

**ROSEBUD COUNTY
FORSYTH, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	15
Statement of Cash Flows - Proprietary Funds	16
Statement of Net Position - Fiduciary Funds.....	17
Statement of Changes in Net Position - Fiduciary Fund	18
Notes to Basic Financial Statements.....	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund.....	31
Road Fund.....	32
Federal Mineral Royalties Fund	33
Note to Required Supplementary Information	34
Schedule of Funding Progress-Other Post-Employment Benefits.....	35
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	36
SCHEDULE OF FINDINGS	38
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS	40

ROSEBUD COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Robert Lee	Board Chairperson
Doug Martens	Commissioner
Ed Joiner	Commissioner

ELECTED OFFICIALS

Geraldine Custer	County Clerk and Recorder
Pam Shelton	County Treasurer
Randy Allies	County Sheriff
Allen Fulton	County Coroner
Christine Byron-White	County Attorney
Joby Parker	County Superintendent
Elizabeth Ball-Mavity	Clerk of District Court
Lee.Busch	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Rosebud County
Forsyth, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, the road fund and the aggregate remaining fund information.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the road fund and the aggregate remaining fund information for the government, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (excluding the road fund) for the government, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress-other post-employment benefits identified 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
October 1, 2014

ROSEBUD COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of Rosebud County's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements and footnotes which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of Rosebud County exceeded its liabilities as of June 30, 2014 by \$25,776,213. Of this amount, \$2,850,557 is reported as unrestricted net position and may be used to meet the County's ongoing obligations to citizens and creditors.
- As of June 30, 2014, Rosebud County's governmental funds reported combined ending fund balances of \$10,959,557. Most of this is nonspendable, restricted and/or committed with only \$1,549,926 being unassigned.
- For the year ended June 30, 2014, governmental revenues were \$10,936,173, which was a decrease of 12% over the prior year, while governmental expenditures decreased 6% from the previous year to \$10,190,324. The total fund balances for all governmental funds increased \$825,570 or by 8% over the prior year.

USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental funds, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements One of the most important questions asked about the government's finances is, "Is the County, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 8 and 9) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities—Basic services are reported here, consisting of public safety, public works, culture and recreation, and general administration. Property taxes, local option vehicle taxes, and state and federal grants finance most of these activities.

Business-type activities—Fees are charged to customers to help cover all or most of the cost of certain services provided. The landfill services are reported here.

Fund financial statements The fund financial statements (pages 10 and 12) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 11 and 13, respectively).

ROSEBUD COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary funds—Fees are charged to customers for the services provided—whether to outside customers or to other units of the government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other programs and activities—such as the Self-Insurance fund.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, assets exceeded liabilities by \$25,776,213 as of June 30, 2014. Net position increased \$555,369 or less than 1% over the prior year.

The net investment in capital assets totals \$14,870,510 or 58% of the total net position. Capital assets reflect the County's investments in land, construction in progress, buildings, improvements other than buildings, infrastructure and machinery and equipment. Rosebud County uses these capital assets to provide services to citizens and the community; consequently these assets are not available for future spending.

Unrestricted net position totaled \$2,850,557 or 11% of the total net position. Unrestricted net position is primarily used as reserves that are used for cash flow purposes in between property tax collections, which are due in 50 percent installments on November 30 and May 31 of each year, and also as reserves to provide against unforeseen costs or events. A recap of the County's net position and changes in net position follows:

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,265,887	\$ 10,357,565	\$ 1,205,082	\$ 1,300,573	\$ 12,470,969	\$ 11,658,138
Capital assets	14,176,361	14,404,713	694,149	790,293	14,870,510	15,195,006
Total assets	25,442,248	24,762,278	1,899,231	2,090,866	27,341,479	26,853,144
Other liabilities	17,071	129,042	-	-	17,071	129,042
Long-term liabilities	904,663	874,744	643,532	628,514	1,548,195	1,503,258
Total liabilities	921,734	1,003,786	643,532	628,514	1,565,266	1,632,300
Net position:						
Net investment in capital assets	14,176,361	14,404,713	694,149	790,293	14,870,510	15,195,006
Restricted	8,055,146	7,071,065	-	-	8,055,146	7,071,065
Unrestricted	2,289,007	2,282,714	561,550	672,059	2,850,557	2,954,773
	\$ 24,520,514	\$ 23,758,492	\$ 1,255,699	\$ 1,462,352	\$ 25,776,213	\$ 25,220,844

ROSEBUD COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,148,737	\$ 1,091,643	\$ 363,726	\$ 381,360	\$ 1,512,463	\$ 1,473,003
Operating grants/contributions	927,069	1,701,035	-	-	927,069	1,701,035
Capital grants/contributions	-	135,400	-	-	-	135,400
General revenues:						
Taxes	4,458,624	4,042,791	-	-	4,458,624	4,042,791
Licenses and permits	850	1,100	-	-	850	1,100
Intergovernmental	3,965,801	3,753,628	-	18,058	3,965,801	3,771,686
Investment and royalty earnings	318,517	451,399	10,937	19,551	329,454	470,950
Miscellaneous	131,024	178,951	-	-	131,024	178,951
Gain on disposal of capital assets	36,159	22,745	-	704	36,159	23,449
Total revenues	10,986,781	11,378,692	374,663	419,673	11,361,444	11,798,365
Expenses:						
General government	2,197,042	2,090,624	-	-	2,197,042	2,090,624
Public safety	3,631,846	3,607,444	-	-	3,631,846	3,607,444
Public works	2,192,631	2,229,720	-	-	2,192,631	2,229,720
Public health	896,756	1,467,211	-	-	896,756	1,467,211
Social and economic services	534,759	534,603	-	-	534,759	534,603
Culture and recreation	766,549	723,532	-	-	766,549	723,532
Housing and community development	5,176	5,245	-	-	5,176	5,245
Landfill	-	-	581,316	565,729	581,316	565,729
Total expenses	10,224,759	10,658,379	581,316	565,729	10,806,075	11,224,108
Change in net position	762,022	720,313	(206,653)	(146,056)	555,369	574,257
Net position, beginning	23,758,492	23,422,957	1,462,352	1,608,408	25,220,844	25,031,365
Prior period adjustments	-	(384,778)	-	-	-	(384,778)
Net position, ending	\$ 24,520,514	\$ 23,758,492	\$ 1,255,699	\$ 1,462,352	\$ 25,776,213	\$ 25,220,844

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet the two criteria below. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund.

Total assets, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

As of June 30, 2014, Rosebud County's governmental funds reported combined fund balances of \$10,959,557. All but \$1,549,926 is nonspendable, restricted or committed. Fund balance for the governmental funds increased \$825,570, or less than 8%. The increase can be attributable to conservative spending.

GENERAL The General fund of Rosebud County was within \$175,488 of budgeted expenditures, or 97% of our total budget. We received less revenue than we estimated by \$84,006. The General fund fund balance decreased by \$510,347 due to using available fund balance to fund current year operations.

ROSEBUD COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

ROAD fund fund balance increased \$307,198 due to conservative spending.

FEDERAL MINERAL ROYALTIES fund fund balance increased by \$456,174 due to not spending all of the available budget authority.

CAPITAL IMPROVEMENT fund fund balance increased by \$416,139 as a result of a transfer from the federal mineral royalties fund.

ROAD CIP The fund balance increased by \$108,089 as a result of a transfer from the road fund.

LANDFILL fund net position decreased \$206,653. The decrease can be attributable to an increase in operating costs and current year depreciation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Rosebud County's net investment in capital assets for its governmental and business-type activities, as of June 30, 2014, totaled \$14,870,510. The net investment includes land, buildings, improvements and machinery and equipment. For fiscal year 2014, additions consisted of a new excavator, a pickup and tractor for the road, pickups and vehicles for the sheriff, a new door at the courthouse, a kitchen for the exhibit hall at fair grounds, a senior citizens van, street lights for Lame Deer, the Ashland radio repeater and tower for communications, a new ambulance and a landfill canister site.

As of June 30, 2014, Rosebud County had a total of \$1,548,195 in outstanding long-term debt. Rosebud County's debt includes compensated absences, landfill closure/post closure costs at the landfill and other post-employment benefits. For additional information related to the long term debt of the county, please refer to the notes to the basic financial statements

THE GOVERNMENTS FUTURE

Rosebud County's financial position continues to improve. All of our governmental fund reserves are near the maximum level allowed by law. Our taxable valuation has decreased over prior year. Our Federal Mineral Royalty payments have been steady, as have our oil royalty payments, however, our interest payments have decreased.

Looking to the future, we will be facing salary increases, heating and fuel increases. Our biggest taxpayer has been protesting its taxes for the past 10 years, and most of those have been settled now. Our taxable valuation is dependent on PPL of Montana and the Western Energy Mine, so what happens with these two businesses has a large impact on our local government operation.

ROSEBUD COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,834,913	\$ 402,338	\$ 5,237,251
Investments	5,796,713	482,374	6,279,087
Receivables:			
Taxes and assessments	45,977	13,475	59,452
Airport	1,666	-	1,666
Ambulance (less: allowance for doubtful accounts of \$77,507)	66,926	-	66,926
Solid waste	-	9,767	9,767
Inventories	458,586	-	458,586
Prepays	61,106	-	61,106
Restricted assets:			
Cash and equivalents	-	5,249	5,249
Investments	-	291,879	291,879
Capital assets:			
Land and construction in progress	842,399	5,866	848,265
Capital assets, net of accumulated depreciation	13,333,962	688,283	14,022,245
Total assets	<u>25,442,248</u>	<u>1,899,231</u>	<u>27,341,479</u>
LIABILITIES			
Accounts payable:			
Accrued claims	17,071	-	17,071
Long-term liabilities:			
Due within one year:			
Compensated absences	50,085	4,798	54,883
Due in more than one year:			
Compensated absences	450,767	43,186	493,953
Landfill closure/postclosure costs payable	-	595,548	595,548
Other post-employment benefits-OPEB	403,811	-	403,811
Total liabilities	<u>921,734</u>	<u>643,532</u>	<u>1,565,266</u>
NET POSITION			
Net investment in capital assets	14,176,361	694,149	14,870,510
Restricted for:			
General government	34,599	-	34,599
Public safety	417,338	-	417,338
Public works	1,897,591	-	1,897,591
Public health	41,152	-	41,152
Social and economic services	195,790	-	195,790
Culture and recreation	256,584	-	256,584
Debt service	47,766	-	47,766
Capital projects	5,164,326	-	5,164,326
Unrestricted	2,289,007	561,550	2,850,557
Total net position	<u>\$ 24,520,514</u>	<u>\$ 1,255,699</u>	<u>\$ 25,776,213</u>

ROSEBUD COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 2,197,042	\$ 147,487	\$ -	\$ (2,049,555)	\$ -	\$ (2,049,555)
Public safety	3,631,846	543,908	399,993	(2,687,945)	-	(2,687,945)
Public works	2,192,631	298,424	318,204	(1,576,003)	-	(1,576,003)
Public health	896,756	64,073	84,999	(747,684)	-	(747,684)
Social and economic services	534,759	29,759	115,776	(389,224)	-	(389,224)
Culture and recreation	766,549	65,086	8,097	(693,366)	-	(693,366)
Housing and community development	5,176	-	-	(5,176)	-	(5,176)
Total governmental activities	10,224,759	1,148,737	927,069	(8,148,953)	-	(8,148,953)
Business-type activities:						
Landfill	581,316	363,726	-	-	(217,590)	(217,590)
Total business-type activities	581,316	363,726	-	-	(217,590)	(217,590)
Total	\$ 10,806,075	\$ 1,512,463	\$ 927,069	(8,148,953)	(217,590)	(8,366,543)
General revenues:						
Property taxes				4,458,624	-	4,458,624
Licenses and permits				850	-	850
Intergovernmental				3,965,801	-	3,965,801
Investment and royalty earnings				318,517	10,937	329,454
Miscellaneous				131,024	-	131,024
Gain on disposal of capital assets				36,159	-	36,159
Total general revenues				8,910,975	10,937	8,921,912
Change in net position				762,022	(206,653)	555,369
Net position - beginning				23,758,492	1,462,352	25,220,844
Net position - ending				\$ 24,520,514	\$ 1,255,699	\$ 25,776,213

ROSEBUD COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Road	Federal Mineral Royalties	Capital Improvement	Road CIP	Total Nonmajor funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 706,496	\$ 454,282	\$ 570,752	\$ 1,519,621	\$ 552,815	\$ 912,547	\$ 4,716,513
Investments	847,037	544,651	684,291	1,821,916	662,786	1,094,079	5,654,760
Receivables:							
Taxes and assessments	18,616	14,934	-	-	-	12,427	45,977
Ambulance (less: allowance for doubtful accounts of \$77,507)	-	-	-	-	-	66,926	66,926
Airport	-	-	-	-	-	1,666	1,666
Inventories	-	452,812	-	-	-	5,774	458,586
Prepaid items	-	-	-	-	-	61,106	61,106
Total assets	\$ 1,572,149	\$ 1,466,679	\$ 1,255,043	\$ 3,341,537	\$ 1,215,601	\$ 2,154,525	\$ 11,005,534
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes and assessments	\$ 18,616	\$ 14,934	\$ -	\$ -	\$ -	\$ 12,427	\$ 45,977
Total deferred inflows of resources	18,616	14,934	-	-	-	12,427	45,977
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	-	-	-	-	-	61,106	61,106
Inventory	-	452,812	-	-	-	5,774	458,586
Restricted for:							
General government	-	-	-	-	-	31,045	31,045
Public safety	-	-	-	-	-	378,199	378,199
Public works	-	998,933	-	-	-	423,017	1,421,950
Public health	-	-	-	-	-	39,019	39,019
Social and economic services	-	-	-	-	-	194,701	194,701
Culture and recreation	-	-	-	-	-	231,087	231,087
Debt service	-	-	-	-	-	47,766	47,766
Capital projects	-	-	-	3,341,537	1,215,601	607,188	5,164,326
Committed for:							
General government	-	-	1,255,043	-	-	-	1,255,043
Public safety	-	-	-	-	-	84,880	84,880
Culture and recreation	-	-	-	-	-	23,934	23,934
Social and economic services	-	-	-	-	-	17,989	17,989
Unassigned	1,553,533	-	-	-	-	(3,607)	1,549,926
Total fund balances (deficits)	1,553,533	1,451,745	1,255,043	3,341,537	1,215,601	2,142,098	10,959,557
Total deferred inflows of resources and fund balances (deficits)	\$ 1,572,149	\$ 1,466,679	\$ 1,255,043	\$ 3,341,537	\$ 1,215,601	\$ 2,154,525	\$ 11,005,534

ROSEBUD COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2014

Total fund balances, governmental funds \$ 10,959,557

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. 14,176,361

Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. 45,977

The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. (160,529)

Some liabilities, such as compensated absences and other post employment benefits, are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. (500,852)

Net position of governmental activities \$ 24,520,514

ROSEBUD COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Road	Federal Mineral Royalties	Capital Improvement	Road CIP	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 2,233,455	\$ 1,090,828	\$ -	\$ -	\$ -	\$ 1,355,453	\$ 4,679,736
Fines and forfeitures	39,222	-	-	-	-	10,663	49,885
Licenses and permits	850	-	-	-	-	-	850
Intergovernmental	1,549,881	517,977	1,809,719	-	-	1,015,293	4,892,870
Charges for services	464,029	660	-	-	-	394,545	859,234
Investment and royalty earnings	303,537	-	-	-	8,089	5,989	317,615
Miscellaneous	57,348	3,346	17,329	-	-	57,960	135,983
Total revenues	4,648,322	1,612,811	1,827,048	-	8,089	2,839,903	10,936,173
EXPENDITURES							
Current:							
General government	2,027,722	-	53,141	-	-	79,428	2,160,291
Public safety	2,589,946	-	40,359	-	-	750,749	3,381,054
Public works	58,670	1,121,646	28,604	-	-	585,588	1,794,508
Public health	535,299	-	133,832	-	-	151,394	820,525
Social and economic services	272,783	-	-	-	-	249,196	521,979
Culture and recreation	17,572	-	73,583	-	-	608,140	699,295
Housing and community development	5,176	-	-	-	-	-	5,176
Capital outlay	17,262	207,574	525,240	21,305	-	36,115	807,496
Total expenditures	5,524,430	1,329,220	854,759	21,305	-	2,460,610	10,190,324
Excess (deficiency) of revenues over expenditures	(876,108)	283,591	972,289	(21,305)	8,089	379,293	745,849
OTHER FINANCING SOURCES (USES)							
Insurance recoveries	5,623	-	-	-	-	-	5,623
Sale of capital assets	19,098	55,000	-	-	-	-	74,098
Transfers in	341,040	68,607	24	437,444	100,000	136,480	1,083,595
Transfers out	-	(100,000)	(516,139)	-	-	(467,456)	(1,083,595)
Total other financing sources (uses)	365,761	23,607	(516,115)	437,444	100,000	(330,976)	79,721
Net change in fund balances	(510,347)	307,198	456,174	416,139	108,089	48,317	825,570
Fund balances - beginning	2,063,880	1,126,704	798,869	2,925,398	1,107,512	2,112,323	10,134,686
Change in inventory	-	17,843	-	-	-	(18,542)	(699)
Fund balances - ending	\$ 1,553,533	\$ 1,451,745	\$ 1,255,043	\$ 3,341,537	\$ 1,215,601	\$ 2,142,098	\$ 10,959,557

ROSEBUD COUNTY
 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 balances - total governmental funds \$ 825,570

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

Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful life as depreciation expense for the period.

This is the amount by which depreciation (\$997,909) exceeded capital outlay (\$807,496) in the current period. (190,413)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the asset disposed of. (37,939)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 13,547

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences (2,247)

Governmental funds use the purchases method of accounting for inventory, while governmental activities use the consumption method. This is the difference between the two methods of accounting. (699)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in net position of the internal service fund is reported with governmental activities. 154,203

Change in net position of governmental activities \$ 762,022

ROSEBUD COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Fund	Governmental Activities
	Landfill	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 402,338	\$ 118,400
Investments	482,374	141,953
Receivables:		
Taxes and assessments	13,475	-
Solid waste	9,767	-
Total current assets	907,954	260,353
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	5,249	-
Investments	291,879	-
Total restricted assets	297,128	-
Capital assets:		
Land	5,866	-
Buildings and improvements	1,654,904	-
Equipment and furniture	515,991	-
Less: accumulated depreciation	(1,482,612)	-
Total capital assets, net	694,149	-
Total non-current assets	991,277	-
Total assets	1,899,231	260,353
LIABILITIES		
Current liabilities:		
Accounts payable:		
Accrued claims	-	17,071
Compensated absences	4,798	-
Total current liabilities	4,798	17,071
Non-current liabilities:		
Compensated absences	43,186	-
Landfill closure/postclosure costs payable	595,548	-
Other post-employment benefits-OPEB	-	403,811
Total non-current liabilities	638,734	403,811
Total liabilities	643,532	420,882
NET POSITION		
Net investment in capital assets	694,149	-
Unrestricted	561,550	(160,529)
Total net position	\$ 1,255,699	\$ (160,529)

ROSEBUD COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Landfill</u>	<u>Internal Service Fund</u>
REVENUES		
Charges for services	\$ 110,031	\$ 987,490
Taxes and assessments	253,695	-
Total operating revenues	<u>363,726</u>	<u>987,490</u>
OPERATING EXPENSES		
Personal services	256,770	-
Supplies	89,204	-
Purchased services	107,738	-
Closure/postclosure costs	17,338	-
Claims	-	496,099
Insurance	-	290,877
Administration	-	19,541
Other post-employment benefits	-	27,672
Depreciation	110,266	-
Total operating expenses	<u>581,316</u>	<u>834,189</u>
Operating income (loss)	<u>(217,590)</u>	<u>153,301</u>
NON-OPERATING REVENUES		
Interest revenue	10,937	902
Total non-operating revenue	<u>10,937</u>	<u>902</u>
Change in net position	(206,653)	154,203
Net position - beginning	<u>1,462,352</u>	<u>(314,732)</u>
Net position - ending	<u>\$ 1,255,699</u>	<u>\$ (160,529)</u>

ROSEBUD COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Fund	Governmental Activities
	Landfill	Internal Service Fund
CASH FLOWS FROM OPERATIONS:		
Cash received from customers	\$ 373,348	\$ 987,490
Cash paid to employees	(251,840)	-
Cash paid for medical claims	-	(541,707)
Cash paid to suppliers for goods and services	(196,942)	(310,418)
	(75,434)	135,365
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for closure/postclosure costs	(7,250)	-
Cash paid for capital assets	(14,122)	-
	(21,372)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	(97,501)	(92,115)
Interest received	10,937	902
	(86,564)	(91,213)
Change in cash and cash equivalents	(183,370)	44,152
Cash and cash equivalents - beginning	590,957	74,248
Cash and cash equivalents - ending	\$ 407,587	\$ 118,400
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (217,590)	\$ 153,301
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	110,266	-
Landfill closure/post closure costs	17,338	-
Other post-employment benefits	-	27,672
Decrease in accounts receivable	7,202	-
Decrease in taxes/assessments receivable	2,420	-
Decrease in accounts payable	-	(45,608)
Increase in compensated absences	4,930	-
	(75,434)	135,365

ROSEBUD COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	External Investment Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 10,188,132	\$ 1,164,682
Investments	11,930,663	-
Taxes and assessments receivable	-	325,738
 Total assets	 22,118,795	 \$ 1,490,420
LIABILITIES		
Accounts payable:	-	\$ 41,192
Due to governments:		
Special districts	-	16,684
State	-	207,822
Schools	-	186,829
Cities/towns	-	1,037,893
 Total liabilities	 -	 \$ 1,490,420
NET POSITION		
Held in trust	\$ 22,118,795	

ROSEBUD COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

	<u>External Investment Trust</u>
ADDITIONS	
Contributions	<u>\$ 43,486,663</u>
Total contributions	<u>43,486,663</u>
Investment earnings:	
Interest	<u>130,846</u>
Total net investment earnings	<u>130,846</u>
Total additions	<u>43,617,509</u>
DEDUCTIONS	
Withdrawals	42,268,465
Administrative	<u>3,574</u>
Total deductions	<u>42,272,039</u>
Change in net position	1,345,470
Net position - beginning	<u>20,773,325</u>
Net position - ending	<u><u>\$ 22,118,795</u></u>

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 and of the internal service funds are charges to customers for sales and

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The federal mineral royalty fund accounts for resources accumulated from the State of Montana for mineral royalty payments. Payments made from the fund are at the discretion of the Board of County Commissioners.

The capital improvement and road CIP funds account for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities. The capital improvement fund accounts for resources accumulated and payments made for county-wide capital projects. The road CIP fund accounts for resources accumulated and payments made for capital acquisition.

The government reports the following major proprietary fund:

The landfill fund accounts for the activities of the government's landfill services.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 63% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government charges a 2% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the pool participants. The administrative fee charged during the year was \$3,574.

Receivables

Ambulance receivables are shown net of an allowance for uncollectible. Ambulance accounts receivable in excess of 90 days comprise the ambulance accounts receivable allowance for uncollectible. Other receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Government-wide inventories are recorded as expenses when consumed. Governmental fund inventories are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. The amount is reported as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	10-100
Machinery and equipment	8-20
Infrastructure	50-80

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk and recorder or commissioners to assign fund balance. There was no assigned fund balance in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Juvenile Detention (\$2,880), Victim Assistance (\$599) and Landowner Chemical (\$128) funds had deficit fund balances as of June 30, 2014. The deficits are expected to be eliminated through receipt of future revenues and/or transfers from the General fund. Additionally, the Self Insurance fund had a deficit net position of \$160,529. The deficit occurred because of recording the OPEB liability. Management is evaluating its options to eliminate the deficit.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$	10,631,626
Business-type activities		1,181,840
Fiduciary funds		<u>23,283,477</u>
	\$	<u><u>35,096,943</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,000	\$ -	\$ 1,000
Cash in banks:			
Demand deposits	1,403	-	1,403
Savings deposits	3,240,485	-	3,240,485
Time deposits	-	5,000,000	5,000,000
Brokers:			
U.S. Government securities	-	13,501,629	13,501,629
Repurchase agreements	5,000,000	-	5,000,000
Short-term Investment Program (STIP)	<u>8,352,426</u>	<u>-</u>	<u>8,352,426</u>
	<u><u>\$ 16,595,314</u></u>	<u><u>\$ 18,501,629</u></u>	<u><u>\$ 35,096,943</u></u>

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$3,210,587 of the government's bank balance of \$8,759,505 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 3,210,587</u>
---	---------------------

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2014 consisted of U.S Government securities and time deposits. Interest rates range from .50 percent to 2.75 percent, with various maturities.

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value (1)
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Brokers:					
U.S. Government securities	1,791,879	-	11,709,750	13,501,629	13,447,883
	\$ 1,791,879	\$ -	\$ 16,709,750	18,501,629	18,447,883
Uncategorized:					
STIP				8,352,426	8,352,426
				\$ 26,854,055	\$ 26,800,309

(1) The fair value adjustment has not been reflected in the financial statements.

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2014:

	Internal	External	Total
Net position - beginning of year	\$ 14,235,172	\$ 20,773,325	\$ 35,008,497
Contributions from participants	22,679,039	43,486,663	66,165,702
Investment earnings	55,360	130,846	186,206
Fees	-	(3,574)	(3,574)
Distributions to participants	(23,991,423)	(42,268,465)	(66,259,888)
Net position - end of year	\$ 12,978,148	\$ 22,118,795	\$ 35,096,943

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 774,448	\$ -	\$ -	\$ 774,448
Construction-in-progress	55,000	71,924	(58,973)	67,951
Total capital assets, not being depreciated	829,448	71,924	(58,973)	842,399
Capital assets, being depreciated				
Buildings/improvements	10,341,222	80,278	-	10,421,500
Improvements other than buildings	2,439,378	43,607	-	2,482,985
Machinery and equipment	10,550,415	688,660	(169,019)	11,070,056
Infrastructure	1,326,336	-	-	1,326,336
Total capital assets, being depreciated	24,657,351	812,545	(169,019)	25,300,877
Less accumulated depreciation for:				
Buildings/improvements	(4,077,159)	(215,333)	-	(4,292,492)
Improvements other than buildings	(447,045)	(123,423)	-	(570,468)
Machinery and equipment	(6,458,002)	(639,185)	113,080	(6,984,107)
Infrastructure	(99,880)	(19,968)	-	(119,848)
Total accumulated depreciation	(11,082,086)	(997,909)	113,080	(11,966,915)
Total capital assets, being depreciated, net	13,575,265	(185,364)	(55,939)	13,333,962
Governmental activities capital assets, net	\$ 14,404,713	\$ (113,440)	\$ (114,912)	\$ 14,176,361

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 5,866	\$ -	\$ -	\$ 5,866
Total capital assets, not being depreciated	5,866	-	-	5,866
Capital assets, being depreciated				
Buildings and systems	355,487	-	-	355,487
Improvements other than buildings	1,285,295	14,122	-	1,299,417
Machinery and equipment	515,991	-	-	515,991
Total capital assets, being depreciated	2,156,773	14,122	-	2,170,895
Less accumulated depreciation for:				
Buildings and systems	(92,671)	(7,110)	-	(99,781)
Improvements other than buildings	(880,374)	(81,849)	-	(962,223)
Machinery and equipment	(399,301)	(21,307)	-	(420,608)
Total accumulated depreciation	(1,372,346)	(110,266)	-	(1,482,612)
Total capital assets, being depreciated, net	784,427	(96,144)	-	688,283
Business-type activities capital assets, net	\$ 790,293	\$ (96,144)	\$ -	\$ 694,149

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 79,440
Public safety	322,998
Public works	422,711
Public health	87,533
Social and economic	19,574
Culture and recreation	65,653
Total depreciation-governmental activities	\$ 997,909
Business-type activities:	
Landfill	\$ 110,266

Interfund Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out
Governmental activities:		
General	\$ 341,040	\$ -
Road	68,607	(100,000)
Federal mineral royalties	24	(516,139)
Capital improvement	437,444	-
Road CIP	100,000	-
Nonmajor governmental funds	136,480	(467,456)
	\$ 1,083,595	\$ (1,083,595)

Transfers are normal recurring transactions used to fund operations of various governmental activities and future capital improvements.

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense each year based on landfill capacity used as of each balance sheet date. \$595,548 was reported as a landfill closure and postclosure care liability as of June 30, 2014 and represents the cumulative amount reported to date based on the use of 100 percent and 32 percent of the old and new landfills, respectively. The government will recognize the remaining estimated cost of closure and postclosure care of \$514,276 as the remaining estimated capacity of the new landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2014. The government expects to close the new landfill in the year 2073. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The government is in compliance with the requirements, and, as of June 30, 2014, \$297,128 had been set aside for this purpose. The \$297,128 is restricted and reported as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations); these costs may need to be covered by charges to future landfill users or from future tax revenue.

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Old landfill	\$ 361,336	\$ -	\$ (7,250)	\$ 354,086
New landfill	224,124	17,338	-	241,462
	<u>\$ 585,460</u>	<u>\$ 17,338</u>	<u>\$ (7,250)</u>	<u>\$ 595,548</u>

Long-Term Debt

For governmental activities, compensated absences increased \$2,247 to \$500,852, while business-type activities compensated absences also increased \$4,930 to \$47,984. For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Self-Insurance Plan

During the year ended June 30, 2014, employees of the government were covered by a medical self-insurance plan (the "plan"). The government contributed approximately \$900 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the government.

The administrative contract between the government and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The government was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage through Symetra. Stop-loss coverage was in effect for individual claims exceeding \$40,000 and for aggregate loss, which is based on a factor determined by Symetra. The aggregate stop-loss coverage was \$774,768.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures of the governmental and enterprise funds. The liability of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2014, is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

Changes in the claims liability amount are as follows:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2013-14	\$ 62,679	\$ 496,099	\$ (541,707)	\$ 17,071
2012-13	13,452	643,220	(593,993)	62,679

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Economic Dependency

Approximately 90 percent of the County's taxable value is attributable to power and transportation companies.

Rosebud Community Hospital

The County leases land, buildings and miscellaneous equipment to the Rosebud Community Hospital for \$1,000 per year. The County retains title to these assets and is responsible for maintenance and repairs.

Interlocal Agreement

The County and the City of Forsyth signed an agreement whereby the County provides general law enforcement services. During 2014, the City contributed \$188,945 for these services.

Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

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

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
SRS	10.115%	9.245%	19.360%
PERS	8.070%	7.900%	15.970%

PERS:
On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

	2014	2013	2012
SRS	\$ 209,672	\$ 193,276	\$ 171,505
PERS	450,960	388,126	366,991
	\$ 660,632	\$ 581,402	\$ 538,496

Postemployment Benefits Other Than Pensions

Plan Description. The government's postemployment benefit plan is a single employer defined benefit plan that is self funded for pre Medicare medical/prescription drug benefits and insures for Medicare supplement benefits and retiree life insurance.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation to the plan:

Annual required contribution	\$ 150,307
Interest on net OPEB obligation	15,046
Adjustment to annual required contribution	(14,916)
Annual OPEB cost (expense)	150,437
Contributions made	(122,765)
Increase in net OPEB obligation	27,672
Net OPEB obligation - beginning of year	376,139
Net OPEB obligation - end of year	\$ 403,811

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2012	\$ 156,491	0%	\$ 306,554
2013	69,585	0%	376,139
2014	150,437	0%	403,811

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was \$1,324,465, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,324,465.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, which is required to be presented as supplementary information following the notes to the financial statements, is included in the financial statements.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the

ROSEBUD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on the RP2000 Disable Generational Mortality Table projected to 2015 with Scale AA. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 13.9%, with reduction to the ultimate rate of 5% after 10 years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50 percent. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.25 percent. The value of plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

ROSEBUD COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 2,237,720	\$ 2,237,720	\$ 2,233,455
Fines and forfeitures	49,000	49,000	39,222
Licenses and permits	1,000	1,000	850
Intergovernmental	1,643,270	1,643,270	1,549,881
Charges for services	414,838	414,838	464,029
Investment and royalty earnings	335,000	335,000	303,537
Miscellaneous	51,500	51,500	57,348
Total revenues	<u>4,732,328</u>	<u>4,732,328</u>	<u>4,648,322</u>
EXPENDITURES			
Current:			
General government	2,371,622	2,371,622	2,027,722
Public safety	2,381,674	2,381,674	2,589,946
Public works	-	-	58,670
Public health	643,800	643,800	535,299
Social and economic services	302,822	302,822	272,783
Culture and recreation	-	-	17,572
Housing and community development	-	-	5,176
Capital outlay	-	-	17,262
Total expenditures	<u>5,699,918</u>	<u>5,699,918</u>	<u>5,524,430</u>
Excess (deficiency) of revenues over expenditures	<u>(967,590)</u>	<u>(967,590)</u>	<u>(876,108)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	-	-	19,098
Insurance recoveries	-	-	5,623
Transfers in	341,242	341,242	341,040
Total other financing sources	<u>341,242</u>	<u>341,242</u>	<u>365,761</u>
Net change in fund balance	<u>\$ (626,348)</u>	<u>\$ (626,348)</u>	<u>(510,347)</u>
Fund balance - beginning			<u>2,063,880</u>
Fund balance - ending			<u>\$ 1,553,533</u>

ROSEBUD COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,091,557	\$ 1,091,557	\$ 1,090,828
Intergovernmental	488,615	488,615	517,977
Charges for services	500	500	660
Miscellaneous	2,800	2,800	3,346
Total revenues	<u>1,583,472</u>	<u>1,583,472</u>	<u>1,612,811</u>
EXPENDITURES			
Current:			
Public works	1,403,490	1,403,490	1,121,646
Capital outlay	300,000	300,000	207,574
Total expenditures	<u>1,703,490</u>	<u>1,703,490</u>	<u>1,329,220</u>
Excess (deficiency) of revenues over expenditures	<u>(120,018)</u>	<u>(120,018)</u>	<u>283,591</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	55,000
Transfers in	69,405	69,405	68,607
Transfers out	(100,000)	(100,000)	(100,000)
Total other financing sources (uses)	<u>(30,595)</u>	<u>(30,595)</u>	<u>23,607</u>
Net change in fund balance	<u>\$ (150,613)</u>	<u>\$ (150,613)</u>	307,198
Fund balance - beginning			1,126,704
Change in inventory			<u>17,843</u>
Fund balance - ending			<u>\$ 1,451,745</u>

ROSEBUD COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Federal Mineral Royalties Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 1,749,778	\$ 1,749,778	\$ 1,809,719
Miscellaneous	-	-	17,329
Total revenues	<u>1,749,778</u>	<u>1,749,778</u>	<u>1,827,048</u>
EXPENDITURES			
Current:			
General government	-	-	53,141
Public safety	-	-	40,359
Public works	-	-	28,604
Public health	-	-	133,832
Culture and recreation	-	-	73,583
Capital outlay	<u>2,109,866</u>	<u>2,109,866</u>	<u>525,240</u>
Total expenditures	<u>2,109,866</u>	<u>2,109,866</u>	<u>854,759</u>
Excess (deficiency) of revenues over expenditures	<u>(360,088)</u>	<u>(360,088)</u>	<u>972,289</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	24
Transfers out	<u>(437,444)</u>	<u>(437,444)</u>	<u>(516,139)</u>
Total other financing sources (uses)	<u>(437,444)</u>	<u>(437,444)</u>	<u>(516,115)</u>
Net change in fund balance	<u>\$ (797,532)</u>	<u>\$ (797,532)</u>	456,174
Fund balance - beginning			<u>798,869</u>
Fund balance - ending			<u>\$ 1,255,043</u>

ROSEBUD COUNTY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

ROSEBUD COUNTY
 SCHEDULE OF FUNDING PROGRESS-OTHER POST-EMPLOYMENT BENEFITS
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	\$ -	\$ 1,324,465	\$ 1,324,465	-	\$ 2,936,527	0.45103
6/30/2013	-	1,101,380	1,101,380	-	2,919,013	0.37731
6/30/2012	-	1,189,089	1,189,089	-	2,901,603	0.40980

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

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 Board of County Commissioners
Rosebud County
Forsyth, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rosebud County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated October 1, 2014. The report on governmental activities, the road fund and aggregate remaining fund information was qualified because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit retroactive tests of inventory quantities.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (Findings 2014-1 through 2014-4)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency. (Finding 2014-5)

Compliance and Other Matters

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

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 (CONTINUED)

The Government's Response to Findings

The government did not respond to the findings identified in our audit as described in the accompanying schedule of findings. Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

Purpose of this Report

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

O'ness & Associates, PC

Billings, Montana
October 1, 2014

ROSEBUD COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

2014-1. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements and schedule of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and SEFA and ensure the quality of the document and the preparer.

2014-2. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

2014-3. CAPITAL ASSETS

Criteria: A physical count of property should be periodically taken, compared to the items carried on the detailed subsidiary records of property and equipment, and significant differences investigated. Such physical counts will help detect the loss or unauthorized use of valuable property.

Condition: The County contracted with an outside inventory company to perform a physical count of county-owned assets. Differences between the physical count and capital asset subsidiary records were noted.

Cause: Unknown.

Effect: Without updated capital asset records, it may be difficult to substantiate insurance claims for lost or damaged items or provide controls to safeguard the assets.

Recommendation: The differences should be resolved, and if necessary, used to update the capital asset subsidiary records.

2014-4. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: The Montana Supreme Court Administrator's Office Full Court Accounting Responsibility & Compliance Guidelines that have been adopted by the Courts of Limited Jurisdiction Automation Committee outlines court personnel accounting responsibilities. The guidelines require court personnel to develop and maintain a system of internal controls to safeguard court resources, check the accuracy of clerical entries, promote operational efficiency, and encourage adherence to prescribed accounting procedures. Effective internal control over time pay accounts requires a reconciliation of the monthly time pay activity to the beginning and ending time pay balances to be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful tool in evaluating and monitoring outstanding time pay balances.

ROSEBUD COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

Condition: The Justice of the Peace office does not perform a monthly time pay account reconciliation.

Cause: Unknown.

Effect: Not reconciling the time pay accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace office should prepare a formal reconciliation of time pay activity to the beginning and ending time pay balances on a monthly basis. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

2014-5. TAXES RECEIVABLE

Criteria: The County's tax accounting program has a procedure whereby the outstanding taxes in the tax accounting system and receivable balances in the accounting system are compared and a journal voucher generated. This procedure ensures that the tax system and accounting system stay in agreement.

Condition: The County Treasurer did not perform this procedure on a monthly basis

Cause: Unknown.

Effect: Errors may accumulate, but may not be identified and attributed to a particular period. As of June 30, 2014, general ledger taxes receivable were \$592 lower than the Treasurer's Uncollected Tax Summary by Date.

Recommendation: The County Treasurer should perform the tax/accounting reconciliation at the end of each month. Differences, if any, should be resolved immediately.

ROSEBUD COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-3. CAPITAL ASSETS	NOT IMPLEMENTED
2013-4. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	PARTIALLY IMPLEMENTED