the roof in the amount of \$6,841, paid for out of the Federal Mineral Royalties Fund. Labor to repair the roof was donated.

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The other donation was from the Treasure County Community Pool Committee in the amount of \$16,300, which was half the money for the down payment on the new swimming pool project. We got a good start on the swimming pool project, but it will not be completed until 2015. Weed Grant fund sold to Carbon County its M & M 12 tree shear and John Deere 78 brush grapple fork for \$8,000 because it was very expensive to maintain and keep within their weed control budget.

Treasure County's General Fund non-tax revenue decreased \$10,047. The General Fund's net change in its fund balance had an increase of \$76,342 for FY14. In fiscal year 2014, the General Fund expended all but \$58,336 of the budgeted expenses.

Non-major Special Revenue Funds had a negative change in their total fund balances of \$33,842. Fund #3201 – Debt Services' fund balance increased by \$10,893, bringing the ending fund balance to \$12,232. The non-major Capital Projects Funds' new FY14 balances increased by \$9,000. Treasure County's actual cash balances for all governmental funds at the end of fiscal year 2012 was \$3,137,181 and increased at the end of fiscal year 2014 to \$3,237,079.

Capital Asset and Debt Administration

Treasure County's investment in capital assets (net of accumulated depreciation for its governmental and business-type activities as of June 30, 2014 was \$1,075,428; an increase over last fiscal year of \$76,983. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment and infrastructure. Capital Assets for the fiscal year are summarized in the following table.

**Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 41,284	\$ 41,284	\$ 0	\$ 0	\$ 41,284	\$ 41,284
Buildings	248,386	311,320	0	0	248,386	311,320
Improvements	358,078	125,350	0	0	358,078	125,350
Machinery & Equip	331,723	417,724	2,616	3,598	334,339	421,322
Infrastructure	95,957	102,767	0	0	95,957	102,767
Total	\$ 1,075,428	\$ 998,445	\$ 2,616	\$ 3,598	\$ 1,078,044	\$ 1,002,043

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Long-term Debt

As of June 30, 2014, the County had total debt outstanding of \$47,887 (includes compensated absences). The balance owing on the Airport Runway Project loan is \$0 and the balance owing on the 2008 motor grader is \$12,616. The County's total debt has decreased by \$27,364.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Contracts/Loans	\$ <u>12,616</u>	\$ <u>26,980</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>12,616</u>	\$ <u>26,980</u>
Total	\$ <u>12,616</u>	\$ <u>26,980</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>12,616</u>	\$ <u>26,980</u>

Analysis of Financial Information

Net position of Treasure County increased substantially during the year for governmental activities. This is favorable and is an indicator that the County's financial position has improved over the previous year. This is due, in large part, to additions to fixed assets. Also, the County significantly reduced its balance in taxes receivable, which helps with cash flow. In many respects, the County simply maintained its financial position from the previous year. Many of the balances in the statement of net position were similar to the previous year, with the exception of capital assets and debt, which the County continues to make annual payments on. Net position of Treasure County decreased during the year for business-type activities. This was due to the ambulance service not taking in any operating revenue, but still having some expenses.

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Changes in Net Position	Governmental		Business-Type		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 83,355	\$ 76,123	\$	\$ 37,230	\$ 83,355	\$ 113,353
Operating grants	191,739	148,653			191,739	148,653
General revenues						
Property taxes	690,823	729,728	2,313	6,391	693,136	736,119
Federal/State revenues	529,841	500,338	1,019	885	530,860	501,223
Investment earnings	6,700	7,528	680	577	7,380	8,105
Miscellaneous	91,480	25,548		250	91,480	25,798
Total Revenue	\$ 1,593,938	\$ 1,487,918	\$ 4,012	\$ 45,333	\$ 1,597,950	\$ 1,533,251
Program expenses						
General government	\$ 496,618	502,505	\$	\$	\$ 496,618	\$ 502,505
Public safety	175,722	182,910			175,722	182,910
Public works	398,927	458,622			398,927	458,622
Public Health	182,628	153,738			182,628	153,738
Social & economic services	27,900	22,972			27,900	22,972
Culture & recreation	19,970	11,360			19,970	11,360
Housing/comm develop	415	411			415	411
Interest	1,478	2,178			1,478	2,178
Miscellaneous	67,864	50,003			67,864	50,003
Ambulance			19,726	12,209	19,726	12,209
Total expenses	\$ 1,371,522	\$ 1,384,699	\$ 19,726	\$ 12,209	\$ 1,391,248	\$ 1,396,908
Change in net position before transfers	222,416	103,219	(15,714)	33,124	206,702	136,343
Capital contributions	0	0	0	0	0	0
Total change in net position	222,416	103,219	(15,714)	33,124	206,702	136,343
Net position, beginning	2,417,326	2,313,510	164,762	131,128	2,582,088	2,444,638
Prior period adjustments		597		510	0	1,107
Net position, ending	\$ 2,639,742	\$ 2,417,326	\$ 149,048	\$ 164,762	\$ 2,788,790	\$ 2,582,088

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Net Position	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current assets	\$ 1,612,299	\$ 1,494,132	\$ 146,432	\$ 161,166	\$ 1,758,731	\$ 1,655,298
Net capital assets	<u>1,075,428</u>	<u>998,445</u>	<u>2,616</u>	<u>3,596</u>	<u>1,078,044</u>	<u>1,002,041</u>
Total assets	<u>2,687,727</u>	<u>2,492,577</u>	<u>149,048</u>	<u>164,762</u>	<u>2,836,775</u>	<u>2,657,339</u>
Current liabilities	18,005	21,605	0	0	18,005	21,605
Noncurrent liabilities	<u>29,980</u>	<u>53,646</u>	<u>0</u>	<u>0</u>	<u>29,980</u>	<u>53,646</u>
Total liabilities	<u>47,985</u>	<u>75,251</u>	<u>0</u>	<u>0</u>	<u>47,985</u>	<u>75,251</u>
Net Investment in capital assets	1,062,812	971,465	2,616	3,596	1,065,428	975,061
Restricted net position	408,359	403,404	79,568	78,937	487,927	482,341
Unrestricted net position	<u>1,168,571</u>	<u>1,042,457</u>	<u>66,864</u>	<u>82,229</u>	<u>1,235,435</u>	<u>1,124,686</u>
Total net position	\$ <u><u>2,639,742</u></u>	\$ <u><u>2,417,326</u></u>	\$ <u><u>149,048</u></u>	\$ <u><u>164,762</u></u>	\$ <u><u>2,788,790</u></u>	\$ <u><u>2,582,088</u></u>

Independent Auditor's Report

To the County Commissioners
Treasure County
Hysham, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 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, 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.

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

Basis for Qualified Opinion on Governmental Activities

The County has not recorded the other post-employment benefit (OPEB) liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase the liabilities and expenses and decrease net position for the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses is not reasonably determinable.

Basis for Qualified Opinion on Ambulance Fund and Business-Type Activities

The County has not adopted an adequate methodology for correctly recording revenue and receivables of the Ambulance Fund. Accounting principles generally accepted in the United States of America require revenue to be recognized when earned and an adequate allowance be provided for uncollectible accounts receivable. The amount by which this departure would affect the assets, revenue, and net position is not reasonably determinable.

Qualified Opinions

In my opinion, except for the effects of not recording the OPEB liability and related expense and not properly accounting for revenue and receivables of the Ambulance Fund as described in the “Basis for Qualified Opinion on Governmental Activities” and “Basis for Qualified Opinion on Ambulance Fund and Business-Type Activities”, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and ambulance fund of the County, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general, road, tobacco grant and federal mineral royalty funds of the County, and the aggregate remaining fund information of Treasure County, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents 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, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 2, 2015, on my consideration of the County's internal control over financial reporting and on my 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 my 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 the County's internal control over financial reporting and compliance.

Philip Emmons, CPA
Miles City, MT

February 2, 2015

**Treasure County
Hysham, MT
Statement of Net Position
June 30, 2014**

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets			
Cash and investments	\$ 1,149,688	\$ 16,263	\$ 1,165,951
Taxes receivable	22,555	141	22,696
Accounts receivable	8,000	50,460	58,460
Inventories	25,019		25,019
Restricted assets			
Cash and investments	339,212	79,568	418,780
Taxes receivable	22,732		22,732
Accounts receivable	844		844
Due from other governments	44,249		44,249
Total current assets	<u>1,612,299</u>	<u>146,432</u>	<u>1,758,731</u>
Land	41,284		41,284
Capital assets, net of accumulated depreciation	<u>1,034,144</u>	<u>2,616</u>	<u>1,036,760</u>
Total noncurrent assets	<u>1,075,428</u>	<u>2,616</u>	<u>1,078,044</u>
Total assets	<u>\$ 2,687,727</u>	<u>\$ 149,048</u>	<u>\$ 2,836,775</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 98	\$	\$ 98
Compensated absences	5,291		5,291
Current notes payable	<u>12,616</u>		<u>12,616</u>
Total current liabilities	<u>18,005</u>	<u>0</u>	<u>18,005</u>
Non-current liabilities			
Compensated absences	<u>29,980</u>		<u>29,980</u>
Total noncurrent liabilities	<u>29,980</u>	<u>0</u>	<u>29,980</u>
Total liabilities	<u>\$ 47,985</u>	<u>\$ 0</u>	<u>\$ 47,985</u>
NET POSITION			
Net investment in capital assets	\$ 1,062,812	\$ 2,616	\$ 1,065,428
Restricted for:			
Replacement/Depreciation		79,568	79,568
General government	128,284		128,284
Public safety	746		746
Public works	216,613		216,613
Public health	35,963		35,963
Social and economic services	10,242		10,242
Culture and recreation	16,511		16,511
Unrestricted net position	<u>1,168,571</u>	<u>66,864</u>	<u>1,235,435</u>
Total net position	<u>\$ 2,639,742</u>	<u>\$ 149,048</u>	<u>\$ 2,788,790</u>

See Accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Statement of Activities
For the Year Ended June 30, 2014**

	Program Revenues				Net (Expense) Revenue		Total
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	
Government operations							
General government	\$ 496,618	\$ 47,043	\$ 184	\$	\$ (449,391)	\$	\$ (449,391)
Public safety	175,722	8,000			(167,722)		(167,722)
Public works	398,927	21,739	32,191		(344,997)		(344,997)
Public health	182,628	1,073	156,170		(25,385)		(25,385)
Social & economic services	27,900				(27,900)		(27,900)
Culture & recreation	19,970	5,500	3,194		(11,276)		(11,276)
Housing/community development	415				(415)		(415)
Interest	1,478				(1,478)		(1,478)
Miscellaneous	67,864				(67,864)		(67,864)
Total government activities	<u>\$ 1,371,522</u>	<u>\$ 83,355</u>	<u>\$ 191,739</u>	<u>\$ 0</u>	<u>\$ (1,096,428)</u>	<u>\$</u>	<u>\$ (1,096,428)</u>
Business-Type Activities							
Ambulance	\$ 19,726	\$	\$	\$	\$	\$ (19,726)	\$ (19,726)
Total business-type activities	<u>\$ 19,726</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (19,726)</u>	<u>\$ (19,726)</u>
General revenues							
Property taxes					\$ 651,677	\$ 2,313	\$ 653,990
Local option tax					39,146		39,146
Intergovernmental revenues					529,841	1,019	530,860
Investment earnings					6,700	680	7,380
Miscellaneous					14,587		14,587
Donation of capital asset					85,900		85,900
Gain (loss) on sale of capital assets					(9,007)		(9,007)
Total general revenues					<u>\$ 1,318,844</u>	<u>\$ 4,012</u>	<u>\$ 1,322,856</u>
Increase (decrease) in net position					\$ 222,416	\$ (15,714)	\$ 206,702
Net position							
Beginning of year					<u>2,417,326</u>	<u>164,762</u>	<u>2,582,088</u>
End of year					<u>\$ 2,639,742</u>	<u>\$ 149,048</u>	<u>\$ 2,788,790</u>

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Balance Sheet - Governmental Funds
June 30, 2014**

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Federal Mineral Royalty Fund	Tobacco Grant Fund	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 282,350	\$	\$ 855,106	\$	\$ 12,232	\$ 1,149,688
Taxes receivable	22,555					22,555
Accounts receivable	8,000					8,000
Due from other funds			8,576			8,576
Inventories		9,872	6,965		8,182	25,019
Restricted assets						
Cash and investments		103,918			235,294	339,212
Taxes receivable		9,397			13,335	22,732
Accounts receivable					844	844
Due from other governments				27,716	16,533	44,249
Total assets	<u>\$ 312,905</u>	<u>\$ 123,187</u>	<u>\$ 870,647</u>	<u>\$ 27,716</u>	<u>\$ 286,420</u>	<u>\$ 1,620,875</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES						
Liabilities						
Accounts payable	\$ 47	\$	\$	\$	\$ 51	\$ 98
Due to other funds				8,325	251	8,576
Total liabilities	<u>47</u>	<u>0</u>	<u>0</u>	<u>8,325</u>	<u>302</u>	<u>8,674</u>
Deferred inflows of resources						
Unavailable revenue	22,555	9,397			13,335	45,287
Total deferred inflows of resources	<u>\$ 22,555</u>	<u>\$ 9,397</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,335</u>	<u>\$ 45,287</u>
Total liabilities & deferred inflows of resources	<u>\$ 22,602</u>	<u>\$ 9,397</u>	<u>\$ 0</u>	<u>\$ 8,325</u>	<u>\$ 13,637</u>	<u>\$ 53,961</u>
FUND BALANCE						
Nonspendable						
Inventory	\$	\$ 9,872	\$ 6,965	\$	\$ 8,182	\$ 25,019
Restricted						
General government					118,799	118,799
Public safety					746	746
Public works		103,918			90,825	194,743
Public health				19,391	16,572	35,963
Social and economic services					9,077	9,077
Culture and recreation					16,428	16,428
Committed						
General government			863,682		12,232	875,914
Unassigned	290,303				(78)	290,225
Total fund balance	<u>\$ 290,303</u>	<u>\$ 113,790</u>	<u>\$ 870,647</u>	<u>\$ 19,391</u>	<u>\$ 272,783</u>	<u>\$ 1,566,914</u>
Total liabilities and fund balance	<u>\$ 312,905</u>	<u>\$ 123,187</u>	<u>\$ 870,647</u>	<u>\$ 27,716</u>	<u>\$ 286,420</u>	<u>\$ 1,620,875</u>
Reconciliation to the Statement of Net Position:						
						Total fund balance from above \$ 1,566,914
						Add capital assets, net of accumulated depreciation not reported above 1,075,428
						Less compensated absences (35,271)
						Less notes payable (12,616)
Deferred revenues for property taxes recognized as revenue in the government wide statements						45,287
						Net position \$ <u>2,639,742</u>

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014**

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Federal Mineral Royalty Fund	Tobacco Grant Fund	Other Governmental Funds	
Revenues						
Taxes and assessments	\$ 431,114	\$ 173,020	\$	\$	\$ 255,059	\$ 859,193
Intergovernmental revenue	63,473	39,475	402,516	114,840	101,276	721,580
Charges for services	53,570				25,508	79,078
Fines and forfeitures	3,903				374	4,277
Miscellaneous	14,087				500	14,587
Investment and royalty earnings	5,826	330			544	6,700
Total revenue	<u>571,973</u>	<u>212,825</u>	<u>402,516</u>	<u>114,840</u>	<u>383,261</u>	<u>1,685,415</u>
Expenditures						
Current operations						
General government	\$ 381,520	\$	\$ 23,778	\$	\$ 79,186	\$ 484,484
Public safety	124,381		8,320		15,327	148,028
Public works	37,641	165,585	5,966		133,708	342,900
Public health	27,269			111,371	39,242	177,882
Social & economic services	4,493				22,177	26,670
Culture & recreation	1,592				18,162	19,754
Housing & community development	415					415
Miscellaneous					67,866	67,866
Total current charges	<u>577,311</u>	<u>165,585</u>	<u>38,064</u>	<u>111,371</u>	<u>375,668</u>	<u>1,267,999</u>
Capital outlay			123,134			123,134
Debt service	1,858	13,984				15,842
Total expenditures	<u>579,169</u>	<u>179,569</u>	<u>161,198</u>	<u>111,371</u>	<u>375,668</u>	<u>1,406,975</u>
Excess (Deficiency) of revenue over expenditures	\$ (7,196)	\$ 33,256	\$ 241,318	\$ 3,469	\$ 7,593	\$ 278,440
Other financing sources (uses)						
Proceeds - sale of capital assets	\$	\$	\$	\$	\$ 8,000	\$ 8,000
Resources transfer (to) from other funds	83,538	3,116	(101,361)		14,707	0
Total other financing sources (uses)	<u>\$ 83,538</u>	<u>\$ 3,116</u>	<u>\$ (101,361)</u>	<u>\$ 0</u>	<u>\$ 22,707</u>	<u>\$ 8,000</u>
Net change in fund balance	<u>\$ 76,342</u>	<u>\$ 36,372</u>	<u>\$ 139,957</u>	<u>\$ 3,469</u>	<u>\$ 30,300</u>	<u>\$ 286,440</u>
Fund balance						
Beginning	213,961	77,418	730,690	15,922	242,483	1,280,474
Ending	<u>\$ 290,303</u>	<u>\$ 113,790</u>	<u>\$ 870,647</u>	<u>\$ 19,391</u>	<u>\$ 272,783</u>	<u>\$ 1,566,914</u>

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014**

Net change in fund balance	\$ 286,440
Revenues on the government-wide statement of activities not reflected in revenue in the governmental funds statement:	
Increase (decrease) in property taxes receivable	(168,369)
Donation of capital assets	85,900
Revenues on the government funds statement not reported on the government-wide statement:	
Proceeds - sale of capital assets	(8,000)
Expenditures on the government-wide statement not reported on the government funds statement:	
Depreciation	(115,046)
(Increase) decrease in compensated absences	13,000
Loss on disposal of capital assets	(9,007)
Expenditures on the government funds statement not reported on the government-wide statement:	
Capital outlays	123,134
Principal payments on debt	<u>14,364</u>
Change in net position on the government-wide statement of activity	<u>\$ 222,416</u>

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Statement of Fund Net Position
Proprietary Funds
June 30, 2014**

ASSETS	Ambulance Enterprise Fund	Total Enterprise Funds
Current assets		
Cash and investments	\$ 16,263	\$ 16,263
Property taxes receivable	141	141
Accounts receivable	50,460	50,460
Total current assets	66,864	66,864
Restricted cash and investments	79,568	79,568
Machinery and Equipment, net of accumulated depreciation	2,616	2,616
Total noncurrent assets	82,184	82,184
Total assets	\$ 149,048	\$ 149,048
 NET POSITION		
Net investment in capital assets	\$ 2,616	\$ 2,616
Restricted for replacement/depreciation	79,568	79,568
Unrestricted net position	66,864	66,864
Total net position	\$ 149,048	\$ 149,048

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014**

	Ambulance Enterprise Fund	Total Enterprise Funds
	<u> </u>	<u> </u>
Operating Revenues		
Charges for services	\$	\$ 0
Miscellaneous revenues		0
Total operating revenues	\$ 0	\$ 0
Operating Expenses		
Personnel services - salaries	\$ 6,519	\$ 6,519
Supplies and materials	7,691	7,691
Purchased services	4,536	4,536
Fixed charges		0
Depreciation	980	980
Total operating expenses	\$ 19,726	\$ 19,726
Total operating income (loss)	\$ (19,726)	\$ (19,726)
Non-Operating Revenue (Expense)		
Interest revenue	\$ 680	\$ 680
Property tax revenue	2,313	2,313
Intergovernmental revenue	1,019	1,019
Total non-operating revenue (expense)	\$ 4,012	\$ 4,012
Increase (decrease) in net position	\$ (15,714)	\$ (15,714)
Net position		
Beginning of year, as previously reported	\$ 164,762	\$ 164,762
Prior period adjustments		0
End of year	\$ 149,048	\$ 149,048

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014**

	Ambulance Enterprise Fund	Total Enterprise Funds
Cash Flows from Operations		
Cash received from customers	\$ 14,946	\$ 14,946
Cash paid to suppliers	(12,227)	(12,227)
Personal services - salaries	(6,519)	(6,519)
Net cash provided (used) by operating activities	\$ (3,800)	\$ (3,800)
Cash Flows from Investing Activities		
Interest	\$ 680	\$ 680
Net cash provided (used) by investing activities	\$ 680	\$ 680
Cash Flows from Noncapital Financing Activities		
Subsidies from taxes and other governments	\$ 3,906	\$ 3,906
Net cash provided by capital and related financing activities	\$ 3,906	\$ 3,906
Net increase (decrease) in cash	\$ 786	\$ 786
Cash balance, Beginning of Year	95,045	95,045
Cash balance, End of Year	\$ 95,831	\$ 95,831
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (19,726)	\$ (19,726)
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in Assets and Liabilities		
(Increase) decrease in accounts receivable, net	14,946	14,946
Depreciation expense	980	980
Total adjustments	15,926	15,926
Net cash provided by operating activities	\$ (3,800)	\$ (3,800)

See accompanying Notes to the Financial Statements

**Treasure County
Hysham, MT**

**Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
As of and For the Year Ended June 30, 2014**

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Fiduciary Net Position:		
Assets		
Cash	\$ 1,445,831	\$ 108,168
Taxes receivable		62,124
Other receivables		32,500
Total assets	<u>\$ 1,445,831</u>	<u>\$ 202,792</u>
Liabilities		
Short-term payables		\$ 89,838
Due to other governments		112,954
Total liabilities		<u>\$ 202,792</u>
Net Position		
Held in trust	<u>\$ 1,445,831</u>	<u>\$ 0</u>
Total net position	<u>\$ 1,445,831</u>	<u>\$ 0</u>
 Changes in Fiduciary Net Position		
Additions		
Contributions to investment trust	<u>\$ 2,297,531</u>	
Total additions	<u>\$ 2,297,531</u>	
Deductions		
Distributions from investment trust	<u>\$ 2,478,977</u>	
Total deductions	<u>\$ 2,478,977</u>	
Changes in net position held in trust	\$ (181,446)	
Net Position		
Beginning of the year	<u>\$ 1,627,277</u>	
End of the year	<u>\$ 1,445,831</u>	

See accompanying Notes to the Financial Statements

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.a REPORTING ENTITY

Treasure County (the County) is a political subdivision of the State of Montana and is governed by a three member board of commissioners duly elected by the registered voters of the County. The basic financial statements of the County have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant County accounting policies are described below.

The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the GASB's "Codification of Governmental Accounting and Financial Reporting Standards". Based on those criteria, the County has no component units.

1.b BASIS OF PRESENTATION AND ACCOUNTING

1.b.1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the County as a whole except for fiduciary funds. The fiduciary funds are reported as agency funds in the fund financial statements.

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

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

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

Program revenues include (1) charges for services such as weed spraying, pool fees, fines and forfeitures, (2) operating grants that are restricted to a particular functional program and (3) capital grants. Property taxes, licenses and permits, state/federal shared payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1.b.2 FUND ACCOUNTING

Fund financial statements provide information on the County's major governmental funds and a combined column for all other non-major funds, major proprietary funds, there are no non-major proprietary funds, and fiduciary funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the County-wide statements.

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

Revenues from local sources consist primarily of property taxes and charges for services. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Charges for services are recognized when they are billed. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned. In the proprietary fund charges for services are considered operating revenue and other revenues are considered nonoperating revenue.

GASB Statement No. 34 requires that the general fund be reported as a major fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds. There is only one proprietary fund so it is reported as a major fund. The following funds are major funds of Treasure County.

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

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

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

Federal Mineral Royalties Fund – This fund is used to collect federal mineral royalties related to coal mining. The fund is used for infrastructure improvements in Treasure County.

Tobacco Grant Fund – This fund is used to account for grant revenue from the tobacco grant. The fund is used for tobacco use prevention.

Ambulance Enterprise Fund – This fund is used to account for the operating and non-operating revenues and expenses of the Treasure County ambulance service. The fund reports using the economic resource measurement focus and full accrual basis of accounting.

1.b.3 OTHER FUND TYPES

Investment Trust Funds - The trust fund accounts for the receipt and disbursement of trust monies from other governmental organizations.

Agency Funds – The agency funds generally are used to account for assets that the County holds on behalf of others as their agent. This also includes other resources held by the County in a purely custodial capacity.

1.c.1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows counties to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the State; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). The County's informal policy is to invest conservatively in investments allowed by the MCA.

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

For purposes of the statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. County investments are categorized as insured or registered or for which the securities are held by the government or its agent in the name of the County.

1.c.2 TAXES

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

1.c.3 INVENTORIES

Materials and supplies are carried in an inventory account at cost and are subsequently charged to expenditures when consumed on a first in first out basis. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Inventories also include maintenance and operating supplies.

1.c.4 CAPITAL ASSETS

The County's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The County considers capital assets to be items in excess of \$2,499 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Buildings	25-50 years
Improvements other than buildings	20-25 years
Machinery and Equipment	3-20 years
Infrastructure	20 years

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

1.c.5 VACATION AND SICK LEAVE

County employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. County employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period.

At termination, employees are paid for any accumulated vacation leave at the current rate of pay. County employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Liabilities incurred, because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The County has a debt service fund for termination pay with \$12,232 available for payment of this liability at year-end.

1.c.6 NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following net position classifications: Net investment in capital assets – the component of net position that reports the difference between capital assets less the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets. Restricted – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation. Unrestricted – all other net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

In accordance with Government Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government. These commitments may be made, rescinded or modified by resolution of the Board of Commissioners, the highest level of decision making authority, and do not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners at its discretion.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County does not have a formal minimum fund balance policy.

1.c.7 INTERFUND TRANSFERS AND BALANCES

Interfund transfers are inflows and outflows of current financial resources between funds and are to be distinguished from a government's regular revenues. Interfund transfers are reported as other financing sources or uses rather than revenue. Interfund transfers and balances are eliminated in the government-wide financial statements. Interfund transfers are made and balances are held, as needed, for the support of programs throughout the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2014 the carrying amount of deposits was \$3,237,079 of which the full amount was covered by FDIC Insurance and/or collateral held in the pledging institution's trust departments in the name of the County. This includes \$1,446,493 in investment trust funds, \$108,168 in agency funds and \$98,349 in outstanding warrants that are not shown in the GASB 34 financial statements.

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

The composition of cash on June 30, 2014 was as follows:

Checking account	\$ 416,224
Money market accounts	1,564,889
Cash on hand	700
Certificates of deposit	562,917
Investments - STIP	<u>594,000</u>
Total cash and investments	<u>\$ 3,138,730</u>

Concentration of Credit Risk – The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. All cash and investments other than those held with STIP are deposited at Stockman Bank. Deposits are held as authorized by the State of Montana.

NOTE 3. TAXES

3a. MILL LEVIES

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$4,616,192. The tax rates assessed for the year ended June 30, 2014 to finance general fund operations was 72.38 mills.

NOTE 4. RECEIVABLES

At year end the County accounts for the taxes assessed but not received by reflecting taxes receivable and unavailable revenue in the general ledger accounts. Receivables on June 30, 2014 consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
Taxes	\$ 45,287	\$ 141
Due from other governments	16,533	
Accounts receivable	<u>8,844</u>	<u>50,460</u>
Total receivables	<u>\$ 70,664</u>	<u>\$ 50,601</u>

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

NOTE 5. CAPITAL ASSETS

5a. GOVERNMENTAL FUNDS

The value and changes to the capital assets for June 30, 2014 are as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Cost of assets				
Land	\$ 41,284	\$	\$	\$ 41,284
Land improvements	182,784	132,594	(4,000)	311,378
Infrastructure	136,193			136,193
Buildings	900,061	76,441	(10,849)	965,653
Major equipment	<u>1,481,284</u>	<u></u>	<u>(9,800)</u>	<u>1,471,484</u>
Total	<u>\$ 2,741,606</u>	<u>\$ 209,035</u>	<u>\$ (24,649)</u>	<u>\$ 2,925,992</u>
Accumulated depreciation				
Land improvements	\$ (57,434)	\$ (8,558)	\$ 3,000	\$ (62,992)
Infrastructure	(33,426)	(6,810)		(40,236)
Buildings	(588,741)	(19,557)	723	(607,575)
Major equipment	<u>(1,063,560)</u>	<u>(80,121)</u>	<u>3,920</u>	<u>(1,139,761)</u>
Total	<u>\$ (1,743,161)</u>	<u>\$ (115,046)</u>	<u>\$ 7,643</u>	<u>\$ (1,850,564)</u>

Depreciation was charged to the County's programs as follows:

General government	\$ 21,045
Public safety	27,016
Public works	60,277
Culture and recreation	1,230
Public health	<u>5,478</u>
Total depreciation	<u>\$ 115,046</u>

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

5b. ENTERPRISE FUNDS

Fixed assets purchased or acquired by enterprise fund types are recorded in the individual fund making the purchase. The useful life of this machinery and equipment has been estimated as 5-15 years.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Cost of assets				
Machinery & equipment \$	140,023	\$ 0	\$ 0	\$ 140,023
Accumulated depreciation				
Machinery & equipment \$	(136,427)	\$ (980)	\$ 0	\$ (137,407)

Depreciation was charged to the County's enterprise ambulance service at \$980.

NOTE 6. RISK MANAGEMENT

The County is exposed to various kinds 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. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The County has no coverage for potential losses from environmental damages.

Treasure County elected to participate in the Montana Association of Counties Workers' Compensation Trust (The Trust) to provide workers' compensation coverage. The County pays annual premiums to the Trust for its workers' compensation coverage and for its portion of the debt service for the bonds sold by the Trust to provide aggregate excess coverage, provide resources for previously unfunded liabilities, and establish initial insurance reserves.

The Trust is governed by an elected board of nine county commissioners, which has the authority to determine management and set operational policies. The Trust has obtained reinsurance through commercial companies for claims in excess of \$1,000,000 per occurrence. Financial statements for the Trust are available from the Montana Association of Counties, Helena, Montana.

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

Treasure County has also elected to participate in the Montana Association of Counties Joint Powers Insurance Authority Trust (The Authority) to provide liability and general insurance coverage. Coverage is provided in the amount of \$500,000 for property, liability, errors and omissions, and crime coverage. The Authority has obtained reinsurance through commercial companies for claims in excess of the above areas for varying amounts.

Claims administration services are handled by a private insurance firm and general administration is handled by the Montana Association of Counties. Financial statements for the Authority are available from the Montana Association of Counties, Helena, Montana.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 7. CURRENT LIABILITIES

7a. UNAVAILABLE REVENUES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General	\$ 22,555	Taxes unavailable
Road	9,397	Taxes unavailable
Bridge	497	Taxes unavailable
Weed	1,440	Taxes unavailable
District Court	1,537	Taxes unavailable
Comp. insurance	3,035	Taxes unavailable
Hysham cemetery	263	Taxes unavailable
Rancher cemetery	402	Taxes unavailable
Extension service	1,166	Taxes unavailable
Museum	83	Taxes unavailable
Permissive medical levy	<u>4,912</u>	Taxes unavailable
Total deferred revenues	<u>\$ 45,287</u>	

NOTE 8. EMPLOYEE RETIREMENT SYSTEM

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

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

The Public Employees' Retirement System (PERS) is a statewide retirement plan established in 1945 and governed by Title 19, chapter 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory, except for those employed less than half-time, multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS offers retirement, disability and death benefits to plan members and their beneficiary. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by multiplying 1/50 of the number of years of service by the highest consecutive 36 months' salary. Members' rights become vested after five years of service.

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

Sheriffs Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: (406) 444-3154

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: (406) 444-3154

Contribution rates for both plans are required and determined by State law. The PERS rate for employees is 7.90%. The PERS rate for the State for local government employers was set at 0.10% starting July 1, 1997. This is considered an on behalf payment and the County does not record this contribution in its financial statements. The PERS rate for local government employers is 8.07%. The SRS rate for employees is 9.245%. The employer rate for SRS is 10.115%.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
SRS	\$ 11,650	\$ 12,309	\$ 12,858
PERS	59,765	62,100	78,210
Total	<u>\$ 71,415</u>	<u>\$ 74,409</u>	<u>\$ 91,068</u>

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

NOTE 9. CHANGES IN LONG TERM DEBT

9a. NOTES PAYABLE

The first loan was with the Montana Department of Transportation-Aeronautics Division. The second loan was with John Deere Credit. In prior years, the general fund has been used to liquidate the first loan and the road fund has been used to liquidate the second loan. The loans were entered into for the terms and payment schedules indicated below:

	<u>Issue Date</u>	<u>Original Term</u>	<u>Original Amount</u>	<u>Interest Rate</u>
Airport Note Payable	8/04	10 years	\$ 18,219	2.00%
Equipment Note Payable	12/09	5 years	\$ 59,570	5.45%

Debt service requirements to maturity for principal and interest:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 12,616	\$ 740
2016	0	0
2017	0	0
2018	0	0
2019	0	0
	<u>\$ 12,616</u>	<u>\$ 740</u>

9b. CHANGES IN LONG TERM DEBT

	<u>Balance July 1, 2013</u>	<u>Additions/ (Deletions)</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Compensated absences	\$ 48,271	\$ (13,000)	\$ 35,271	\$ 5,291
Airport note payable	1,822	(1,822)	0	0
Equipment note payable	25,158	(12,542)	12,616	12,616
Total	<u>\$ 75,251</u>	<u>\$ (27,364)</u>	<u>\$ 47,887</u>	<u>\$ 17,907</u>

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

NOTE 10. OPERATING LEASES

Treasure County is bound by the following lease commitments:

1.

Lease property	–	new solid waste canister site
Terms	–	05/12 – 04/17
Yearly payment	–	\$2,400
Total future payments	–	\$9,200

2.

Lease property	–	gravel pit
Terms	–	08/09 – 08/19
Yearly payment	–	Property Improvements
Total future payments	–	Property Improvements

Property improvements consist of installing three cattle guards, of which two will be retained by the County at the expiration of the lease, and improving the access road.

NOTE 11. INTERFUND TRANSFERS AND BALANCES

Interfund loans were made from the Federal Mineral Royalties Fund to the Tobacco Grant Fund in the amount of \$8,325 and the Other Governmental Funds in the amount of \$251 to finance expenditures until grants and other revenue were received. The interfund transfers below were made for the support of programs throughout the County.

<u>Transfers out:</u>	<u>Transfers in:</u>				
	<u>General</u>	<u>Road</u>	<u>Federal Mineral Royalty</u>	<u>Other Gov't Funds</u>	<u>Total</u>
General	\$	\$	\$	\$ 9,535	\$ 9,535
Road					0
Federal mineral royalty	93,073	3,116		5,172	101,361
Other gov't funds				1,763	1,763
Total	\$ 93,073	\$ 3,116	\$ 0	\$ 16,470	\$ 112,659

**Treasure County
Hysham, MT
Notes to the Financial Statements
June 30, 2014**

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The County allows eligible retirees to remain in the County Group Benefits Plan (Plan) in accordance with State Law. This single-employer plan does not issue a publicly available financial report.

Funding Policy – The County is required to allow eligible retirees to remain in the Plan by State Law. Since the Plan provides for a single blended-premium, the County is providing an implicit rate subsidy to retirees. No other contribution is made by the County to the Plan. Each retiree is required to contribute his or her entire insurance premium. The Plan is funded on a pay-as-you-go basis.

The County did not hire an actuarial firm to assist in determining the other post employment benefit (OPEB) liability and related expense and did not record these items in the financial statements because it believes the costs outweigh the benefits.

NOTE 13. DEFICIT FUND BALANCE

At year end, the Land Planning Fund has a negative fund balance of \$77. The County will budget for the negative fund balances in each transportation fund to bring the respective funds into good financial condition. The deficits resulted from an oversight on the part of the County.

TREASURE COUNTY

HYSHAM, MONTANA

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

**Treasure County
Hysham, Montana
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
All Budgeted Major Governmental Funds
For the Year Ended June 30, 2014**

	General Fund			Road Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES						
Taxes and assessments	\$ 370,138	\$ 370,138	\$ 431,114	\$ 146,835	\$ 146,835	\$ 173,020
Intergovernmental revenue	59,790	59,790	63,473	37,197	37,197	39,475
Fines and forfeitures	2,988	2,988	3,903			
Miscellaneous	14,310	14,310	14,087	100	100	
Investment and royalty earnings	5,354	5,354	5,826	800	800	330
Charges for services	48,369	48,369	53,570			
Total revenue	<u>500,949</u>	<u>500,949</u>	<u>571,973</u>	<u>184,932</u>	<u>184,932</u>	<u>212,825</u>
EXPENDITURES						
General government	\$ 417,542	\$ 417,542	\$ 381,520	\$	\$	\$
Public safety	142,012	142,012	124,381			
Public works	39,679	39,679	37,641	177,150	177,150	164,639
Public health	27,342	27,342	27,269			
Social and economic services	5,400	5,400	4,493			
Culture and recreation	1,255	1,255	1,592			
Housing and community development	415	415	415			
Miscellaneous	2,000	2,000				
Total current charges	<u>635,645</u>	<u>635,645</u>	<u>577,311</u>	<u>177,150</u>	<u>177,150</u>	<u>164,639</u>
Capital outlay						
Debt service	1,859	1,859	1,858	13,985	13,985	13,984
Total expenditures	<u>637,504</u>	<u>637,504</u>	<u>579,169</u>	<u>191,135</u>	<u>191,135</u>	<u>178,623</u>
Excess (deficiency) of revenues over expenditures	\$ (136,555)	\$ (136,555)	\$ (7,196)	\$ (6,203)	\$ (6,203)	\$ 34,202
OTHER FINANCING SOURCES AND USES						
Fund transfers in	\$ 93,073	\$ 93,073	\$ 93,073	\$ 3,116	\$ 3,116	\$ 3,116
Fund transfers out	\$ (9,535)	\$ (9,535)	\$ (9,535)	\$	\$	\$
Net change in fund balance	\$ (53,017)	\$ (53,017)	\$ 76,342	\$ (3,087)	\$ (3,087)	\$ 37,318
Fund balance, beginning of year			\$ 213,961			\$ 66,600
Prior period adjustments						
Fund balance, end of year			<u>\$ 290,303</u>			<u>\$ 103,918</u>

See accompanying Notes to Required Supplemental Information

**Treasure County
Hysham, Montana
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
All Budgeted Major Governmental Funds
For the Year Ended June 30, 2014**

	Federal Mineral Royalty Fund			Tobacco Grant Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES						
Intergovernmental revenue	\$ 389,187	\$ 389,187	\$ 402,516	\$ 114,840	\$ 114,840	\$ 114,840
Total revenue	<u>389,187</u>	<u>389,187</u>	<u>402,516</u>	<u>114,840</u>	<u>114,840</u>	<u>114,840</u>
EXPENDITURES						
General government	\$ 351,914	\$ 351,914	\$ 23,778	\$	\$	\$
Public safety	60,000	60,000	8,320			
Public works	145,000	145,000	5,966			
Public health	5,000	5,000		15,922	130,762	111,371
Miscellaneous						
Total current charges	<u>561,914</u>	<u>561,914</u>	<u>38,064</u>	<u>15,922</u>	<u>130,762</u>	<u>111,371</u>
Capital outlay	428,500	428,500	123,134			
Debt service						
Total expenditures	<u>990,414</u>	<u>990,414</u>	<u>161,198</u>	<u>15,922</u>	<u>130,762</u>	<u>111,371</u>
Excess (deficiency) of revenues over expenditures	\$ (601,227)	\$ (601,227)	\$ 241,318	\$ 98,918	\$ (15,922)	\$ 3,469
OTHER FINANCING SOURCES AND USES						
Fund transfers out	\$ (120,181)	\$ (120,181)	\$ (101,361)	\$	\$	\$
Net change in fund balance	\$ (721,408)	\$ (721,408)	\$ 139,957	\$ 98,918	\$ (15,922)	\$ 3,469
Fund balance, beginning of year			\$ 723,725			\$ 15,922
Prior period adjustments						
Fund balance, end of year			<u>\$ 863,682</u>			<u>\$ 19,391</u>

See accompanying Notes to Required Supplemental Information

**Treasure County
Hysham, Montana
Notes to Required Supplemental Information
For the Year Ended June 30, 2014**

BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP), for the most part. Annual appropriated budgets are adopted for the general fund, all special revenue funds including (Road, Federal Mineral Royalties, Tobacco Grant, Comprehensive Insurance, Fire Department, PERS, Health Insurance, Police Training and Gasoline Tax), debt service fund, and all capital project funds. All annual appropriations lapse at fiscal year end, unless the County elects to encumber supplies and personal property ordered but not received at year end.

GENERAL POLICIES

The District's funds are either budgeted or unbudgeted in accordance with State statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are nonbudgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds. The major fund Ambulance is not included in the schedule because it is an enterprise fund.

BUDGET OPERATION

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

1. The final budget must be legally adopted by the later of the second Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue. The final budget for the general fund is fund total only.
2. Once adopted, the budget can be amended by subsequent Board action. An increase of total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
3. According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
4. At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County

Treasure County
Hysham, Montana
Notes to Required Supplemental Information
For the Year Ended June 30, 2014

The Road and Federal Mineral Royalty funds – fund balance on the statement of revenue, expenditures, and changes in fund balances is different than the fund balance on the schedule of revenue, expenditures, and changes in fund balance (budget and actual) by \$9,872 and \$6,965 respectively. This is due to the reserve for Inventory. Inventory is not included as an expenditure on the first statement as it does not meet the GAAP definition of an expenditure. The County reports any encumbrances at year end as budgeted expenditures and establishes a reserve of fund balances for encumbrances on the GAAP balance sheet since they do not represent GAAP expenditures or liabilities.

**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***

To the County Commissioners
Treasure County
Hysham, Montana

I have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Treasure County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued my report thereon dated January 23, 2015. The report on governmental activities was qualified because the other post employment benefits (OPEB) liability and related expense (GASB No. 45) was not recorded. The report on business-type activities and the ambulance fund was qualified because the County has not adopted an adequate methodology for recording revenue and receivables.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Treasure 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 the County’s internal control. Accordingly, I do not express an opinion on the effectiveness of the County’s internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See finding number 14-1.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See finding numbers 14-2 - 14-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treasure County's financial statements are free of 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 statement 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding number 14-3.

Response to Findings

The County's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the County's response and, accordingly, 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Philip Emmons, CPA
Miles City, MT

January 23, 2015

**Treasure County
Hysham, Montana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Qualified
Internal control over financial reporting:	
Material weakness (es) identified?	Yes
Significant Deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 14-1

Condition: The County has outsourced the medical billing function for its ambulance service. The County and billing company do not have a policy in place to facilitate the sharing of information necessary to consistently maintain appropriate accounting records.

Criteria: American Institute of Certified Public Accountants (AICPA) professional standards specify that management is responsible for preparing the financial statements and that this includes adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Cause: Poor communication between the parties.

Effects: The condition causes the accounting records, including revenue and receivables to be misstated and County personnel to be misinformed with respect to the ambulance fund.

**Treasure County
Hysham, Montana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Recommendation: The County should improve its management of the ambulance service by communicating with the billing company on a regular basis and ensuring that each party has the information necessary to maintain its accounting records. If this cannot be accomplished, other billing alternatives should be evaluated.

Response: The County agrees that the management of the ambulance service should be improved. It will consider the recommendations given, choose an acceptable billing provider, and maintain adequate accounting records.

Finding 14-2

Condition: The County did not record the other post employment benefit (OPEB) liability and related expense in the financial statements in accordance with GASB Statement Number 45.

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Cause: The County did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2012.

Effects: The governmental activities and internal service fund liabilities are understated, net position is overstated and expenses are understated.

Recommendation: Management and the Board of Commissioners should consider the cost/benefit of contracting with an actuarial firm to determine the OPEB liability and related expense.

Response: Management and the Board of Commissioners do not believe the cost of contracting with an actuary is worth the benefit, but will reconsider this annually.

Finding 14-3

Condition: During expenditure testing, a claim was identified that was not supported by adequate supporting documentation.

**Treasure County
Hysham, Montana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

- Criteria:** The Montana Code Annotated specifies that a claim may not be allowed by the County Commissioners unless the claim is adequately itemized and/or supported by documentation.
- Cause:** The County claims procedures are such that this claim was approved without adequate documentation.
- Effects:** The County did not comply with State Law with regard to adequate documentation on this claim.
- Recommendation:** The County should require employees to submit adequate supporting documentation for all claims.
- Response:** The County will require adequate supporting documentation on all future claims.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS N/A

**Treasure County
Hysham, Montana
Prior Year Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding: 13-1 Medical billing function for the ambulance services.

Status: Continued Disclosure.

Finding: 13-2 The County did not record other post-employment benefits liability and expense.

Status: Continued Disclosure.

Finding: 13-3 Competitive Bidding Requirements.

Status: Resolved.

Finding: 13-4 Supporting information for expenditures.

Status: Continued Disclosure.