

ANACONDA-DEER LODGE COUNTY

AUDIT REPORT

JUNE 30, 2014

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ANACONDA-DEER LODGE COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Elaine Lux-Burt	Chairman of Commission
Patricia Mulvey	Commissioner
Terry Vermeire	Commissioner
Paul Smith	Commissioner
Kevin Hart	Commissioner

COUNTY OFFICIALS

Ben Krakowka	Attorney
Connie Ternes-Daniels	Chief Executive
Joey Blodnick	Clerk and Recorder
Susan Krueger	Clerk of District Court
Tim Barkell	Chief of Law Enforcement
R.J. Tocher	Fire Chief
Larry Pahut	Justice of the Peace
Patrick Huber	Parks & Recreation Director
Doug Clark	Planning Director
Chad Lanes	Sanitarian
Michael O'Rourke	Superintendent of Schools
Eric Hoiland	Treasurer



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A Professional Corporation

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Shareholders

John F. Burns, CPA
Richard L. Tambyn, CPA
Patrick J. Burt, CPA
Michael E. Johns, CPA
Robert L. Bristol, CPA
Debbie A. Ouellette, CPA, MBA
James A. McKenzie, CPA
Nancy A. Clark, CPA

CPA's

Michael J. Blakeley
John E. Boyce
Kyle T. McGree
Craig C. Tippett
David P. Petroni

Founder

John N. Newland, CPA
(1906-1999)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Anaconda-Deer Lodge County
Anaconda, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Old Works Golf Course, Inc., the discretely presented component unit which is 1.9 percent, -.1 percent, and 18.3 percent, respectively, of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Old Works Golf Course, Inc. is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 through 14 and budgetary comparison information on pages 55 through 59 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anaconda-Deer Lodge County's basic financial statements. The Estimated Revenue Available to Pay Debt Service, Debt Service Requirements and Coverage on pages 61-64 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 65 is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015 on our consideration of Anaconda-Deer Lodge County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anaconda-Deer Lodge County, Montana's internal control over financial reporting and compliance.

Sincerely,
Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
March 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Anaconda-Deer Lodge, Montana's (the City and County) comprehensive annual financial report, Anaconda-Deer Lodge County's management is pleased to provide this narrative discussion and analysis of the financial activities of Anaconda-Deer Lodge County for the fiscal year ended June 30, 2014. We discuss and analyze Anaconda-Deer Lodge County's financial performance within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- Anaconda-Deer Lodge County's assets exceeded its liabilities by \$45,156,772 (net position) for the fiscal year reported.
- Total net position are comprised of the following:
 - 1) Capital assets, net of related debt, is \$32,031,724 which includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of these capital assets.
 - 2) Total net position of \$7,222,447 is restricted by constraints imposed from outside Anaconda-Deer Lodge County such as debt covenants, grantors, laws, or regulations.
 - 3) Unrestricted net position of \$5,902,601 represent the portion available to maintain Anaconda-Deer Lodge County's continuing obligations to citizens and creditors.
- Anaconda-Deer Lodge County's governmental funds reported total ending fund balance of \$8,085,687 this year. This compares to the prior year ending fund balance of \$7,571,856 showing an increase of \$513,831 during the current fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,960,454, or 58.8% of total general fund expenditures in fiscal year 2014. The percentage at June 30, 2013 was 55.3%, for a 3.5% increase.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces Anaconda-Deer Lodge County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. Anaconda-Deer Lodge County also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

Anaconda-Deer Lodge County's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about Anaconda-Deer Lodge County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of Anaconda-Deer Lodge County's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Anaconda-Deer Lodge County as a whole is improving or deteriorating. Evaluation of the overall health of Anaconda-Deer Lodge County would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Anaconda-Deer Lodge County infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how Anaconda-Deer Lodge County's net position changed during the current fiscal year. All current year revenues and expenses are included

regardless of when we receive or pay out cash. An important purpose of the design of the statement of activities is to show the financial reliance of Anaconda-Deer Lodge County's distinct activities or functions on revenues provided by Anaconda-Deer Lodge County's taxpayers.

Both government-wide financial statements distinguish governmental activities of Anaconda-Deer Lodge County that are principally supported by property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, public health, social and economic services, housing and community development and culture and recreation. Business-type activities primarily include the water, sewer, and solid waste.

The government-wide financial statements include one discretely presented component unit, the Old Works Golf Course, Inc. Separately issued financial statements for the Golf Course may be obtained at Anaconda-Deer Lodge County's administrative offices.

The government-wide financial statements are presented on pages 15 & 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Anaconda-Deer Lodge County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on Anaconda-Deer Lodge County's most significant funds rather than Anaconda-Deer Lodge County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Anaconda-Deer Lodge County has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of Anaconda-Deer Lodge County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17-19 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which Anaconda-Deer Lodge County charges customers a fee. Anaconda-Deer Lodge County proprietary funds are classified as enterprise funds and internal service funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to Anaconda-Deer Lodge County for a variety of services, primarily utility services.

The basic enterprise fund financial statements are presented on pages 21-23 of this report.

Fiduciary funds are classified as Agency Funds and Investment Trust Funds. These funds are reported on pages 24-25 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 26 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning Anaconda-Deer Lodge County's budget presentations. Budgetary comparison schedules for the General Fund, the Fire Fund, the Public Safety/Law Enforcement Fund, the Mill Creek TIFID Fund, and the West Valley Sewer Project Fund can be found in the supplementary section of this report. These schedules demonstrate compliance with Anaconda-Deer Lodge County's adopted and final revised budget.

The only other information provided is the required single audit disclosures. These begin on page 57 of this report.

(This page continued on the subsequent page)

Financial Analysis of the City and County as a Whole

Anaconda-Deer Lodge County's net position at fiscal year-end is \$43,473,689. The following table provides a summary of Anaconda-Deer Lodge County's net position comparing June 30, 2014 with June 30, 2013:

Summary of Net Position as of June 30, 2014 and 2013								
	Governmental Activities		Business-Type Activities		Total		% of Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets:								
Current assets	\$ 9,404,108	\$ 8,611,605	\$ 4,545,327	\$ 4,156,119	\$ 13,949,435	\$ 12,767,724	28%	28%
Non-current assets	14,540,745	14,164,291	22,207,723	18,471,104	36,748,468	32,635,395	72%	72%
Total assets	23,944,853	22,775,896	26,753,050	22,627,223	50,697,903	45,403,119	100%	100%
Liabilities:								
Current liabilities	865,222	833,960	365,962	621,244	1,231,184	1,455,204	22%	27%
Long-term liabilities	3,472,873	3,960,391	837,074	38,129	4,309,947	3,998,520	78%	73%
Total liabilities	4,338,095	4,794,351	1,203,036	659,373	5,541,131	5,453,724	100%	100%
Net assets:								
Invested in capital assets, net of debt	10,648,582	10,194,761	21,383,142	18,471,104	32,031,724	28,665,865	71%	72%
Restricted	7,067,044	6,210,551	155,403	-	7,222,447	6,210,551	16%	16%
Unrestricted	1,891,132	1,576,233	4,011,469	3,496,746	5,902,601	5,072,979	13%	13%
Total net position	\$ 19,606,758	\$ 17,981,545	\$ 25,550,014	\$ 21,967,850	\$ 45,156,772	\$ 39,949,395	100%	100%

Anaconda-Deer Lodge County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 10.9 to 1 (as compared to 10.3 to 1 at June 30, 2013) and 12.4 to 1 (as compared to 6.7 to 1 at June 30, 2013) for business type activities. For Anaconda-Deer Lodge County overall, the current ratio is 11.3 to 1 (as compared to 8.8 to 1 at June 30, 2013). These ratios remain strong.

Anaconda-Deer Lodge County reported positive balances in total net position for both governmental and business-type activities. Net position for governmental activities increased \$1,652,213 in this fiscal year as compared to a \$615,310 increase in fiscal year 2013. Net position increased \$3,582,164 in fiscal year 2014 as compared to an increase of \$1,683,978 for business-type activities in fiscal year 2013. Anaconda-Deer Lodge County's overall financial position improved during fiscal year 2014 by \$5,207,377.

Note that approximately 60.7% of the governmental activities' total assets are tied up in capital as compared to 62.2% at June 30, 2013. Anaconda-Deer Lodge County uses these capital assets to provide services to its citizens. However, with business type activities, Anaconda-Deer Lodge County has spent approximately 83.0% of its assets on capital. Capital assets in the business-type activities provide utility services, and they generate revenues for these funds.

The following table provides a summary of Anaconda-Deer Lodge County's changes in net position:

Summary of Changes in Net Position For Fiscal Years Ended June 30, 2014 and 2013						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program:						
Charges for services	\$ 1,844,275	\$ 2,252,334	\$ 2,539,072	\$ 2,244,858	\$ 4,383,347	\$ 4,497,192
Operating grants	2,442,081	2,761,074	205,926	42,321	2,648,007	2,803,395
Capital grants	158,276	509,919	3,330,578	2,192,911	3,488,854	2,702,830
General:						
Taxes	8,662,992	7,846,817	-	-	8,662,992	7,846,817
Investment earnings	11,961	14,538	2,410	11,054	14,371	25,592
State entitlement	1,371,258	1,260,319	-	-	1,371,258	1,260,319
Other	914,775	160,799	-	-	914,775	160,799
Total revenues	15,405,618	14,805,800	6,077,986	4,491,144	21,483,604	19,296,944
Expenses:						
Program expenses:						
General government	5,257,390	5,342,689			5,257,390	5,342,689
Public safety	3,784,713	3,821,062			3,784,713	3,821,062
Public works	2,258,841	2,165,472			2,258,841	2,165,472
Public health	579,500	526,283			579,500	526,283
Social and economic services	911,984	1,071,075			911,984	1,071,075
Culture and recreation	797,671	660,479			797,671	660,479
Housing and community develop	500	272,781			500	272,781
Interest	133,741	165,329			133,741	165,329
Water			932,403	945,767	932,403	945,767
Sewer			624,898	448,565	624,898	448,565
Solid waste			376,001	407,318	376,001	407,318
Ambulance			549,839	320,883	549,839	320,883
Commissary			12,681	2,311	12,681	2,311
Total expenses	13,724,340	14,025,170	2,495,822	2,124,844	16,220,162	16,150,014
Excess (deficiency)	1,681,278	780,630	3,582,164	2,366,300	5,263,442	3,146,930
Transfers net	-	-	-	-	-	-
Change in net position	1,681,278	780,630	3,582,164	2,366,300	5,263,442	3,146,930
Beginning net position	17,981,545	17,200,915	21,967,850	19,601,550	39,949,395	36,802,465
Prior period adjustment	(56,065)	-	-	-	(56,065)	-
Ending net position	\$ 19,606,758	\$ 17,981,545	\$ 25,550,014	\$ 21,967,850	\$ 45,156,772	\$ 39,949,395

GOVERNMENTAL REVENUES

Anaconda-Deer Lodge County is heavily reliant on property taxes to support governmental operations. Property taxes equal 56.2% of the revenues for governmental activities, as compared to 53.0% in fiscal year 2013. Also, note that program revenues cover 32.4% of governmental operating expenses as compared to 39.4% in fiscal year 2013. This percentage is much lower than prior years. Much of this percentage decrease relates to the operating grants received in prior years for projects that are now completed. This means that the government's taxpayers and Anaconda-Deer Lodge County's other general revenues fund 79.9% of the governmental activities in fiscal year 2014.

GOVERNMENTAL FUNCTIONAL EXPENSES

The following table presents the cost of each of Anaconda-Deer Lodge County's functions, including the net costs, (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on Anaconda-Deer Lodge County's taxpayers by each of these functions.

	Governmental Activities			
	Fiscal Year 2014		Fiscal Year 2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 5,257,390	\$ (4,100,899)	\$ 5,342,689	\$ (3,659,979)
Public safety	3,784,713	(2,512,667)	3,821,062	(2,375,701)
Public works	2,258,841	(1,256,149)	2,165,472	(770,516)
Public health	579,500	(283,936)	526,283	(276,415)
Social and economic services	911,984	(247,497)	1,071,075	(383,822)
Culture and recreation	797,671	(744,319)	660,479	(597,400)
Housing and community develop	500	(500)	272,781	(272,781)
Interest	133,741	(133,741)	165,329	(165,329)
Total	\$ 13,724,340	\$ (9,279,708)	\$ 14,025,170	\$ (8,501,943)

BUSINESS-TYPE ACTIVITIES

In total, the enterprise funds reported a \$3,582,164 increase in net position as compared to \$2,366,300 in fiscal year 2013. Operating revenues are up \$1,595,486 from fiscal year 2013 or 35.6%, while operating expenses were \$370,978 more than fiscal year 2013. The explanations for these changes are highlighted in the proprietary fund section below.

Financial Analysis of Anaconda-Deer Lodge County's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balances of \$8,085,687.

The total ending fund balances of governmental funds show an increase of \$513,831 or 6.8% over the prior year. This increase is primarily a result of excess Mill Creek TIFID tax revenue funds that are distributed to fund balances.

Major Governmental Funds

The General Fund – The general fund is Anaconda-Deer Lodge County's primary operating fund and the largest source of day-to-day service delivery. The general funds' fund balance increased by \$303,085 or 18.3%. In fiscal year 2013, the fund balance decreased by \$261,714. This increase is primarily due to close monitoring of general fund budgets.

Total revenues increased \$185,533 over fiscal year 2013. Taxes and assessments increased \$53,050, while intergovernmental revenues increased \$212,724. Intergovernmental revenues increased as a result of new projects funded by grants in FY2014.

Most other revenues were consistent with those in fiscal year 2013.

The expenditures show an increase of \$343,395 or 11.5% more than the prior year. This increase in expenditures is primarily due to capital outlay purchases.

Public Safety/Law Enforcement Fund – This fund is a special revenue fund that is used to account for law enforcement activities. Total revenues increased by \$485,442 as a result of more county tax revenues being allocated to this fund to cover increasing expenditures and offset the negative fund balance at fiscal year ending 2013. Expenditures also increased \$107,327 or 6.3%. The total fund balance at June 30, 2014 is \$247,138.

Fire Fund – This fund is a special revenue fund that is used to account for city fire activities. Total revenues increased \$152,212 or 20.6% over fiscal year 2013, while expenditures decreased by \$155,642 or 22.4%. This increased revenue with reduced expenditures helped improve the total fund balance during 2014 to \$325,517.

Mill Creek TIFID Fund – This fund is a special revenue fund that is used to account for tax revenue and authorized expenditures in the Tax Incremental Financing District. Total revenues in this fund decreased \$226,637 or -6.1% from the prior year. Activity within this fund is primarily tax revenues generated from the TIF district. Once all operating expenses have been paid, any excess revenues are then distributed between the State of Montana, Anaconda-Deer Lodge County, and the Anaconda School District #10 leaving a \$0 fund balance at the end of the fiscal year. In fiscal year 2014, \$1,838,993.16 was distributed between the State of Montana and Anaconda School District #10 while \$1,666,564 was transferred back into Anaconda-Deer Lodge County funds to help offset losses due to reduced property tax payments and set up capital reserves for future projects.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Anaconda-Deer Lodge County maintains five such funds, with the major funds being the water, sewer and solid waste funds.

Water Fund – The operating revenue in fiscal year 2014 decreased by \$29,623 or 2.5% less the prior fiscal year. Operating expenses were \$9,136 or 1.0% more than fiscal year 2013. \$2,408,611 intergovernmental revenue was received in fiscal year 2014 primarily from the State of Montana NRD program to continue improvements to water lines.

Sewer Fund – The operating revenue in fiscal year 2014 increased \$334,467 over the prior fiscal year amount, while operating expenses increased \$165,641 from fiscal year 2013. This increase in revenue is primarily a result of the \$76 annual increase to sewer rates implemented to help pay for needed improvements to the wastewater treatment plant and improvement/expansion of the sewer lines. In addition to operating revenue, \$921,967 grant funding was also received to assist with these improvements, bringing the net position of this fund to \$5,123,728 in fiscal year 2014 .

General Fund Budgetary Highlights

Total general fund revenues were \$250,872 over the budgeted amounts, while expenditures were \$499,180 under the projected amounts for fiscal year 2014. This continues to reflect maintaining conservative spending throughout the year and revenues, primarily tax payments, remaining strong.

Capital Assets and Debt Administration

Capital Assets

Anaconda-Deer Lodge County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2014, was \$14,540,745 and \$22,207,723 respectively. The net investment in the governmental activities increased by \$453,821, while business-type activities increased \$2,912,038 compared to the June 30, 2013 balances. See Note 11, page 37, for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

(This page continued on the subsequent page)

The following table provides a summary of capital asset balances.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 1,385,963	\$ 1,385,963	\$ 113,744	\$ 113,744	\$ 1,499,707	\$ 1,499,707
Construction in progress	160,716	34,545	7,051,078	-	7,211,794	34,545
Total non-depreciable	1,546,679	1,420,508	7,164,822	113,744	8,711,501	1,534,252
Depreciable assets:						
Buildings	6,163,337	6,034,147	4,359,435	4,359,435	10,522,772	10,393,582
Improvements other than buildings	11,843,963	11,252,889	119,000	119,000	11,962,963	11,371,889
Machinery and equipment	5,075,058	4,750,518	1,160,104	916,104	6,235,162	5,666,622
Pumping plant			596,730	596,730	596,730	596,730
Treatment plant			3,958,314	3,958,314	3,958,314	3,958,314
Transmission and distribution Infrastructure	115,549	115,549	14,675,392	17,669,583	14,675,392	17,669,583
Total depreciable assets:	23,197,907	22,153,103	24,868,975	27,619,166	48,066,882	49,772,269
Less accumulated depreciation	10,203,841	9,409,320	9,826,075	9,261,806	20,029,916	18,671,126
Book value - depreciable assets	12,994,066	12,743,783	15,042,900	18,357,360	28,036,966	31,101,143
Percentage depreciated	44%	42%	40%	34%	42%	38%
Total capital assets net	\$ 14,540,745	\$ 14,164,291	\$ 22,207,722	\$ 18,471,104	\$ 36,748,467	\$ 32,635,395

At June 30, 2014 the depreciable capital assets for governmental activities were 44% depreciated. This amount is slightly higher than the June 30, 2013 percentage. With Anaconda-Deer Lodge County's business type activities, 34% of the asset values were depreciated at June 30, 2014 and 42% at June 30, 2013. In both instances, the minimum change in the percentage depreciated is a positive indicator. This means that Anaconda-Deer Lodge County is replacing its capital assets at the same rate as the amount of depreciation expense.

The increase in construction in progress relates to primarily to the West Valley Sewer expansion project and continued work with on water main replacement project.

Long-term Debt

At the end of the fiscal year, Anaconda-Deer Lodge County had total long-term debt outstanding of \$4,009,313. Of this amount, \$980,000 is backed by the full faith and credit of Anaconda-Deer Lodge County (general obligation bonds) with debt service fully funded by voter-approved property taxes, \$680,985 reflects inter-cap loans for infrastructure improvements, and \$1,775,000 supported by tax increment financing.

The long-term debt balances at June 30, 2014 and 2013 follow:

Outstanding Debt Summary of Long-Term Debt							
	Governmental Activities		Business-Type Activities		Total		% Change
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$ 980,000	\$1,295,000			\$ 980,000	\$1,295,000	-24%
Special assessment bonds	79,724	90,204			79,724	90,204	-12%
Intercap loans	680,985	738,721	824,581		1,505,566	738,721	104%
Capital leases	-	605			-	605	-100%
Revenue bonds	1,775,000	1,845,000	-	-	1,775,000	1,845,000	-4%
Compensated absences	493,604	575,392	87,762	76,953	581,366	652,345	-11%
	\$4,009,313	\$4,544,922	\$ 912,343	\$ 76,953	\$4,921,656	\$4,621,875	6%

See Note 12, Pages 40-46 for additional information about Anaconda-Deer Lodge County's long-term debt.

Economic Conditions Affecting Anaconda-Deer Lodge County

Anaconda-Deer Lodge County, located in mountainous southwestern Montana, is one of two consolidated City-County governments in the state. Anaconda-Deer Lodge County covers approximately 741 square miles and is characterized by densely timbered forestlands, lakes and recreation grounds.

The economy of Anaconda-Deer Lodge County has been historically based on the smelting of copper ores extracted in nearby Butte, Montana. The grounds of the Anaconda smelter still boast the largest masonry smoke stack in the world. The smelter was Anaconda-Deer Lodge County's largest employer by far, and since it closed in 1980, the population has continued to decline.

However, as Anaconda-Deer Lodge County has continued diversifying into smaller, service-oriented business, it has begun to experience residential growth and development in our more rural areas. This has been primarily fueled by reasonable land and development prices, recreational opportunities, and beautiful scenic vistas.

Anaconda-Deer Lodge County is located near the intersection of two major interstate highways (I-90 and I-15), supports a comprehensive hospital offering a full range of medical service to the community and surrounding areas, and owns a general purpose airport.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of Anaconda-Deer Lodge County's finances, comply with finance-related laws and regulations, and demonstrate Anaconda-Deer Lodge County's commitment to public accountability. If you have questions about this report or would like to request additional information, please contact Anaconda-Deer Lodge County's Clerk & Recorder/Director of Finance at the Anaconda-Deer Lodge County Courthouse, located at 800 Main St, Anaconda, Montana or call (406) 563-4060.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Old Works Golf Course, Inc. 12/31/2013
ASSETS				
Cash and investments	\$ 7,847,384	\$ 3,122,828	\$ 10,970,212	\$ 18,961
Accounts receivable, net	370,020	83,639	453,659	-
Taxes/assessments receivable, net	989,639	133,669	1,123,308	-
Due from other governments	197,065	1,205,191	1,402,256	-
Inventories	-	-	-	70,360
Bond issuance costs	-	-	-	-
Other current assets	-	-	-	10,391
Restricted assets:				-
Cash and investments	-	-	-	107,608
Capital assets - depreciable, net	12,994,066	15,008,969	28,003,035	312,275
Capital assets - non-depreciable	1,546,679	7,198,754	8,745,433	-
Total assets	<u>23,944,853</u>	<u>26,753,050</u>	<u>50,697,903</u>	<u>519,595</u>
LIABILITIES				
Accounts payable	231,490	290,693	522,183	45,470
Due to other governments	19,434	-	19,434	-
Unearned revenue	77,858	-	77,858	-
<u>Noncurrent liabilities</u>				
Due within one year				
Compensated absences	266,546	47,391	313,937	-
Capital liabilities	264,956	27,000	291,956	377,844
Due in more than one year				
Compensated absences	227,058	40,371	267,429	-
Capital liabilities	3,250,753	797,581	4,048,334	144,048
Total liabilities	<u>4,338,095</u>	<u>1,203,036</u>	<u>5,541,131</u>	<u>567,362</u>
NET ASSETS				
Net investment in capital assets	10,648,582	21,383,142	32,031,724	90,383
Restricted:				
General government	136,096	-	136,096	-
Public safety	1,462,212	-	1,462,212	-
Public works	2,355,558	-	2,355,558	-
Public health	58,999	-	58,999	-
Culture and recreation	26,015	-	26,015	-
Social and economic services	116,279	-	116,279	-
House and community	204,417	-	204,417	-
Debt service	529,529	155,403	684,932	-
Capital projects	2,054,939	-	2,054,939	-
Nonexpendable	123,000	-	123,000	-
Unrestricted	1,891,132	4,011,469	5,902,601	(138,150)
Total net position	<u>\$ 19,606,758</u>	<u>\$ 25,550,014</u>	<u>\$ 45,156,772</u>	<u>\$ (47,767)</u>

See accompanying notes to the financial statements.

ANACONDA DEER-LODGE COUNTY, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense)Revenue and Changes in Net Position			Component Unit Year Ended 12/31/2013
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business- Type Activities	Total	
Primary Government:								
<u>Governmental activities:</u>								
General government	\$ 5,257,390	\$ 473,967	\$ 624,654	\$ 57,870	(4,100,899)	\$ -	\$ (4,100,899)	\$ -
Public safety	3,784,713	709,461	562,585	-	(2,512,667)	-	(2,512,667)	-
Public works	2,258,841	601,234	301,052	100,406	(1,256,149)	-	(1,256,149)	-
Public health	579,500	25,781	269,783	-	(283,936)	-	(283,936)	-
Social and economic services	911,984	-	664,487	-	(247,497)	-	(247,497)	-
Culture and recreation	797,671	33,832	19,520	-	(744,319)	-	(744,319)	-
Housing and community development	500	-	-	-	(500)	-	(500)	-
Debt service expense - interest	133,741	-	-	-	(133,741)	-	(133,741)	-
Total governmental activities	<u>13,724,340</u>	<u>1,844,275</u>	<u>2,442,081</u>	<u>158,276</u>	<u>(9,279,708)</u>	<u>-</u>	<u>(9,279,708)</u>	<u>-</u>
<u>Business-type activities:</u>								
Water	932,403	1,141,071	-	2,408,611	-	2,617,279	2,617,279	-
Sewer	624,898	583,948	-	921,967	-	881,017	881,017	-
Solid waste	376,001	432,192	-	-	-	56,191	56,191	-
Ambulance	549,839	360,653	205,926	-	-	16,740	16,740	-
Commissary	12,681	21,208	-	-	-	8,527	8,527	-
Total business-type activities	<u>2,495,822</u>	<u>2,539,072</u>	<u>205,926</u>	<u>3,330,578</u>	<u>-</u>	<u>3,579,754</u>	<u>3,579,754</u>	<u>-</u>
Total primary government	<u>\$ 16,220,162</u>	<u>\$ 4,383,347</u>	<u>\$ 2,648,007</u>	<u>\$ 3,488,854</u>	<u>\$ (9,279,708)</u>	<u>\$ 3,579,754</u>	<u>\$ (5,699,954)</u>	
Component Unit								
Old Works Golf Course, Inc.	<u>\$ 1,575,043</u>	<u>\$ 1,361,119</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(213,924)</u>
<u>General revenues</u>								
Property taxes					8,662,992	-	8,662,992	-
PILT					771,224	-	771,224	-
State entitlement					1,371,258	-	1,371,258	-
Investment earnings					11,961	2,410	14,371	-
Miscellaneous					143,551	-	143,551	-
Transfers net					-	-	-	-
Total general revenues and transfer					<u>10,960,986</u>	<u>2,410</u>	<u>10,963,396</u>	<u>-</u>
Change in net position					<u>1,681,278</u>	<u>3,582,164</u>	<u>5,263,442</u>	<u>(213,924)</u>
Net position - beginning					<u>17,981,545</u>	<u>21,967,850</u>	<u>39,949,395</u>	<u>166,157</u>
GASB 65 adjustment (note 2)					<u>(56,065)</u>	<u>-</u>	<u>(56,065)</u>	<u>-</u>
Net position - beginning restated					<u>17,925,480</u>	<u>21,967,850</u>	<u>39,893,330</u>	<u>166,157</u>
Net position - ending					<u>\$ 19,606,758</u>	<u>\$ 25,550,014</u>	<u>\$ 45,156,772</u>	<u>\$ (47,767)</u>

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Public Safety	Fire Fund	Mill Creek TIFID	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,000,999	\$ 259,445	\$ 329,429	\$ -	\$ 5,257,511	\$ 7,847,384
Taxes/assessments receivable, net	257,371	161,163	154,310	-	416,795	989,639
Due from other governments	4,375	-	-	-	192,690	197,065
Other receivables	29,052	-	-	-	340,968	370,020
Total assets	<u>\$ 2,291,797</u>	<u>\$ 420,608</u>	<u>\$ 483,739</u>	<u>\$ -</u>	<u>\$ 6,207,964</u>	<u>\$ 9,404,108</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 54,538	12,307	3,912	\$ -	\$ 160,733	231,490
Due to other governments	19,434	-	-	-	-	19,434
Unearned revenue	-	-	-	-	77,858	77,858
Total liabilities	<u>73,972</u>	<u>12,307</u>	<u>3,912</u>	<u>-</u>	<u>238,591</u>	<u>328,782</u>
Deferred inflow of Resources						
Unavailable revenue - property taxes and special assessments	257,371	161,163	154,310	-	416,795	989,639
Total Deferred Inflow of Resources	<u>257,371</u>	<u>161,163</u>	<u>154,310</u>	<u>-</u>	<u>416,795</u>	<u>989,639</u>
Fund balances:						
Nonspendable	-	-	-	-	123,000	123,000
Restricted						
General Government	-	-	-	-	94,044	94,044
Public safety	-	247,138	325,517	-	493,868	1,066,523
Public works	-	-	-	-	2,042,093	2,042,093
Public health	-	-	-	-	56,400	56,400
Social and economic	-	-	-	-	16,303	16,303
Culture and recreation	-	-	-	-	100,150	100,150
Housing and community development	-	-	-	-	204,417	204,417
Debt service	-	-	-	-	439,144	439,144
Capital projects	-	-	-	-	2,030,288	2,030,288
Unassigned	1,960,454	-	-	-	(47,129)	1,913,325
Total fund balance	<u>1,960,454</u>	<u>247,138</u>	<u>325,517</u>	<u>-</u>	<u>5,552,578</u>	<u>8,085,687</u>
Total liabilities , deferred inflows of resources and fund balance	<u>\$ 2,291,797</u>	<u>\$ 420,608</u>	<u>\$ 483,739</u>	<u>\$ -</u>	<u>\$ 6,207,964</u>	<u>\$ 9,404,108</u>

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds	\$ 8,085,687
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	14,540,745
Property taxes receivable and other deferred revenue will be collected in the next fiscal year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	989,639
Long-term liabilities (current and long term portions) are not reported as liabilities in the funds	(4,009,313)
Total net position - governmental activities	<u>\$ 19,606,758</u>

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Public Safety	Fire Fund	Mill Creek TIFID	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$ 1,052,748	\$ 1,048,012	\$ 579,384	\$ 3,505,557	\$ 2,213,210	\$ 8,398,911
Licenses and permits	78,941	-	600	-	1,772	81,313
Intergovernmental	986,859	854,297	307,845	-	2,684,616	4,833,617
Charges for services	260,978	28,546	-	-	826,432	1,115,956
Fines and forfeitures	130,015	753	-	-	18,929	149,697
Miscellaneous	123,191	420	1,640	-	480,415	605,666
Investment earnings	1,071	-	-	-	10,827	11,898
Total revenues	<u>2,633,803</u>	<u>1,932,028</u>	<u>889,469</u>	<u>3,505,557</u>	<u>6,236,201</u>	<u>15,197,058</u>
EXPENDITURES						
Current:						
General government	2,158,725	-	537,710	1,838,993	1,180,118	5,715,546
Public safety	59,695	1,705,673	-	-	1,355,728	3,121,096
Public works	22,911	-	-	-	1,921,369	1,944,280
Public health	369,045	-	-	-	1,042,204	1,411,249
Social and economic services	75,031	-	-	-	-	75,031
Culture and recreation	321,923	-	-	-	321,283	643,206
Housing and community development	-	-	-	-	503	503
Debt service expense-principal	-	605	-	-	453,214	453,819
Debt service expense-interest	-	15	-	-	147,507	147,522
Capital outlay	325,863	94,344	-	-	750,768	1,170,975
Total expenditures	<u>3,333,193</u>	<u>1,800,637</u>	<u>537,710</u>	<u>1,838,993</u>	<u>7,172,694</u>	<u>14,683,227</u>
Excess (deficiency) of revenues over expenditures	(699,390)	131,391	351,759	1,666,564	(936,493)	513,831
OTHER FINANCING SOURCES (USES)						
Transfers in	1,012,475	40,000	-	-	1,312,952	2,365,427
Transfers (out)	(10,000)	-	(200,000)	(1,666,564)	(488,863)	(2,365,427)
Total other financing sources (uses)	<u>1,002,475</u>	<u>40,000</u>	<u>(200,000)</u>	<u>(1,666,564)</u>	<u>824,089</u>	<u>-</u>
Net change in fund balance	<u>303,085</u>	<u>171,391</u>	<u>151,759</u>	<u>-</u>	<u>(112,404)</u>	<u>513,831</u>
Fund balance - beginning	1,657,369	75,747	173,758	-	5,664,982	7,571,856
Fund balance - ending	<u>\$ 1,960,454</u>	<u>\$ 247,138</u>	<u>\$ 325,517</u>	<u>\$ -</u>	<u>\$ 5,552,578</u>	<u>\$ 8,085,687</u>

See accompanying notes to the financial statements

ANACONDA-DEER LODGE COUNTY, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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

Net changes in fund balances - total governmental funds	\$	513,831
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. This is the amount by which capital outlays(\$1,170,975) exceeds depreciation (\$794,521) in the current period.		376,454
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred taxes and other deferred revenue increased by this amount this year.		255,385
The decrease in compensated absences is shown as an addition to payroll expense in the statement of activities.		81,788
Repayment of long-term debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.		453,820
Change in net position - statement of activities	<u>\$</u>	<u>1,681,278</u>

See accompanying notes to financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other Business-Type Activities	Totals
	Water	Sewer		
ASSETS				
<u>Current assets</u>				
Cash and investments	\$ 1,970,838	\$ 184,048	\$ 967,942	\$ 3,122,828
Accounts receivable, net	20,404	-	63,235	83,639
Taxes/assessments receivable, net	-	58,933	74,736	133,669
Due from other government	831,283	373,908	-	1,205,191
Total current assets	<u>2,822,525</u>	<u>616,889</u>	<u>1,105,913</u>	<u>4,545,327</u>
<u>Noncurrent assets</u>				
Capital assets - depreciable, net	11,118,675	3,613,849	276,445	15,008,969
Capital assets - non-depreciable	5,380,997	1,755,409	62,348	7,198,754
Total noncurrent assets	<u>16,499,672</u>	<u>5,369,258</u>	<u>338,793</u>	<u>22,207,723</u>
Total assets	<u>19,322,197</u>	<u>5,986,147</u>	<u>1,444,706</u>	<u>26,753,050</u>
LIABILITIES				
<u>Current liabilities</u>				
Accounts payable	255,544	28,247	6,902	290,693
Compensated absences	15,525	5,179	26,687	47,391
Capital liabilities	-	27,000	-	54,000
Total current liabilities	<u>271,069</u>	<u>60,426</u>	<u>33,589</u>	<u>392,084</u>
<u>Noncurrent liabilities</u>				
Compensated absences	13,225	4,412	22,734	40,371
Capital liabilities	-	797,581	-	770,581
Total noncurrent liabilities	<u>13,225</u>	<u>801,993</u>	<u>22,734</u>	<u>810,952</u>
Total liabilities	<u>284,294</u>	<u>862,419</u>	<u>56,323</u>	<u>1,203,036</u>
NET POSITION				
Net investment in capital assets	16,499,672	4,544,677	338,793	21,383,142
Restricted for debt service	-	155,403	-	155,403
Unrestricted	2,538,231	423,648	1,049,590	4,011,469
Total net position	<u>\$ 19,037,903</u>	<u>\$ 5,123,728</u>	<u>\$ 1,388,383</u>	<u>\$ 25,550,014</u>

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other	Totals
	Water	Sewer	Business-Type Activities	
Operating revenues:				
Taxes and assessments		\$ 580,372	\$ 773,840	\$ 1,354,212
Charges for services	\$ 1,127,841	-	-	1,127,841
Miscellaneous	13,230	3,576	40,213	57,019
Total operating revenues	<u>1,141,071</u>	<u>583,948</u>	<u>814,053</u>	<u>2,539,072</u>
Operating expenses:				
Personal services	347,680	60,526	488,856	897,062
Contractual services	59,979	49,848	298,548	408,375
Utilities	98,438	-	17,087	115,525
Repairs/maintenance	20,906	15,557	4,575	41,038
Other supplies and expenses	105,644	288,199	65,018	458,861
Depreciation	299,756	200,076	64,437	564,269
Total expenses	<u>932,403</u>	<u>614,206</u>	<u>938,521</u>	<u>2,485,130</u>
Operating income(loss)	<u>208,668</u>	<u>(30,258)</u>	<u>(124,468)</u>	<u>53,942</u>
Non-operating revenues (expenses)				
Investment income	1,916	157	337	2,410
Intergovernmental revenue	2,408,611	921,967	205,926	3,536,504
Debt service interest expense	-	(10,692)	-	(10,692)
Total non-operating revenues (expenses)	<u>2,410,527</u>	<u>911,432</u>	<u>206,263</u>	<u>3,528,222</u>
Income before contributions and transfers	<u>2,619,195</u>	<u>881,174</u>	<u>81,795</u>	<u>3,582,164</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Change in net position	<u>2,619,195</u>	<u>881,174</u>	<u>81,795</u>	<u>3,582,164</u>
Net position - beginning of year	16,418,708	4,242,554	1,306,588	21,967,850
Net position - end of year	<u>\$ 19,037,903</u>	<u>\$ 5,123,728</u>	<u>\$ 1,388,383</u>	<u>\$ 25,550,014</u>

See accompanying notes to the financial statements

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other Business-Type Activities	Totals
	Water	Sewer		
Cash flows from operating activities:				
Receipts from customers	\$ 1,141,070	\$ 549,683	\$ 834,547	\$ 2,525,300
Payments to suppliers	(467,708)	(328,256)	(385,680)	(1,181,644)
Payments to employees	(352,075)	(60,611)	(468,729)	(881,415)
Net cash provided by operating activities	<u>321,287</u>	<u>160,816</u>	<u>(19,862)</u>	<u>462,241</u>
Cash flows from capital and related financing activities:				
Proceeds on long term debt	-	851,581	-	851,581
Principal paid on long term debt	-	(27,000)	-	(27,000)
Interest paid on long term debt	-	(10,692)	-	(10,692)
Purchases of capital assets	(2,329,743)	(1,729,167)	(382,721)	(4,441,631)
Net cash used by capital and related financing activities	<u>(2,329,743)</u>	<u>(915,278)</u>	<u>(382,721)</u>	<u>(3,627,742)</u>
Cash flows from non-capital financing activities:				
Intergovernmental revenues	<u>2,163,534</u>	<u>548,059</u>	<u>205,926</u>	<u>2,917,519</u>
Net cash used from non-capital financing activities	<u>2,163,534</u>	<u>548,059</u>	<u>205,926</u>	<u>2,917,519</u>
Cash flows from investing activities:				
Interest income	<u>1,916</u>	<u>157</u>	<u>337</u>	<u>2,410</u>
Net cash provided by investing activities	<u>1,916</u>	<u>157</u>	<u>337</u>	<u>2,410</u>
Net increase in cash and cash equivalents	156,994	(206,246)	(196,320)	(245,572)
Cash and cash equivalents at July 1, 2013	1,813,844	390,294	1,164,262	3,368,400
Cash and cash equivalents at June 30, 2014 (1)	<u>\$ 1,970,838</u>	<u>\$ 184,048</u>	<u>\$ 967,942</u>	<u>\$ 3,122,828</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	208,668	\$ (30,258)	\$ (124,468)	\$53,942
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	299,756	200,076	64,437	564,269
Changes in assets and liabilities:				
Accounts receivable(increase)decrease	(2,023)	-	20,494	18,471
Taxes receivable(increase)decrease		(34,265)	-	(34,265)
Accounts and other payables-increase(decrease)	(185,114)	25,263	19,675	(140,176)
Net cash provided (used) by operating activities	<u>\$ 321,287</u>	<u>\$ 160,816</u>	<u>\$ (19,862)</u>	<u>\$ 462,241</u>

See accompanying notes to the financial statements

ANACONDA-DEER LODGE COUNTY, MONTANA
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,398,089	\$ 3,421,134
Taxes receivable		692,619
Interest receivable	-	-
Investments, at fair value:	-	-
Short Term Investment Pool	480,868	-
Total assets	<u>4,878,957</u>	<u>4,113,753</u>
LIABILITIES		
Accounts payable		-
Due to other governments	-	4,113,753
Total liabilities	<u>-</u>	<u>\$ 4,113,753</u>
NET POSITION		
Held in trust for:		
Individuals, organizations and other governments	4,878,957	
Total net position	<u>\$ 4,878,957</u>	

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2014

	Investment Trust Funds
ADDITIONS:	
Investment income:	
Interest	1,299
Additions to investment trust fund	439,120
Total additions	440,419
 DEDUCTIONS:	
Distributions from investment trust fund	(1,203)
Total deductions	(1,203)
Change in net position	439,216
 Net position - beginning of year	4,439,741
Net position - end of year	\$ 4,878,957

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Anaconda-Deer Lodge County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting.

Financial Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

Primary Government

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

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose government body is the same or substantially the same as the Board of Commissioners or the component unit provides services entirely to the County. These component units' funds are blended into those of the County's by appropriate activity type to compose the primary government presentation. The County has the following Blended Component Units:

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Anaconda Head Start is considered a blended component unit of the County and is reported as a special revenue fund. The County is the grantee for the Anaconda Head Start Program, therefore the grant money flows to the County and is then passed through to Head Start.

Discretely Presented Component Unit

Component units are legally separate organizations for which the County is financially accountable.

The Old Works Golf Course, Inc. is a nonprofit corporation, created by the Old Works Golf Course Authority Board (the Authority) pursuant to Amended Ordinance No. 126 of Anaconda-Deer Lodge County. The County exercises oversight responsibility in relation to the entity, therefore, the Old Works Golf Course, Inc. is considered a discretely presented component unit of the County and is presented as a column included on the government-wide financial statements. It is reported separately to emphasize that it is legally separate from the County. The Old Works Golf Course, Inc. has a reporting period calendar year end of December 31st.

Separately issued financial statements for the Golf Course may be obtained at the County's administrative offices.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

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

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Basis of Presentation

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

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Measurement Focus and Basis of Accounting

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

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

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

Major Funds

The County reports the following major governmental funds:

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Public Safety Fund — a special revenue fund that is used to account for law enforcement activities.

Fire Fund — a special revenue fund that is used to account for the County's fire district activities.

Mill Creek TIFID — a special revenue fund that is used to account for tax revenue and authorized expenditures in the Tax Incremental Financing District.

Proprietary Funds

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

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

Major Funds:

The County reports the following major proprietary funds:

Water Fund — an enterprise fund that accounts for the activities of the County's water distribution operations.

Sewer Fund — an enterprise fund that accounts for the activities of the County's sewer collection and treatment operations and includes the storm sewer system.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary fund reporting focuses on net assets. The County's fiduciary funds include a variety of agency funds and an investment trust fund.

Agency Funds- The agency funds consist of property tax funds and other miscellaneous revenues that have been collected and not yet distributed to other government agencies and districts.

External Investment Trust Fund- This fund accounts for resources held in investments on behalf of local school districts.

Fund Balances:

The objective of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions is to enhance the usefulness of fund balance information by providing clear fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The standard defines five fund balance classifications - nonspendable, restricted, committed, assigned, and unassigned. At fiscal year end, there were only nonspendable, restricted and unassigned fund balances.

- Nonspendable fund balance are resources that are not in spendable form, such as inventory or prepaid items, or those legally required to be maintained intact, such as the principal portion of permanent trust funds. Nonspendable fund balance at year end is composed only of the principal portion of a permanent trust fund.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

2. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUCEMENTS

In fiscal year 2014, the County implemented the following GASB statements:

Statement No. 65, "*Items Previously Reported as Assets and Liabilities*"- clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues and expenditures. As a result of implementing this statement, the district changed the classification of certain liabilities to deferred inflows. In the government-wide statements of activities, the County had to restate the beginning net position to account for the bond issuance costs in the amount of \$56,095, which had been previously deferred and amortized over the life of the bonds.

Restatement of Bond Issue Costs to comply with Statement No. 65, "Items Previously Reported as Assets and Liabilities:

Net position beginning of year	\$17,981,545
GASB No. 65 adjustment for bond issue costs	<u>(56,065)</u>
Net position beginning of year, as restated	<u>\$17,925,480</u>

Statement No. 66, "*Technical Corrections-2012; an amendment of GASB Statements No. 10 and No. 62*"- The implementation of this statement had no impact on the financial statements.

3. RECEIVABLES AND PAYABLES

Accounts payable and other receivable balances are due to/from suppliers, vendors, and others in the normal course of County operations.

4. USE OF RESTRICTED/UNRESTRICTED RESOURCES

When both restricted and unrestricted net position is available, Anaconda-Deer Lodge County's policy is to apply restricted position first when an expense is incurred. When both restricted and unrestricted fund balances are available, Anaconda-Deer Lodge County's policy is to apply restricted fund balances first when an expenditure is incurred.

5. USE OF ESTIMATES

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

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

6. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions. The State of Montana's pension contribution on behalf of pension participants is recorded as an intergovernmental revenue with an offsetting expenditure in the related funds.

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments may include cash and cash items; demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the County; U.S. government treasury bills, notes, bonds, and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the fund meets certain conditions, all as authorized by Montana statutes.

Anaconda-Deer Lodge County restricts investments authorized by Montana statute and has adopted a formal investment policy addressing exposure to credit risk, custodial credit risk, concentration of credit risk or interest rate risk.

In the case of 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. State statutes require that all deposits in financial institutions be 50% collateralized as outlined in Montana Code Annotated, 17-6-103. As of June 30, 2014 all deposits were fully insured and collateralized.

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

	Primary Government	Component Unit
<u>Cash on Hand and Deposits</u>		
Petty Cash	\$ 775	\$ 1,000
Cash in Banks:		
Demand Deposits	7,421,694	124,553
Time Deposits	839,545	1,016
Investments		
State Short-Term Investment Pool (STIP)	2,708,198	
Total	\$10,970,212	\$126,569

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

The checking, savings, and certificates of deposit balances for the component unit at December 31, 2013 total \$126,569. From time to time, the component unit may exceed FDIC insured limits. Deposits in excess of FDIC insured amounts are secured by financial institution deposit guaranty bonds when necessary.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

In compliance with the City and County's Investment Policy, the City and County minimized the interest rate risk, related to the decline in the market value of securities due to rising interest rates in the portfolio, by limiting the duration of the investment of security types with the expectation of securities purchases related to reserve fund, structuring the investment portfolio so that the securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market. The City and County has invested operating funds primarily in certificate of deposit or the State of Montana investment pool.

As of June 30, 2014, the government had \$2,708,198 invested in the Montana Investment Pool 2a7 like (STIP).

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Government Accounting Standards Board (GASB) Technical Bulletin No. 94-1, effective for periods ending after December 31, 1994, requires that governmental entities participating in an investment pool to disclose certain types of securities held in the pool. The County invests in the State of Montana Short Term Investment Pool (STIP). This pool has been deemed 2a7-like pool. As of June 30, 2014 all STIP securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. In accordance with STIP Investments Policy, "repurchase agreements require electronic delivery of U.S. Government Treasury collateral, priced at 102 percent of market value, to the designated State of Montana Federal Reserve Bank account." The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. STIP contained two types of investments required to be disclosed, which are asset-backed securities and variable rate securities, which are described below.

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

Corporate Asset-backed securities based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

Variable rate (floating-rate) securities have credit risk identical to similar fixed-rate securities; their interest rate risk is more sensitive to interest rate change. However, their face value may be less volatile than fixed rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield.

The State of Montana Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2014 are:

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

Amounts invested by the County in STIP may be redeemed at any date at the carrying value on that date. Additional information on the State of Montana Short-Term Investment Pool may be obtained by writing to Montana Board of Investments, Department of Commerce, 2401 Colonial Drive, 3rd Floor, Helena, Montana, 59620-0126 or by calling (406) 444-0001.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investment in the Treasurer's Pools

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

There are two types of investment trust funds reported by the Entity, pooled and individually directed investment trust funds.

The Entity has one pooled investment trust fund and it is invested in STIP, repurchase agreements, and certificates of deposit. These funds are carried at fair value.

The Entity invests funds for three external entities. These investments are reported in an individually directed investment trust fund. The investments are non-negotiable certificates of deposit and carried at cost which approximates fair value.

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

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

Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents with original maturities of three months or less from the date of acquisition.

8. RECEIVABLES/ALLOWANCES

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

8. RECEIVABLES/ALLOWANCES - CONTINUED

property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

The Ambulance Enterprise Fund has \$89,932 of Accounts Receivables at June 30, 2014. These receivables are reduced by an allowance for doubtful accounts of \$26,830.

9. INVENTORIES AND PREPAIDS

The cost of inventories is recorded as expenditures when purchased.

10. BOND ISSUANCE COSTS

Upon the adoption of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", bond issuance costs are no longer shown as a deferred charge and amortized. Beginning net position has been restated to be in conformity with the implementation of GASB No. 65.

11. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded as fair market value when received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40-50 years
Improvements	20-50 years
Equipment.....	5-20 years
Infrastructure.....	15-50 years

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

11. CAPITAL ASSETS – CONTINUED

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,385,963	\$ -	\$ -	\$ 1,385,963
Construction in Progress	34,545	160,716	(34,545)	160,716
Total capital assets not being depreciated	<u>\$ 1,420,508</u>	<u>\$ 160,716</u>	<u>\$ (34,545)</u>	<u>\$ 1,546,679</u>
Other capital assets:				
Buildings	\$ 6,034,147	\$ 129,190	\$ -	\$ 6,163,337
Improvements other than buildings	11,252,889	591,074	-	11,843,963
Machinery and equipment	4,750,518	324,540	-	5,075,058
Infrastructure	115,549	-	-	115,549
Total other capital assets at historical cost	\$ 22,153,103	\$ 1,044,804	\$ -	\$ 23,197,907
Less accumulated depreciation for:				
Buildings	(2,632,994)	(149,455)	-	(2,782,449)
Improvements other than buildings	(2,498,852)	(378,624)	-	(2,877,476)
Machinery and equipment	(4,213,969)	(263,306)	-	(4,477,275)
Infrastructure	(63,505)	(3,136)	-	(66,641)
Total accumulated depreciation	(9,409,320)	(794,521)	-	(10,203,841)
Total capital assets being depreciated	<u>12,743,783</u>	<u>250,283</u>	<u>-</u>	<u>12,994,066</u>
Total governmental capital assets	<u>\$ 14,164,291</u>	<u>\$ 410,999</u>	<u>\$ (34,545)</u>	<u>\$ 14,540,745</u>

Governmental capital assets depreciation expense was charged to functions as follows:

General government	\$90,884
Public safety	188,154
Public works	323,379
Public health	37,476
Social and economic services	2,793
Culture and recreation	<u>151,836</u>
Total governmental activities depreciation expense	<u>\$ 794,521</u>

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

11. CAPITAL ASSETS - CONTINUED

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 113,744	\$ -	\$ -	\$ 113,744
Construction in progress	-	7,051,078	-	7,051,078
Total capital assets not being depreciated	<u>\$ 113,744</u>	<u>\$ 7,051,078</u>	<u>\$ -</u>	<u>\$ 7,164,822</u>
Other capital assets:				
Buildings	\$ 4,359,435	\$ -	\$ -	\$ 4,359,435
Improvements other than buildings	119,000	-	-	119,000
Machinery and equipment	916,104	244,000	-	1,160,104
Pumping plant	596,730	-	-	596,730
Treatment plant	3,958,314	-	-	3,958,314
Transmission and distribution	17,669,583	-	(2,994,191)	14,675,392
Total other capital assets at historical cost	<u>\$ 27,619,166</u>	<u>\$ 244,000</u>	<u>\$ (2,994,191)</u>	<u>\$ 24,868,975</u>
Less accumulated depreciation for				
Buildings	(2,867,207)	(108,817)	-	(2,976,024)
Improvements other than buildings	(42,840)	(2,380)	-	(45,220)
Machinery and equipment	(826,814)	(82,347)	-	(909,161)
Pumping plant	(596,730)	-	-	(596,730)
Treatment plant	(1,810,649)	(77,451)	-	(1,888,100)
Transmission and distribution	(3,117,566)	(293,274)	-	(3,410,840)
Total accumulated depreciation	<u>(9,261,806)</u>	<u>(564,269)</u>	<u>-</u>	<u>(9,826,075)</u>
Total capital assets being depreciated	<u>18,357,360</u>	<u>(320,269)</u>	<u>(2,994,191)</u>	<u>15,042,900</u>
Total business activities capital assets	<u>\$ 18,471,104</u>	<u>\$ 6,730,809</u>	<u>\$ (2,994,191)</u>	<u>\$ 22,207,722</u>

A summary of changes in component unit's capital assets follows:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Machinery and equipment	\$ 1,347,397	\$ 35,684	\$ -	\$ 1,383,081
Furniture and fixtures	87,693	14,126	-	101,819
Office Equipment	99,691	-	-	99,691
Leasehold improvements	180,161	-	-	180,161
Vehicles	47,915	-	-	47,915
Liquor license	15,000	-	-	15,000
Total other capital assets at historical cost	<u>\$ 1,777,857</u>	<u>\$ 49,810</u>	<u>\$ -</u>	<u>\$ 1,827,667</u>
Total accumulated depreciation	<u>(1,401,792)</u>	<u>(113,600)</u>	<u>-</u>	<u>(1,515,392)</u>
Total component unit activities capital assets	<u>\$ 376,065</u>	<u>\$ (63,790)</u>	<u>\$ -</u>	<u>\$ 312,275</u>

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

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

Governmental Activities:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
General obligation bonds	\$ 1,295,000	\$ -	\$ (315,000)	\$ 980,000	\$ 130,000
Special assessment loans	90,204	-	(10,480)	79,724	11,226
Compensated absences	575,392	-	(81,788)	493,604	266,546
Intercap loans	738,721	-	(57,736)	680,985	48,730
Capital Lease	605	-	(605)	-	-
Tax increment bonds	1,845,000	-	(70,000)	1,775,000	75,000
Total	<u>\$ 4,544,922</u>	<u>\$ -</u>	<u>\$ (535,609)</u>	<u>\$ 4,009,313</u>	<u>\$ 531,502</u>

Business Type Activities:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
State revolving fund	\$ -	\$ 851,581	\$ (27,000)	\$ 824,581	\$ 27,000
Compensated absences	76,953	10,808	-	87,761	47,391
Total	<u>\$ 76,953</u>	<u>\$ 862,389</u>	<u>\$ (27,000)</u>	<u>\$ 912,342</u>	<u>\$ 74,391</u>

General Obligation Bonds – the County issues obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

General obligation bonds outstanding as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2014
Jail Construction (1)(a)	March 2001	2.5%-3.75%	20 yrs.	March 2021	\$ 2,500,000	Varies	\$ 980,000
					<u>\$ 2,500,000</u>		<u>\$ 980,000</u>

(1) Reported in the governmental activities

(a) Payment made from the Jail Construction Debt Service Fund

Interest rate terms and conditions

The Jail Construction General Obligation Bond had an original interest rate at issuance of 4.5%. This bond had been rewritten in September of 2013 thereby changing the future interest rates. These interest rates vary over the life of the bond beginning with 2.00% to a final rate prior to maturity of 2.75%. The rates over the remaining life of the bond is as follows:

2015 - 2019	2.00%	2020	2.38%
2021	2.75%		

Annual requirement to amortize general obligation bonds:

For Fiscal Year Ended	Principal	Interest
2015	\$ 130,000	\$ 21,269
2016	135,000	18,669
2017	135,000	15,968
2018	140,000	13,269
2019	145,000	10,469
2020	145,000	7,569
2021	150,000	4,125
	<u>\$ 980,000</u>	<u>\$ 91,338</u>

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

Tax Increment Bonds – on June 30, 2012, the County issued Tax Increment Industrial Infrastructure Development Revenue Bonds to provide funds for infrastructure development on the Mill Creek substation and payoff previously issued short term bonds of \$1,000,000. Future revenues from the tax increment financing district have been pledged to pay bond principal and interest as due.

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2014
Mill Creek Improvements	June, 2012	Variable	20 yrs.	Jul-32	\$ 1,915,000	Varies	\$ 1,775,000

Interest rate terms and conditions

The Tax Increment Bond had an original interest rate at issuance of 2.0%. This interest rate varies over the life of the bond to a final rate prior to maturity of 4.375%. The rate for the final year of the bond is 4.375%.

2013 - 2016	2.00%	2023 - 2025	3.75%
2017 - 2019	3.00%	2026 - 2029	4.13%
2020 - 2022	4.00%	2030 - 2032	4.38%

Annual requirement to amortize tax increment bonds:

For Fiscal Year Ended	Principal	Interest
2015	\$ 75,000	\$ 66,950
2016	75,000	65,450
2017	75,000	63,950
2018	80,000	61,700
2019	80,000	59,300
2020 - 2029	1,000,000	405,000
2030 - 2032	390,000	34,563
	<u>\$ 1,775,000</u>	<u>\$ 756,913</u>

Special Assessment Debt – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The County is obligated to levy and collect a general property tax on all taxable property in the County to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding.

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2014
Theresa Ann SID (1)(A)	August 2000	Variable	20 yrs.	July 2020	\$ 176,100	Varies	\$ 79,724
					<u>\$ 176,100</u>		<u>\$ 79,724</u>

(1) Governmental activities.

(A) Payment made by the Theresa Ann SID Debt Service Fund

Interest rate terms and conditions

The Board of Investment Loan for Street Lighting has a variable interest rate. The rate is equal to the interest rate on the Board's bonds plus up to 1.5% per year as is necessary to pay the County's share of program expenses as determined by the Board. The interest rate on the loan shall not exceed 15%. The rate in effect at 6-30-2014 was 1.95%.

The Teresa Ann SID loan is with a local bank with a variable interest rate.

For Fiscal Year Ended	Principal	Interest
2015	\$ 11,226	\$ 5,445
2016	12,025	4,646
2017	12,882	3,789
2018	13,799	2,872
2019	14,782	1,889
2020	15,010	836
Total	<u>\$ 79,724</u>	<u>\$ 19,477</u>

Loans/Contracted Debt

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2014
Courthouse Preservation(1)(A)	Jun-11	Varies	15 yrs	Aug-26	\$800,000	680,985
State Revolving Loan(2)(B)	Oct-13	3.00%	15 yrs	Jan-28	\$851,581	824,581
Total					<u>\$1,651,581</u>	<u>\$ 1,505,566</u>

(1) Governmental Activity

(2) Business Activity

(A) Payment made by the Mill Creek Debt Service Fund

(B) Payment made by the Wastewater/Sewer Fund

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

Interest rate terms and conditions

The Board of Investment loans have a variable interest rate. The rate is equal to the interest rate on the Board's bonds plus up to 1.0% per year as is necessary to pay the County's share of program expenses as determined by the Board. The interest rate on the loan shall not exceed 15%. The rate in effect at 6-30-2014 was 1.00%.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2015	\$ 48,730	\$ 6,687
2016	49,685	7,903
2017	50,658	8,105
2018	51,652	6,165
2019	52,664	6,320
2020-2026	427,596	20,085
	\$ 680,985	\$ 55,265

Total interest expense for the year ended June 30, 2014, was \$133,741 for governmental activities and \$10,692 for business-type activities.

Interest rate terms and conditions

The State Revolving loan 3% annual interest rate. The rate includes a 2% per annum interest rate; a .75% per annum administrative expense surcharge; and a .25% per annum loan loss reserve surcharge. This loan is utilized to pay off the West Valley Sewer project.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2015	\$ 59,000.00	\$ 32,230.00
2016	64,000.00	31,000.00
2017	66,000.00	29,710.00
2018	68,000.00	28,380.00
2019	70,000.00	27,010.00
2020-2028	497,581.00	168,080.00
	\$ 824,581.00	\$ 316,410.00

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

Capital Lease

Anaconda Deer Lodge County has entered into a lease agreement as lessee for financing the acquisition of four police vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore the police vehicles have been recorded at the present value of future minimum lease payments of \$111,701 as of the inception date. Accumulated depreciation for the police vehicles at June 30, 2014 totals \$111,701. The lease had been paid in full as of June 30, 2014.

Component Unit Activities:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013	Due Within One Year
Capital Leases/Loans	\$ 567,403	\$ 32,446	\$ (77,957)	\$ 521,892	\$ 377,844
Total	<u>\$ 567,403</u>	<u>\$ 32,446</u>	<u>\$ (77,957)</u>	<u>\$ 521,892</u>	<u>\$ 377,844</u>

The present value of the net minimum payment on capitalized leases as of December 31, 2013 is as follows:

Total minimum lease payments	\$ 244,404
Less amount representing interest	<u>(22,512)</u>
Present value of net minimum lease payments	221,892
Less current portion	<u>(77,844)</u>
Capitalized lease obligation, less current portion	<u>\$ 144,048</u>

Annual debt service requirements for each of the remaining years, including principal and interest, are as follows:

Year ending	Principal	Interest	Total
2014	\$ 377,844	\$ 12,083	\$ 389,927
2015	68,493	7,329	75,822
2016	68,030	2,908	70,938
2017	7,525	192	7,717
Total principal and interest	<u>\$ 521,892</u>	<u>\$ 22,512</u>	<u>\$ 544,404</u>

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

12. LONG-TERM DEBT OBLIGATIONS - CONTINUED

Compensated Absences

It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 26 percent of accumulated sick leave.

The liability associated with governmental fund-type employees is reported as a governmental activity while the liability associated with proprietary fund-type employees is recorded as a business-type activity on the Statement of Net Assets and the proprietary Balance Sheet

Subsequent Events

Anaconda/Deer Lodge County certified a resolution on September 17, 2013 authorizing the issuance of \$1,652,000, Series 2013, Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program). As of June 30, 2014 the County had drawn down and incurred a liability of \$824,581.

Subsequent to the fiscal year end date of June 30, 2014 the County drew down an additional \$118,097. They are allowed an additional \$709,322 for the project for a total potential loan of \$1,652,000.

13. INTERFUND TRANSFERS

Interfund Transfers

Transfers are used to move receipts restricted for debt service from the funds collecting the receipts to the debt service funds, to move unrestricted revenues to finance various expenditures, and to pay for various administrative functions.

Anaconda-Deer Lodge County had the following intergovernmental transfers as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

13. INTERFUND TRANSFERS - CONTINUED

Transfers To:

General Fund	\$ 1,012,475
Public Safety	40,000
Nonmajor Governmental	<u>1,312,952</u>

Total Transfer To: \$ 2,365,427

Transfers From:

General Fund	\$ 10,000
Fire Fund	200,000
Mill Creek TIFID	1,666,564
Nonmajor Governmental	<u>488,863</u>

Total Transfer From: \$ 2,365,427

14. STATE-WIDE RETIREMENT PLANS

Plan description and Provisions – All Anaconda-Deer Lodge County full-time employees participate in one of three state-wide cost-sharing multiple-employer retirement benefit plans administered by the Montana Public Employee Retirement Agency (MPERA). Contributions to the plans are as required by state statute. The MPERA issues a Comprehensive Annual Financial Report for all State of Montana Retirement Systems. That report may be obtained by writing to MPERA at 1712 9th Avenue, PO Box 200131, Helena, Montana 59620-0131, or by calling (406) 444-3154.

Information about the three plans Anaconda-Deer Lodge County participates in is presented below:

Public Employees' Retirement System (PERS)

All Anaconda-Deer Lodge County employees, except firefighters and police officers, are provided pension benefits by this plan.

The PERS is a statewide retirement plan established in 1945 and governed by Title 19, chapters 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the MPERA.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

14. STATE-WIDE RETIREMENT PLANS – CONTINUED

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number years of service times the final average salary. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

The Board of Directors for MPERA issues a publicly available financial report that includes financial statements and required supplementary information for MPERA. That report is available from the MPERA at 1712 9th Avenue, PO Box 200131, Helena, Montana 59620-0131, or by calling (406) 444-3154.

The State Legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 7.9% of their monthly compensation and the local government is required to contribute the same 8.07% of the member's compensation. Anaconda-Deer Lodge County's contributions to this plan for the years ended June 30, 2014, 2013 and 2012 were \$262,782, \$205,329, and \$198,268, respectively, equal to the required contributions for each year.

The State of Montana on behalf of Anaconda-Deer Lodge County contributed .10% of the covered wages to the Public Employees Retirement System. The on behalf payment for fiscal year ended June 30, 2014 was \$3,138. The financial statements do not reflect the related revenue and expenditure for this on behalf payment.

Firefighters' Unified Retirement System (FURS)

The Firefighters' Unified Retirement System (FURS) was established in 1981 and governed by Title 19; Chapter 13 of the Montana Code Annotated provides retirement services for fully paid firefighters. FURS is a mandatory multiple-employer, cost sharing plan by the Public Employees' Retirement Division (PERD).

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

14. STATE-WIDE RETIREMENT PLANS - CONTINUED

The FURS offers retirement, disability and death benefits to plan members and their beneficiaries. A member may retire with a normal retirement benefit after completing 20 years of service, regardless of age. The monthly service retirement benefit, for members hired before July 1, 1981 is equal to ½ of the last monthly compensation received. An additional amount equal to 2% of the last monthly compensation earned for each year in excess of 20 years can be received.

For those hired on or after July 1, 1981, the retirement allowance is equal to 2% of the final average compensation for each year of service. Postretirement benefits are 50% of a current firefighter's salary. Rights become vested after ten years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

The State Legislature has the authority to establish and amend contribution rates to the plan. Plan members with a hire date prior to July 1, 1997 under the 1997 State Legislature had the option to elect to stay under the existing FURS plan or by December 31, 1997 could elect the amended plan, which contains a guaranteed Annual Benefit Adjustment (GABA). All employees hired after July 1, 1997 are under the amended FURS plan. Plan members not electing GABA are required to contribute 9.50% of their monthly compensation. Plan members electing GABA and those employees hired after July 1, 1997 are required to contribute 10.70% of their monthly compensation. The local government is required to contribute 14.36% of the member's compensation. Anaconda-Deer Lodge County's contributions to this plan for the years ended June 30, 2014, 2013 and 2012 were \$71,193, \$66,392, and \$62,574 respectively, equal to the required contributions for each year.

The State of Montana on behalf of Anaconda-Deer Lodge County contributed 32.61% to FURS. The on behalf payment for fiscal year ended June 30, 2014 was \$155,353. The financial statements reflect the related revenue and expenditures for this on behalf payment.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

14. STATE-WIDE RETIREMENT PLANS - CONTINUED

Municipal Police Officers' Retirement System (MPORS)

The Municipal Police Officers' Retirement System (MPORS) was established in 1975 and governed by Title 19, chapters 2 & 9 of the Montana Code Annotated and covers all municipal police officers of cities covered by the plan. MPORS is a mandatory multiple-employer, cost sharing benefit plan administered by the Public Employees' Retirement Division (PERD).

The MPORS offers retirement, disability and death benefits to plan members and their beneficiaries. Minimum years of service are 20 for benefit eligibility. The retirement benefit is calculated as follows: 2.5% Final Average Salary x Years of Service. Any officers meeting the service year retirements shall receive 1/2 of the final average salary. Rights become vested after 10 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

The State Legislature has the authority to establish and amend contribution rates to the plan. Plan members with a hire date prior to July 1, 1997 under the 1997 State Legislature had the option to elect to stay under the existing MPORS plan or by December 31, 1997 could elect the amended plan which contains a Guaranteed Annual Benefit Adjustment (GABA). All employees hired after July 1, 1997 are under the amended MPORS plan.

Plan members not electing GABA are required to contribute 5.80% (for members prior to July 1, 1975), 7% (for members hired between July 1, 1975 and June 30, 1979) and 8.5% (for members hired on and after July 1, 1979) of their monthly compensation. Plan members electing GABA and those employees hired after July 1, 1997 are required to contribute 9% of their monthly compensation. Employers are required to contribute 14.41% of member's compensations. Anaconda-Deer Lodge County's contributions to this plan for the years ended June 30, 2014, 2013 and 2012 were \$132,944, \$123,297, and \$125,508, respectively, equal to the required contributions for each year.

The State of Montana on behalf of Anaconda-Deer Lodge County contributed 29.37% to MPORS. The on behalf payment for fiscal year ended June 30, 2014 was \$260,868. The financial statements reflect the related revenue and expenditures for this on behalf payment.

Sheriff's Retirement System (SRS)

The Sheriff's Retirement System (SRS) was established in 1974 and governed by Title 19; Chapter 7 of the Montana Code Annotated covers all persons employed as sheriffs. SRS is a mandatory multiple-employer, cost sharing benefit plan administered by the Public Employees' Retirement Division (PERD).

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

14. STATE-WIDE RETIREMENT PLANS - CONTINUED

The SRS offers retirement, disability, and death benefits to plan members and their beneficiaries. Minimum years of service are 20 regardless of age for a normal retirement benefit. The service retirement is calculated as follows: 2.0834% of the final salary for each year of creditable service; members with more than 24 years of service shall receive an additional 1.35% of the final average salary for each year of creditable service in excess of 24 years. After 10 years of service, an employee has vested right to service retirement benefits. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

The State Legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 9.245% of monthly compensation and employers are required to contribute 10.115% of members' compensation. The County began contributing in 2007 and contributions to this plan for the years ended June 30, 2014, 2013 and 2012 were \$24,495, \$23,333, and \$20,345, respectively.

15. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

16. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

17. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage and professional liabilities.

Employee medical insurance is provided by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

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

In February 1990, the Trust issued \$7,645 million in tax exempt bonds to provide aggregate excess coverage and resources for previously unfunded liabilities. The County signed a note with the Trust for \$169,796, its pro rata share of the debt, in order to help secure the bonds. Most of the debt service on the bonds is expected to be paid through interest earnings on bond proceeds and premiums and assessments from the participant counties. The County, has therefore, elected not to record this potential liability as a long-term liability in its accounting records and report it as such in its financial statements.

Audited financial statements for fiscal year ended September 30, 2012 are available from the Montana Association of Counties Workers' Compensation Trust.

The County provided medical insurance coverage through a private insurance carrier. The County contributes up to \$576 toward the employee's premium costs. The County's contribution is based on the number of hours worked during the month for each employee.

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2014

18. PENDING LITIGATION

Anaconda-Deer Lodge County presently has several cases pending against the government. Any damages awarded would be covered by the government's insurance. There are several claims filed against Anaconda-Deer Lodge County with unstated damages. These claims are in the initial stages of discovery and no reasonable estimate of Anaconda-Deer Lodge County's potential liability can be made at this time.

19. EXTERNAL INVESTMENT POOL

Anaconda-Deer Lodge maintained an external investment pool for entities outside of the reporting entity for fiscal year ending June 30, 2014.

The pool consists of investments in time deposits, repurchase agreement and in the State of Montana Investment Pool, which has been deemed 2a7 like. Therefore, on June 30, 2014 these investments are at amortized cost. On June 30, 2014 the pooled investment's fair value was \$13,856,398. In the State of Montana there is no regulatory oversight for this pool of investments.

A separately issued report exists for the external investment pool maintained by Anaconda-Deer Lodge. This report can be obtained by writing to Anaconda-Deer Lodge County, Clerk & Recorder, Anaconda, Montana, or by calling (406) 563-4060.

20. DEFICIT FUND BALANCES

At June 30, 2014, the following funds had a deficit fund balance resulting from expenditures/expenses in excess of revenues during 2014 and prior years:

Fund	Deficit
Nonmajor Special Revenue Funds:	
Public Health Vaccine	\$ 2,600
Library	8,679

The deficit fund balances will be eliminated by the next fiscal year's revenue and grants.

21. COMMITMENTS

The County is committed to an improvement project for the West Valley Sewer System with a total expected cost for the project of \$3,629,141. \$1,862,336 has been completed as of fiscal year end leaving approximately \$1,766,805 still remaining to complete the project. This project is being financed with a STAG Grant, State Revolving Loan, TSEP Planning Grant and City Sewer User Fees.

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2014

21. COMMITMENTS-CONTINUED

Anaconda-Deer Lodge County is contingently responsible for \$375,450 through the State Revolving Loan and \$534,460 from City Sewer User Fees to complete the project.

REQUIRED SUPPLEMENTAL INFORMATION

ANACONDA-DEER LODGE COUNTY, MONTANA
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<u>Resources (inflows):</u>				
Taxes and assessments	\$ 1,022,270	\$ 1,022,270	\$ 1,052,748	\$ 30,478
Licenses and permits	87,700	87,700	78,941	(8,759)
Intergovernmental	775,608	775,608	983,721	208,113
Charges for services	260,293	260,293	260,978	685
Fines and forfeitures	126,000	126,000	130,015	4,015
Miscellaneous	81,580	81,580	98,850	17,270
Investment earnings	2,000	2,000	1,070	(930)
Amounts available for appropriation	<u>2,355,451</u>	<u>2,355,451</u>	<u>2,606,323</u>	<u>250,872</u>
<u>Charges to appropriations (outflows):</u>				
<u>Current:</u>				
General government	2,442,941	2,442,941	2,131,228	311,713
Public safety	81,816	81,816	59,695	22,121
Public works	30,540	30,540	22,911	7,629
Public health	528,452	378,452	369,045	9,407
Social and economic services	96,088	96,088	75,031	21,057
Culture and recreation	487,565	487,565	321,923	165,642
Debt service-principal	-	-	-	-
Debt service-interest	-	-	-	-
Capital outlay	81,071	81,071	119,460	(38,389)
Total charges to appropriations	<u>3,748,473</u>	<u>3,598,473</u>	<u>3,099,293</u>	<u>499,180</u>
Excess(deficiency) of revenues over expenditures	(1,393,022)	(1,243,022)	(492,970)	750,052
<u>Other Financing Sources (uses)</u>				
Transfers in	782,613	782,613	782,613	-
Transfers out	(89,262)	(89,262)	(10,000)	79,262
Total other financing sources(uses)	<u>693,351</u>	<u>693,351</u>	<u>772,613</u>	<u>79,262</u>
Net change in fund balance			279,643	
Fund balance July 1, 2013			<u>1,657,369</u>	
Fund balance June 30, 2014			<u>\$ 1,937,012</u>	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Public Safety			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
<u>Resources (inflows):</u>				
Taxes and assessments	\$ 1,096,415	\$ 1,096,415	\$ 1,048,012	\$ (48,403)
Licenses and permits	-	-	-	-
Intergovernmental	505,893	505,893	593,429	87,536
Charges for services	20,000	20,000	28,546	8,546
Fines and forfeitures	500	500	753	253
Miscellaneous	-	-	420	420
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>1,622,808</u>	<u>1,622,808</u>	<u>1,671,160</u>	<u>48,352</u>
<u>Charges to appropriations (outflows):</u>				
<u>Current:</u>				
General government	-	-	-	-
Public safety	1,451,918	1,546,262	1,444,805	101,457
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service-principal	-	-	605	(605)
Debt service-interest	-	-	15	(15)
Capital outlay	-	-	94,344	(94,344)
Total charges to appropriations	<u>1,451,918</u>	<u>1,546,262</u>	<u>1,539,769</u>	<u>6,493</u>
Excess(deficiency) of revenues over expenditures	170,890	76,546	131,391	54,845
<u>Other Financing Sources (uses)</u>				
Transfers in	-	40,000	40,000	-
Transfers out	(30,000)	(30,000)	-	30,000
Total other financing sources(uses)	<u>(30,000)</u>	<u>10,000</u>	<u>40,000</u>	<u>30,000</u>
Net change in fund balance			171,391	
Fund balance July 1, 2013			<u>75,747</u>	
Fund balance June 30, 2014			<u>\$ 247,138</u>	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Fire Fund			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
<u>Resources (inflows):</u>				
Taxes and assessments	\$ 612,724	\$ 612,724	\$ 579,384	\$ (33,340)
Intergovernmental	118,916	118,916	230,169	111,253
Charges for services	300	300	600	300
Miscellaneous	500	500	1,577	1,077
Investment earnings	100	100	63	(37)
Amounts available for appropriation	<u>732,540</u>	<u>732,540</u>	<u>811,793</u>	<u>77,913</u>
<u>Charges to appropriations (outflows):</u>				
General government	-	-	-	-
Public safety	496,923	496,923	460,034	36,889
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>496,923</u>	<u>496,923</u>	<u>460,034</u>	<u>36,889</u>
Excess of revenues over expenditures	<u>235,617</u>	<u>235,617</u>	<u>351,759</u>	<u>41,024</u>
<u>Other Financing Sources (uses)</u>				
Transfers in	-	-	-	-
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balance			151,759	
Beginning fund balance July 1, 2013			<u>173,758</u>	
Ending fund balance June 30, 2014			<u>\$ 325,517</u>	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Mill Creek TIFID			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
<u>Resources (inflows):</u>				
Taxes and assessments	\$ 3,325,104	\$ 3,505,557	\$ 3,505,557	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>3,325,104</u>	<u>3,505,557</u>	<u>3,505,557</u>	<u>-</u>
<u>Charges to appropriations (outflows):</u>				
Current:				
General government	-	-	1,838,993	(1,838,993)
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service-principal	-	-	-	-
Debt service-issuance costs	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>1,838,993</u>	<u>(1,838,993)</u>
Excess of revenues over expenditures	<u>3,325,104</u>	<u>3,505,557</u>	<u>1,666,564</u>	<u>(1,838,993)</u>
Other Financing Sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(3,325,104)</u>	<u>(3,505,557)</u>	<u>(1,666,564)</u>	<u>1,838,993</u>
Total other financing sources	<u>(3,325,104)</u>	<u>(3,505,557)</u>	<u>(1,666,564)</u>	<u>1,838,993</u>
Net change in fund balance			-	
Beginning fund balance July 1, 2013			<u>-</u>	
Ending fund balance June 30, 2014			<u>\$ -</u>	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2014

1. BASIS OF ACCOUNTING

Budgeted inflows and outflows and actual revenues and expenditures are determined in accordance with U.S. generally accepted accounting principles.

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP

Adjustments necessary to reconcile the fund financial statements to the budgetary comparison schedule for the Major Special Revenue Fund Public Safety are as follows:

General Fund:

Modified Accrual Basis Revenues	\$2,633,803
Non General Fund Revenues	(24,341)*
State of Montana On-Behalf Payments	<u>(3,138)</u>
Budgetary basis revenues	<u>\$2,606,323</u>
Modified Accrual Basis Expenditures	\$3,333,193
Non General Fund Expenditures	(230,762)*
State of Montana On-Behalf Payments	<u>(3,138)</u>
Budgetary basis expenditures	<u>\$3,099,293</u>

*In accordance with GASB 54, special revenue funds without a restricted revenue source are reported in the General Fund on the modified accrual basis.

Public Safety:

Modified Accrual Basis Revenues	\$1,932,028
State of Montana On-Behalf Payments (MPORS)	<u>(260,868)</u>
Budgetary basis revenues	<u>\$1,671,160</u>
Modified Accrual Basis Expenditures	\$1,800,637
State of Montana On-Behalf Payments (MPORS)	<u>(260,868)</u>
Budgetary basis expenditures	<u>\$1,539,769</u>

ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2014

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP - CONTINUED

Fire Fund:

Modified Accrual Basis Revenues	\$889,469
State of Montana On-Behalf Payments	<u>(77,676)</u>
 Budgetary basis revenues	 <u>\$811,794</u>
 Modified Accrual Basis Expenditures	 \$537,710
State of Montana On-Behalf Payments	<u>(77,676)</u>
 Budgetary basis expenditures	 <u>\$460,0034</u>

2. EXCESS OF EXPENDITURES AND TRANSFERS OUT OVER AND (UNDER) APPROPRIATIONS

The Major Special Revenue Fund Mill Creek TIFID has expenditures in excess of appropriations by \$1,838,993 and transfers out under appropriations by \$1,838,993.

SUPPLEMENTARY INFORMATION

ANACONDA-DEER LODGE COUNTY, MONTANA
ESTIMATED REVENUE AVAILABLE TO PAY DEBT SERVICE,
DEBT SERVICE REQUIREMENTS AND COVERAGE
JUNE 30, 2014

Revenue Available and Debt Service Coverage

The District was created pursuant to Ordinance No. 212-B adopted by the Board of County Commissioners on June 16, 2009, and as may be supplemented or amended (the "Ordinance"), which includes the Industrial Infrastructure Plan (the "Plan") for the District. The County approved the Mill Creek Project pursuant to the Ordinance, which also contains a tax increment financing provision in accordance with the Act. In accordance with the Ordinance and the Act, the 2012 Bonds will be authorized pursuant to a bond resolution to be adopted by the Board of County Commissioners on or about June 19, 2012 (the "Bond Resolution").

The District's base year is the tax year beginning January 1, 2008. The base taxable value of the District is \$909,339. The availability of Tax Increment to pay principal of and interest on the 2012 Bonds is estimated and is based on the estimated total tax year 2012 (fiscal year 2012/13) collections of approximately \$3,505,500 of which \$3,505,500 had been collected as of June 30, 2014. (See "TAX INCREMENT FINANCING INDUSTRIAL DISTRICT NO.2 – Uses in the District" herein.)

Based on the estimated debt service table on the following page, maximum annual debt service is expected to be \$142,063. Estimated coverage of maximum annual debt service is 27.58 times. This assumed coverage does not include investment earnings or assumed growth rate for property valuation in the District.

Debt Service Requirements

The amount of principal and the estimated interest (giving effect to mandatory sinking fund redemption) payable on the Bonds (interest payable on January 1 and July 1), are shown below and estimated to be as follows.

Based on the total estimated tax increment for tax year 2014 (fiscal year 2013/14) of \$3,505,500, debt service coverage is estimated to exceed 27.00 times for the Bonds. This assumed coverage does not include investment earnings or change in property valuation in the District.

ANACONDA-DEER LODGE COUNTY, MONTANA
ESTIMATED REVENUE AVAILABLE TO PAY DEBT SERVICE,
DEBT SERVICE REQUIREMENTS AND COVERAGE - CONTINUED
JUNE 30, 2013

Debt Service Requirements – CONTINUED

2012 Bonds			
Fiscal Year (Ending June 30)	Principal	Interest	Aggregate Debt Service
2014	70,000	68,350	138,350
2015	75,000	66,950	141,950
2016	75,000	65,450	140,450
2017	75,000	63,950	138,950
2018	80,000	61,700	141,700
2019	80,000	59,300	139,300
2020	85,000	56,900	141,900
2021	85,000	53,500	138,500
2022	90,000	50,100	140,100
2023	95,000	46,500	141,500
2024	95,000	42,938	137,938
2025	100,000	39,375	139,375
2026	105,000	35,625	140,625
2027	110,000	31,294	141,294
2028	115,000	26,756	141,756
2029	120,000	22,012	142,012
2030	125,000	17,063	142,063
2031	130,000	11,594	141,594
2032	135,000	5,906	140,906
Total	\$ 1,845,000	\$ 825,263	\$ 2,670,263

Value of Property in the District and Collection of Tax Increment

Property is to be appraised at its market value. A portion of the appraised market value that is phased in during each of the six-year appraisal cycles is exempt from taxation. In tax year 2013 (fiscal year 2013/14), 45.5% of Class Four property, which is residential property, is exempt from taxation (the "homestead exemption") and for commercial property the tax year 2013 (fiscal year 2013/14) exemption is 20.3% (the "comstead exemption"). (See "THE ACT AND THE PROPERTY TAX SYSTEM – The Montana Property Tax System – Classification, Exemption and Tax Rates" herein.)

The certified base valuation of the District is \$909,339 and the certified taxable value for fiscal year 2013/14 is \$6,455,411. The Incremental Value for fiscal year 2013/14 is \$5,546,072.

ANACONDA-DEER LODGE COUNTY, MONTANA
ESTIMATED REVENUE AVAILABLE TO PAY DEBT SERVICE,
DEBT SERVICE REQUIREMENTS AND COVERAGE - CONTINUED
JUNE 30, 2014

Value of Property in the District and Collection of Tax Increment – CONTINUED

Fiscal Year	Total Taxable Value	Incremental Value	Mill Creek Tax Increment Property Tax Collections
Base Value			
2008/09	\$ 909,339	\$ -	\$ -
2009/10	1,157,884	248,547	161,338
2010/11	3,854,429	2,945,090	1,516,117
2011/12	6,757,891	5,848,552	3,918,586*
2012/13	7,004,061	6,094,722	3,377,468
2013/14	6,455,411	5,546,072	3,505,500

Property Tax Levies in the District

The property taxes levied, expressed in mills, by the Taxing Bodies levying property taxes within the District for each of the five fiscal years ended June 30, 2009 through June 30, 2013 were as described in the following table.

Taxing Entity	2009/10	2010/11	2011/12	2012/13	2013/14
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00
Anaconda Deer Lodge County	289.18	149.28	301.13	279.57	293.97
Cemetery District	31.85	25.01	33.78	34.25	35.17
Countywide School Levy	82.95	88.62	80.87	91.13	82.31
Anaconda Elementary District	136.19	143.50	137.42	132.69	139.17
Anaconda High School District	68.81	69.04	67.12	66.11	71.94
Total	648.98	515.45	660.32	643.75	662.56
University Millage*	6.00	6.00	6.00	6.00	6.00

*Exempt from tax increment.

Mill Creek Industrial Tax Increment Financial Summary

The following table is a summary of the statements of revenues collected, expenditures paid, and changes in the fund balance for the Mill Creek Industrial Tax Increment District Fund for the fiscal year ended June 30, 2014.

ANACONDA-DEER LODGE COUNTY, MONTANA
ESTIMATED REVENUE AVAILABLE TO PAY DEBT SERVICE,
DEBT SERVICE REQUIREMENTS AND COVERAGE - CONTINUED
JUNE 30, 2014

Mill Creek Industrial Tax Increment Financial Summary – CONTINUED

	Audited 2013/14
Revenues:	
Taxes & Assessments	\$ 3,505,557
Intergovernmental	\$ -
Total Revenue	\$ 3,505,557
 Expenditures:	
General government	\$ 1,500
Debt service	138,850
Capital outlay	-
Total Expenditures	\$ 140,350
Excess of Revenues over (under) Expenditures	\$ 3,365,207
Other Financing Sources (Uses)	(3,365,207)
Fund Balance, July 1	-
Fund Balance, June 30	\$ -

The Tax Increment district's Top 10 Largest Taxpayers and Taxable Value of Property for each

			2013/14	2013/14	Percent of
Owner	# of Parcels	Type of Property/Business	Taxable Market Value	Taxable Value	District Taxable Value
Northwestern Energy	3	Utility	\$125,693,828	\$8,623,248	36.44%
Arco Environmental	1	Superfund Site Remediation	\$ 14,672,447	\$ 473,329	2.00%
Qwest Corporation	1	Telecommunication	\$ 4,346,625	\$ 260,796	1.10%
Pacificorp	1	Utility	\$ 2,131,172	\$ 255,741	1.08%
BNSF Railway	1	Railroad	\$ 7,148,636	\$ 242,338	1.02%
Idaho Power Company	1	Utility	\$ 1,941,914	\$ 233,030	0.98%
Jordan Contracting Inc	1	Construction	\$ 5,969,298	\$ 159,079	0.67%
Bresnan Communications	1	Telecommunication	\$ 1,885,253	\$ 113,115	0.48%
Rarus Railway Company	1	Railroad	\$ 2,971,875	\$ 100,746	0.43%
Verizon Wireless	1	Telecommunication	\$ 1,713,616	\$ 102,817	0.43%

SINGLE AUDIT SECTION

**ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance		Federal Revenue	Match/Other Revenue	Federal Expenditures	Match/Other Expenditure	Ending Balance
				July 1, 2013	June 30, 2014					
U.S. Department of Agriculture										
<i>Passed through the Montana Department of Public Health</i>										
Child and Adult Care Food Program	10.558		50,000	0	0	28,335		28,335		0
Special Supplement Food Program for Women, Infants and Children (WIC)	10.557	13-07-5-21-006-0	85,436	0	0	31,655		31,655		0
	10.557	14-07-5-21-006-0	89,553	0	0	73,148		73,148		0
<i>Passed through the Montana State Auditor:</i>										
Forest Reserve	10.665			0	0	130,164		130,164		0
Taylor Grazing Act				0	0	90		90		0
Total U.S. Department of Agriculture				0	0	283,391	0	283,391	0	0
U.S. Department of Housing and Urban Development										
<i>Passed through the Montana Department of Commerce:</i>										
Housing Economic Recovery Act	14.228		1,207,995	0	0	169,250		169,250		0
Total U.S. Department of Housing and Urban Development				0	0	169,250	0	169,250	0	0
U.S. Department of Justice										
<i>Passed through the Montana Board of Crime Control:</i>										
Victim/Witness	16.575	13-V01-91460	29,893	0	0	29,893	17,218	29,893	17,218	0
Total U.S. Department of Justice				0	0	29,893	17,218	29,893	17,218	0
U.S. Department of Homeland Security										
<i>Passed through MT Department of Military Affairs:</i>										
Disaster and Emergency Services	97.047	PDMC-PL-08-MT-2010-007	23,116	0	0	14,854	0	14,854	0	0
Total U.S. Department of Homeland Security				0	0	14,854	0	14,854	0	0
U.S. Department of Public Health and Human Services										
<i>Direct:</i>										
Head Start	93.600	08CH0029/41	606,142	0	0	392,063		392,063		0
Head Start	93.600	08CH0029/42	647,243	0	0	267,385		267,385		0
<i>Passed through the Montana Department of Health and Human Services:</i>										
Immunization	93.268	13-07-4-31-012-0	4,893	0	0	2,447		2,447		0
Immunization - Special Billing	93.268	14-07-4-31-012-0	4,893	0	0	2,447		2,447		0
Maternal & Child Health Services	93.268	14-07-4-31-159-0	10,600	0	0	7,950		7,950		0
Maternal & Child Health Services	93.994	14-07-5-01-012-0	10,034	0	0	9,798		9,798		0
Domestic Preparedness	93.069	14-07-6-11-016-0	30,264	0	0	23,453		23,453		0
Montana Tobacco Use Prevention		14-07-3-31-062-0	91,020	0	0	77,691		77,691		0
Maternal, Infant and Early Childhood Home Visiting (MIECHV) - Best Beginning		13-07-5-31-041-0	42,987	0	0	11,899		11,899		0
Maternal, Infant and Early Childhood Home Visiting (MIECHV) - Expansion & Service Delivery		14-07-5-01-081-0	168,887	0	0	1,687		1,687		0
Total U.S. Department of Public Health and Human Services				0	0	796,818	0	796,817	0	1
United States Environmental Protection Agency										
<i>Direct:</i>										
Anacosta Superfund Cooperative Agreement	66.802		576,434	0	0	480,165		480,165		0
Total U.S. Department of Environmental Quality				0	0	480,165	0	480,165	0	0
United States Department of Transportation										
<i>Direct:</i>										
AIP 3-30-0002-016-2013	20.106		243,000	0	0	100,406		100,406		0
<i>Passed through Montana Department of Transportation:</i>										
ADLC Parks and Trails Project	20.205	Control #6636		0	0	57,870		57,870		0
Total U.S. Department of Transportation				0	0	158,276	0	158,276	0	0
Total Federal Assistance						1,912,647	17,218	1,912,646	17,218	1

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ANACONDA-DEER LODGE COUNTY, MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Anaconda Deer Lodge County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



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Shareholders

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Richard L. Tamblin, CPA
Patrick J. Burt, CPA
Michael E. Johns, CPA
Robert L. Bristol, CPA
Debbie A. Ouellette, CPA, MBA
James A. McKenzie, CPA
Nancy A. Clark, CPA

CPA's

Michael J. Blakeley
John E. Boyce
Kyle T. McGree
Craig C. Tippet
David P. Petroni

Founder

John N. Newland, CPA
(1906-1999)

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

Council of County Commissioners
Anaconda-Deer Lodge County
Anaconda, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Anaconda-Deer Lodge County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Anaconda-Deer Lodge County's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Findings 14-1, 14-2, 14-3, 14-4, 14-5, and 14-6.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Anaconda-Deer Lodge County, Montana in the schedule of findings and questioned costs as Finding 14-7, 14-8 and 14-9.

Anaconda Deer Lodge County's Response to Findings

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

Purpose of this Report

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

Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
March 25, 2015



Newland and Company

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James A. McKenzie, CPA
Nancy A. Clark, CPA

CPA's

Michael J. Blakeley
John E. Boyce
Kyle T. McGree
Craig C. Tippett
David P. Petroni

Founder

John N. Newland, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of County Commissioners
Anaconda-Deer Lodge County
Anaconda, Montana

Report on Compliance for Each Major Federal Program

We have audited Anaconda-Deer Lodge County, Montana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Anaconda-Deer Lodge County's major federal programs for the year ended June 30, 2014. Anaconda-Deer Lodge County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaconda-Deer Lodge County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Butte-Silver Bow's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Anaconda-Deer Lodge County's compliance.

Basis for Qualified Opinion on Anaconda Superfund Cooperative Agreement

As described in the accompanying schedule of findings and questioned costs as Finding 14-6, Anaconda-Deer Lodge County did not comply with reporting requirements regarding the Anaconda Superfund Cooperative Agreement CFDA 66.802. Compliance with such requirements is necessary, in our opinion, for Anaconda-Deer Lodge County to comply with the requirements applicable to that program.

Qualified Opinion on Anaconda Superfund Cooperative Agreement

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Anaconda-Deer Lodge, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Anaconda Superfund Cooperative Agreement CFDA 66.802 for the year ended June 30, 2014.

Unmodified Opinion on Each of the other Major Federal Programs

In our opinion, Anaconda-Deer Lodge County, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Anaconda-Deer Lodge County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Anaconda-Deer Lodge County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anaconda-Deer Lodge County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-1, 14-4, 14-5, and 14-6.

Anaconda-Deer Lodge County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Anaconda-Deer Lodge County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
March 25, 2015

ANACONDA-DEER LODGE COUNTY, MONTANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified, not considered to be material weaknesses?	
Findings are discussed in the schedule as 14-1, 14-2, 14-3, 14-4, 14-5 and 14-6.	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified, not considered to be material weaknesses?	Yes
Findings are discussed in the schedule as Finding 14-1, 14-4, 14-5 and 14-6.	
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section.510(a)? Finding 14-6	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Cluster
66.802	Anaconda Superfund Cooperative Agreement

Dollar threshold used to distinguish between Type A And Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	No
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ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS
INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

14-1 Draft financial statements, notes and schedules prepared by Auditor

Condition:

While the auditor maintained independence under the AICPA Ethics Interpretation of 101-3, Performance of Non-Attest Services, the auditor assisted in the preparation of draft financial statements, notes and Schedule of Federal Awards and supplementary schedules.

Criteria:

Generally accepted auditing standards require that financial statements be a product of a financial reporting system that offers reasonable assurance that the management is able to produce financial statements that are in accordance with generally accepted accounting principles.

Effect:

A significant deficiency is a deficiency that is less severe than a material weakness yet important enough to merit attention by those charged with governance. Substantial improvement has been made in the County's financial reporting process, however, the auditor still assists in the preparation of draft financial statements and notes and supplementary schedules.

Cause:

The auditor assists in the preparation of the financial statements, notes and supplementary schedules.

Recommendation:

We recommend that the County continue to improve their financial reporting process.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED
INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

14-2 Balances and accounts in the Trust and Agency Funds in the computerized financial reporting package are not accurate

Condition:

There are numerous instances of inaccurate accounts and balances in the Trust and Agency Funds within the computerized financial reporting software.

Criteria:

Generally accepted auditing standards require that financial statements be a product of a financial reporting system that offers reasonable assurance that the management is able to produce financial statements that are in accordance with generally accepted accounting principles.

Effect:

The computerized financial reporting system is not able to generate an accurate Statement of Fiduciary Net Position or the Statement of Changes in Fiduciary Net Position.

Cause:

There has been activity recorded in accounts that are not applicable to trust and agency funds or entries made that have not been corrected.

Recommendation:

While management was able to produce auditable statements for the Trust and Agency Funds, we recommend that the County improve their financial reporting process by correcting inaccurate accounts and balances within the financial reporting software.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED
INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

14-3 Instances of expenditures in excess of appropriations

Condition:

We noted instances of expenditures in excess of appropriations in budgeted funds.

Criteria:

Montana law requires that expenditures from budgeted funds be limited to appropriations.

Effect:

A significant deficiency in internal control exists in that expenditures exceeded appropriations in some budgeted funds.

Cause:

Expenditures exceeded appropriations due to miscalculations in setting the fiscal year budgets or not adhering to the budgets that were adopted.

Recommendation:

We recommend that the County restrict expenditures to appropriations per the adopted budgets and Montana law.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED

INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

14-4 Segregation of Duties

Condition:

Cash receipting duties are not segregated in the following departments:

- JP Court
- Law Enforcement
- Parks and Recreation
- Clerk of Court
- Water Department

Criteria:

An adequate system of internal controls provides for a proper segregation of the accounting functions. The duties of receiving cash, recording them into the accounting records, and reconciling the records should be segregated.

Effect:

Risk of misappropriation of County assets and inaccurate financial records as a result of errors or fraud.

Cause:

Limited personnel in the departments.

Recommendation:

Management should review the current assignment of accounting functions in all of the departments and segregate to the extent possible the duties of receiving cash, recording them into the accounting records, and reconciling the records.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED

INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

14-5 Physical Inventory - Fixed Assets

Condition:

Anaconda-Deer Lodge County has performed a physical inventory of fixed assets but has not compared the physical inventory to existing detailed records of fixed assets.

Criteria:

Detailed fixed asset records must be verified to actual assets to be reliable.

Effect:

Detailed fixed asset records have not been verified with physical inventories.

Cause:

Inadequate control over fixed assets.

Recommendation:

Anaconda-Deer Lodge County has performed a physical inventory of all fixed assets but has yet to compare the physical inventory to detailed asset records. We recommend that the next step in the process be completed by comparing the physical inventory to fixed asset records.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED
INTERNAL CONTROL COMMENTS

SIGNIFICANT DEFICIENCIES:

AUDIT FINDINGS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH CIRCULAR A-133, SECTION 510(a) AND RESULTING IN QUALIFIED REPORT ON COMPLIANCE

14-6 Reporting

Condition:

The County did not prepare and submit reports to the U.S. Environmental Protection Agency for the Anaconda Superfund Cooperative Agreement project in a timely manner for two of four required reports.

Criteria:

Section 35.6650 of 40 CFR Parts 9 and 35 require quarterly progress reports.

Effect:

Noncompliance with Section 35.6650 of 40 CFR Parts 9 and 35.

Cause:

Improper reporting.

Recommendation:

The County must prepare and submit quarterly progress reports in compliance with Section 35.6650 of 40 CFR Parts 9 and 35.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED

OTHER MATTERS

14-7 Delinquent Personal Property Taxes

Condition:

Anaconda-Deer Lodge County has not been active in collecting personal property taxes.

Criteria:

Section 15-16-119, MCA, requires that delinquent personal property taxes be resolved through tax sale procedures.

Effect:

Anaconda-Deer Lodge County is not in compliance with Section 15-16-119, MCA.

Cause:

Failure to comply with Section 15-16-119, MCA.

Recommendation:

Anaconda-Deer Lodge County should comply with Section 15-16-119, MCA and actively pursue delinquent personal property taxes.

14-8 Maximum Vacation Leave

Condition:

Anaconda-Deer Lodge County employees had vacation hours exceeding the two year maximum which were not forfeited by the required March 2014 end date.

Criteria:

Section 2-18-617(1), MCA requires vacation time in excess of two times the maximum number of days earned annually to be forfeited if not taken within 90 calendar days from the last day of the calendar year.

Effect:

Anaconda-Deer Lodge County is not in compliance with Section 2-18-617(1), MCA.

Cause:

Failure to comply with Section 2-18-617(1), MCA.

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Fiscal Year Ended June 30, 2014

AUDITOR'S COMMENTS – CONTINUED

Recommendation:

Anaconda-Deer Lodge County should comply with Section 2-18-617(1), MCA, review employees' accrued vacation time and send notices regarding the above sections requirements.

14-9 CONTINUING DISCLOSURE

Condition – Anaconda-Deer Lodge County submitted its Annual Financial Information, including the 2013 Audit and certain other operating data after the deadline of March 31, 2014 as required by the prior Continuing Disclosure Undertakings related to its outstanding Tax Increment Industrial Infrastructure Development Revenue Bonds, Series 2012 (the “2012 Bonds”) and General Obligation Refunding Bonds 2013 (the “2013 Bonds”) (collectively, the Undertakings”). The County submitted the 2013 Audit, which includes certain other operating data, on or about April 25, 2014. The County also had certain operating data for fiscal year 2013, specifically the Tax Increment District’s ten largest taxpayers and taxable value, was not included with the certain other operating data as reported in the 2013 Audit and submitted such information separately on or about April 28, 2014. The County has posted the required financial information on the EMMA website upon the discovery of the failure to file.

Criteria – Anaconda-Deer Lodge County is required to post certain financial information and the audited financial statements on the EMMA website on an annual basis as part of the continuing disclosure requirements included in bond documents.

Effect- Failure to provide continuing disclosure information could result in potential sanctions and penalties.

Recommendation – We recommend that Anaconda- Deer Lodge County develop procedures and controls to ensure that the continuing disclosure financial information is reported in a timely manner.

ANACONDA-DEER LODGE COUNTY, MONTANA
PRIOR YEAR RECOMMENDATIONS

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
13-1 Draft financial statements, Notes and schedules Prepared by Auditor			X
13-2 Balances and accounts in Trust and Agency Funds not accurate in financial reporting package			X
13-3 Instances of expenditures in excess of appropriations			X
13-4 Lack of segregation of duties			X
13-5 Physical inventory of assets		X	
13-6 Reporting deficiencies under Circular A-133		X	
13-7 Delinquent personal property taxes			X

MANAGEMENT'S RESPONSES

ANACONDA-DEER LODGE COUNTY

800 Main St

Anaconda, Montana 59711

Phone No. (406) 563-4000

Fax No. (406) 563-4001



Anaconda-Deer Lodge County Response to Fiscal Year 2013-2014 Auditor's Comments

Prepared – March 2015

14-1 Draft financial statements, notes and schedules prepared by Auditor

Clerk & Recorder/Director of Finance, Joey Blodnick, was able to prepare some of the draft financial statements, notes and statements for this fiscal year. With continuing updates to our accounting processes to comply with BARS accounting, we anticipate having these statements prepared by staff for fiscal year ending 2014-2015.

14-2 Balances and accounts in the Trust and Agency Funds in the computerized financial reporting package are not accurate

Ms. Blodnick continues to review these funds with the assistance of the Treasurer/Finance Officer, Eric Hoiland, to ensure that correct balances are maintained within our Black Mountain software.

14-3 Instances of expenditures in excess of appropriations

Management, Commissioners and staff have been more active in monitoring the budgets on a regular basis to prevent expenditures exceeding appropriations in future years.

14-4 Segregation of Duties

Because Anaconda-Deer Lodge County is fairly small in size, along with budget constraints and space restrictions within the Courthouse, many of our departments must operate with limited personnel. Additional features available within the Black Mountain Software have been implemented in fiscal year 2014-2015, and processes will be updated throughout fiscal years 2014-2015 and 2015-2016 to better control the receiving, recording and reconciliation of cash.

14-5 Physical Inventory – Fixed Assets

Anaconda-Deer Lodge County has completed a physical fixed asset inventory and have recorded these into our fixed asset software. Staff continues to reconcile this data to our manual records, and set up proper depreciation schedules for future tracking.

14-6 Reporting

Management and staff have put in place processes to ensure that future reports are submitted within the appropriate time as required in Section 35.6650 of 40 CFR parts 9 and 35.

14-7 Delinquent Personal Property Taxes

Treasurer/Finance Officer Hoiland has established processes to notice, collect and write off personal property taxes in compliance with MCA, Section 15-16-119, and will actively pursue delinquent personal property taxes.

14-8 Maximum Vacation Leave

In January 2014 our long-time Payroll Clerk retired, and during the transition of hiring and training a new clerk, the tracking and forfeiture of excess vacation hours were not enforced per Section 2-18-617(1), MCA. We have re-implemented this process to again be in compliance with Section 2-18-617(1), MCA.

14-9 Continuing Disclosure

Staff was not aware that there was continuing disclosure information that was required to be posted on the EMMA website per bond documents. We have submitted the required information and have set up processes to ensure that these are reported in a timely manner.

Respectfully submitted,



Connie Ternes-Daniels, Chief Executive Officer



Joey Blodnick, Clerk & Recorder/Director of Finance