

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**Chouteau County**  
County Seat – Fort Benton, MT

*June 30, 2014*



# Chouteau County

June 30, 2014

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# Chouteau County

*June 30, 2014*

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## ELECTED OFFICIALS

### BOARD OF COUNTY COMMISSIONERS

Daren Schuster	Chairperson
Stan Klimas	Member
Robert Pasha	Member

### COUNTY OFFICIALS

Stephen A. Gannon	Attorney
Sherry L. Rowland	Treasurer
Lana Claassen	Clerk & Recorder
Richard D. Cook	Clerk of District Court
Teri "Susan" Spencer	Justice of the Peace
Vern Burdick	Sheriff

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Chouteau County  
PO Box 459  
Fort Benton, MT 59442

### REPORT ON THE FINANCIAL STATEMENTS

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

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

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

OTHER MATTERS

REQUIRED SUPPLEMENTAL INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the retiree health plan (as referenced in the table of contents) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Helena, Montana  
June 18, 2015

## Chouteau County

# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

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As management of Chouteau County (the County), a political subdivision of the State of Montana, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal and the financial statements, which can be found in this report.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$11,514,509 (net position). Of this amount, \$2,329,187 is unrestricted and may be used to meet the County's ongoing obligations.
- Total assets decreased by \$281,667, which represents a decrease of approximately 2.1 percent from 2013. This consists mainly of a decrease in capital assets of \$642,763 for the consumption of gravel inventory and an increase in cash and investments of \$242,139.
- Total liabilities increased by \$109,370, which represents an increase of 6.9 percent from 2013. The main contributing factor to this increase is in other post-retirement benefits.
- The change in net position decreased by \$388,037 during the current year. This represents a 3.3 percent decrease from 2013.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,119,651.

### USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government wide financial statements are designed to provide readers with a broad overview of the County's finances using the accrual basis of accounting, in a manner similar to a private-sector business. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of activities presents information showing how the County's net position changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities.). The Governmental Activities of the County of Chouteau include general government, public safety, public works, public health, social and economic services, culture and recreation, housing/community development and conservation of natural resources.

The government-wide financial statements can be found in this report as referenced in the table of contents.

continued

## Chouteau County

# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

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### FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. With the implementation of GASB 34 the focus is now on major funds rather than fund types. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e., governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

### GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in government wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds.

For major funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

For the current fiscal year, the General Fund, Road Fund, and the Oil & Natural Gas Production Tax Fund are considered to be major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in this report as referenced in the table of contents.

### FIDUCIARY RESPONSIBILITIES

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources of those funds are not available to support the County's own programs. All of the County's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position as referenced in the table of contents.

### NOTES TO THE FINANCIAL STATEMENTS

To fully understand the data provided in the government-wide and fund financial statements, additional information is provided in the notes to financial statements. The notes to the financial statements can be found in this report as referenced in the table of contents.

### OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules can be found in this report as referenced in the table of contents.

continued

## Chouteau County

### MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$11,514,509 at the close of the most recent fiscal year.

The largest portion of the County's net position (67.5 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment, infrastructure, improvements other than buildings); less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 9.4 percent of the County's net position is externally restricted or committed to how it can be used. The remaining balance less the investment in capital assets is unrestricted net position (\$2,329,187) which may be used for ongoing obligations. Total assets decreased by \$281,667. The biggest change was a decrease in capital assets.

The following table provides a summary of the County's net position for 2014 compared to 2013.

#### CONDENSED STATEMENT OF NET POSITION

	Governmental Activities			
	2013	2014	Change	%
<b>ASSETS</b>				
Current and other assets	\$ 4,504,208	\$ 4,865,604	\$ 361,396	8.0%
Capital assets	8,997,881	8,354,818	(643,063)	-7.1%
Total assets	13,502,089	13,220,422	(281,667)	-2.1%
<b>LIABILITIES</b>				
Other liabilities	62,117	104,048	41,931	67.5%
Long-term liabilities outstanding	1,534,426	1,601,865	67,439	4.4%
Total liabilities	1,596,543	1,705,913	109,370	6.9%
<b>NET POSITION</b>				
Inventories	302,933	324,129	21,196	7.0%
Net investment in capital assets	8,286,008	7,776,216	(509,792)	-6.2%
Restricted net position	939,060	1,084,977	145,917	15.5%
Unrestricted net position	2,377,545	2,329,187	(48,358)	-2.0%
	<u>\$ 11,905,546</u>	<u>\$ 11,514,509</u>	<u>\$ (391,037)</u>	-3.3%

Total liabilities increased by \$109,354 which represents an increase of 6.9 percent over 2013. An increase in non-current liabilities for the lease purchase for a sheriff's office dispatch console and the increased liability for other post employment benefits were the main contributing factors to this increase.

#### GOVERNMENTAL ACTIVITIES

Governmental activities accounted for the decrease in net position of \$879,647, as the County had no business-type activities. The table below shows the changes in net position for fiscal year 2013 compared to 2012.

continued

## Chouteau County

### MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

*July 01, 2013 - June 30, 2014*

#### CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities			
	2013	2014	Change	%
Program revenues:				
Fees, fines and charges for services	\$ 538,510	\$ 606,820	\$ 68,310	12.7%
Operating grants and contributions	402,122	454,952	52,830	13.1%
Capital grants and contributions	13,433	-	(13,433)	-100.0%
General revenues:				
Property taxes and assessments	3,442,504	3,664,055	221,551	6.4%
Local option taxes	217,565	225,674	8,109	3.7%
Grants and contributions	167,000	-	(167,000)	-100.0%
Unrestricted federal shared revenue	359,595	386,741	27,146	7.5%
Unrestricted state shared revenue	723,878	771,514	47,636	6.6%
Miscellaneous revenues	65,684	99,399	33,715	51.3%
Unrestricted investment earnings	15,724	10,902	(4,822)	-30.7%
Gain (loss) on sale of capital assets	-	(7,729)	(7,729)	100.0%
Total revenues	<u>5,946,015</u>	<u>6,212,328</u>	<u>266,313</u>	4.5%
Program expenses:				
General government	1,828,934	1,852,164	23,230	1.3%
Public safety	1,297,237	1,463,995	166,758	12.9%
Public works	2,583,554	2,138,660	(444,894)	-17.2%
Public health	320,385	324,843	4,458	1.4%
Social and economic	200,460	212,045	11,585	5.8%
Culture and recreation	374,485	335,798	(38,687)	-10.3%
Housing and community development	3,319	25	(3,294)	-99.2%
Conservation and natural resources	28,321	72,897	44,576	157.4%
Debt service	24,818	23,432	(1,386)	-5.6%
Miscellaneous	164,149	179,506	15,357	9.4%
Total program expenses	<u>6,825,662</u>	<u>6,603,365</u>	<u>(222,297)</u>	-3.3%
Change in net position	(879,647)	(391,037)	488,610	-55.5%
Net position, beginning of year	<u>12,785,193</u>	<u>11,905,546</u>	<u>(879,647)</u>	-6.9%
Net position, end of year	<u>\$ 11,905,546</u>	<u>\$ 11,514,509</u>	<u>\$ (391,037)</u>	-3.3%

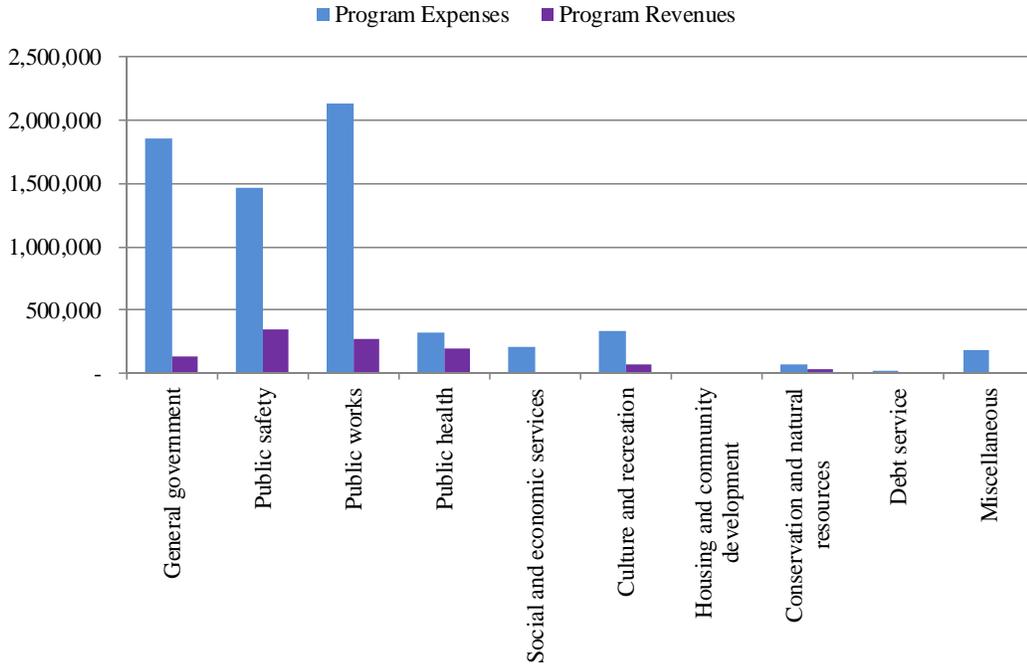
The total net position of the County decreased by \$391,037. Expenses decreased from last year by \$222,297, and revenues increased by \$266,313.

## Chouteau County

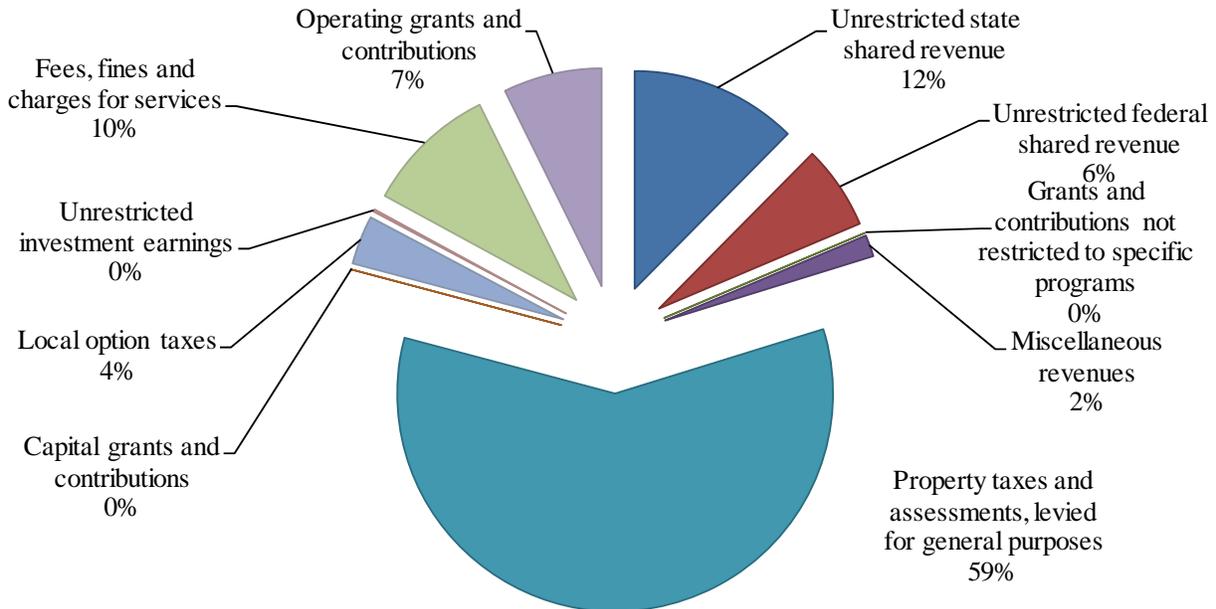
# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

### PROGRAM EXPENSES AND REVENUES – GOVERNMENTAL ACTIVITIES



### REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



The general fund is the chief operating fund of the County. At the end of the current fiscal year, the fund balance of the general fund was \$1,119,651 unassigned and none restricted. The general fund balance for the previous year was \$1,096,962, a net increase of \$22,689. The budget was amended in the amount of \$21,825 for grants that were received during the fiscal year.

## Chouteau County

### MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

*July 01, 2013 - June 30, 2014*

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The County once again faced a budget shortfall in fiscal year 2014-2015. The commissioners are still very concerned with the last reappraisal. The commissioners believe that the rural counties in the state are not being helped by the current appraisal and subsequent personal property tax cuts.

While the commissioners understand that property owners certainly enjoy the new tax structure, it becomes increasingly difficult to provide all of the services the public demands on static or decreasing revenues.

While the certainty of the PILT program is still up in the air, the commissioners had to anticipate at least a minimal PILT payment to balance the budget. While this may not be good practice, it was necessary.

The commissioners also raised the Permissive Medical Levy to help offset a 3% health insurance premium increase.

The sheriff may also help to balance the budget by housing overflow inmates from various facilities around the state. There seems to be an abundance of prisoners around the state and the commissioners are hopeful that we can keep our detention facility at near capacity.

One of the biggest loss of revenue stems from the lack of oil and natural gas production taxes. The County has seen a \$400,000 reduction of those revenues over the last few years.

The commissioners were able to give very modest \$.30/hour raises this year. While it was difficult, the commissioners felt it was necessary as raises have been quite minimal and moral has been falling.

The commissioners would like to commend all of the department heads, as they understand the budget difficulties and run their respective offices on bare bones budgets.

As the commissioners look forward, it's tough to do it with much optimism. The commissioners believe that lowering our reserves any more is not an option and more loss of revenues could result in loss of services or employees. That being said, the County will continue to work very hard with the hands that we are dealt and keep the County running as efficiently as possible.

For questions or comments contact the Chouteau County Commissioners at P.O. Box 459, Fort Benton, MT 59442

Chouteau County

GOVERNMENT-WIDE STATEMENT OF NET POSITION

as of June 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Pooled cash and investments	\$ 4,204,244
Taxes and assessments receivables	201,998
Due from other governments	135,233
Inventory	324,129
Capital assets, net of accumulated depreciation	7,934,502
Capital assets, not being depreciated	420,316
Total assets	<u>13,220,422</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	104,048
Current portion long term debt	136,811
Unearned revenues	16
Compensated absences	265,603
Other post-employment benefits liability	757,644
Long term debt	441,791
Total liabilities	<u>1,705,913</u>
<b>NET POSITION</b>	
Inventories	324,129
Net investment in capital assets	7,776,216
Restricted for:	
General government	177
Public safety	204,379
Public works	811,636
Public health	4,975
Social and economic services	28
Capital outlay	63,787
Unrestricted	2,329,187
Total net position	<u>\$ 11,514,509</u>

The accompanying notes are an integral part of these financial statements.

**Chouteau County**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

*for the year ended June 30, 2014*

	Expenses	Program Revenues			Governmental Activities
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 1,852,164	\$ 129,677	\$ -	\$ -	\$ (1,722,487)
Public safety	1,463,995	169,964	182,943	-	(1,111,088)
Public works	2,138,660	100,927	175,475	-	(1,862,258)
Public health	324,843	107,332	91,308	-	(126,203)
Social and economic services	212,045	-	-	-	(212,045)
Culture and recreation	335,798	70,329	5,226	-	(260,243)
Housing and community development	25	-	-	-	(25)
Conservation and natural resources	72,897	28,591	-	-	(44,306)
Debt service	23,432	-	-	-	(23,432)
Miscellaneous	179,506	-	-	-	(179,506)
Total governmental activities	<u>\$ 6,603,365</u>	<u>\$ 606,820</u>	<u>\$ 454,952</u>	<u>\$ -</u>	<u>(5,541,593)</u>
General revenues:					
Property taxes and assessments, levied for general purposes					3,664,055
Local option taxes					225,674
Unrestricted federal shared revenue					386,741
Unrestricted state shared revenue					771,514
Miscellaneous revenues					99,399
Unrestricted investment earnings					10,902
Gain (loss) on sale of capital assets					(7,729)
Total general revenues					<u>5,150,556</u>
Change in net position					(391,037)
Net position, beginning of year					<u>11,905,546</u>
Net position, end of year					<u>\$ 11,514,509</u>

The accompanying notes are an integral part of these financial statements.

**Chouteau County**

**GOVERNMENTAL FUNDS BALANCE SHEET**

*as of June 30, 2014*

	General Fund	Road Fund	Oil & Natural Gas Production Taxes Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Pooled cash and investments	\$ 1,066,881	\$ 732,906	\$ 259,591	\$ 2,144,866	\$ 4,204,244
Taxes and assessments receivable	75,126	36,590	-	90,298	202,014
Due from other funds	4,009	-	-	1,545	5,554
Inventory	-	-	324,129	-	324,129
Due from other governments	91,664	10,525	-	31,483	133,672
Total assets	<u>\$ 1,237,680</u>	<u>\$ 780,021</u>	<u>\$ 583,720</u>	<u>\$ 2,268,192</u>	<u>\$ 4,869,613</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other current liabilities	\$ 42,903	\$ 23,780	\$ -	\$ 39,288	\$ 105,971
Due to other funds	-	-	-	2,086	2,086
Total liabilities	<u>42,903</u>	<u>23,780</u>	<u>-</u>	<u>41,374</u>	<u>108,057</u>
Deferred inflows of resources:					
Unavailable tax revenues	<u>75,126</u>	<u>36,590</u>	<u>-</u>	<u>90,298</u>	<u>202,014</u>
Total deferred inflows of resources	75,126	36,590	-	90,298	202,014
Fund balances:					
Nonspendable:					
Inventories	-	-	324,129	-	324,129
Restricted for:					
General government	-	-	-	90	90
Public safety	-	-	-	206,692	206,692
Public works	-	719,651	-	54,592	774,243
Public health	-	-	-	4,903	4,903
Social and economic services	-	-	-	28	28
Capital outlay	-	-	-	63,787	63,787
Committed for:					
General government	-	-	-	346,857	346,857
Public works	-	-	-	714,652	714,652
Public health	-	-	-	15,380	15,380
Social and economic services	-	-	-	38,099	38,099
Culture and recreation	-	-	-	100,081	100,081
Conservation of natural resources	-	-	-	6,999	6,999
Public works	-	-	259,591	-	259,591
Capital outlay	-	-	-	584,364	584,364
Unassigned	1,119,651	-	-	(4)	1,119,647
Total fund balances	<u>1,119,651</u>	<u>719,651</u>	<u>583,720</u>	<u>2,136,520</u>	<u>4,559,542</u>
Total liabilities and fund balances	<u>\$ 1,237,680</u>	<u>\$ 780,021</u>	<u>\$ 583,720</u>	<u>\$ 2,268,192</u>	<u>\$ 4,869,613</u>

The accompanying notes are an integral part of these financial statements.

**Chouteau County**

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

*as of June 30, 2014*

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Total fund balance, governmental funds	\$ 4,559,542
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Amounts reported for governmental activities in the statement of net position differ because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements. The total cost of capital assets not reported above, net of accumulated depreciation.	8,354,818
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Property taxes receivable were assessed this year, but are not available to meet current obligations, and therefore are unavailable in the funds.	201,998
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences of \$757,644 , other post employment benefits obligations of \$265,603 and long-term debt of \$578,602.	<u>(1,601,849)</u>
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Net position of governmental activities in the statement of net position	<u><u>\$ 11,514,509</u></u>
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The accompanying notes are an integral part of these financial statements.

**Chouteau County**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

*for the year ended June 30, 2014*

	<u>General Fund</u>	<u>Road Fund</u>	<u>Oil &amp; Natural Gas Production Taxes Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes and assessments	\$ 1,648,346	\$ 655,988	\$ -	\$ 1,617,567	\$ 3,921,901
Intergovernmental revenues	398,834	557,497	74,781	571,095	1,602,207
Charges for services	295,379	-	-	203,610	498,989
Fines and forfeitures	32,020	-	-	2,027	34,047
Miscellaneous revenues	52,378	42,613	-	32,368	127,359
Investment and royalty earnings	7,443	346	607	2,506	10,902
Total revenues	<u>2,434,400</u>	<u>1,256,444</u>	<u>75,388</u>	<u>2,429,173</u>	<u>6,195,405</u>
<b>EXPENDITURES</b>					
General government	930,943	-	-	778,786	1,709,729
Public safety	1,161,952	-	-	103,207	1,265,159
Public works	-	981,422	54,298	429,022	1,464,742
Public health	197,832	-	-	110,487	308,319
Social and economic services	11,932	-	-	195,117	207,049
Culture and recreation	2,319	-	-	323,698	326,017
Housing and community development	-	-	-	25	25
Conservation and natural resources	-	-	-	30,158	30,158
Debt Service	52,342	97,504	-	6,857	156,703
Miscellaneous	26,341	-	-	153,165	179,506
Capital outlay	28,050	67,273	-	181,074	276,397
Total expenditures	<u>2,411,711</u>	<u>1,146,199</u>	<u>54,298</u>	<u>2,311,596</u>	<u>5,923,804</u>
Excess of revenues over expenditures	22,689	110,245	21,090	117,577	271,601
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from disposal of capital assets	-	2,000	-	-	2,000
Proceeds from loans/leases	-	-	-	-	-
Interfund operating transfers in	-	-	-	276,721	276,721
Interfund operating transfers out	-	-	-	(276,721)	(276,721)
Total other financing sources (uses)	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Net change in fund balances	22,689	112,245	21,090	117,577	273,601
Fund balances, beginning of year	1,096,962	607,406	541,434	2,018,943	4,264,745
Change in inventory	-	-	21,196	-	21,196
Fund balances, beginning as restated	<u>1,096,962</u>	<u>607,406</u>	<u>562,630</u>	<u>2,018,943</u>	<u>4,285,941</u>
Fund balances, end of year	<u>\$ 1,119,651</u>	<u>\$ 719,651</u>	<u>\$ 583,720</u>	<u>\$ 2,136,520</u>	<u>\$ 4,559,542</u>

The accompanying notes are an integral part of these financial statements.

**Chouteau County**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-  
WIDE STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2014*

Net change in fund balance, total governmental funds:	\$	273,601
Amounts reported for governmental activities in the statement of activities differ because:		
Inventory purchases are expenditures in the governmental funds and the change is recorded as an adjustment to beginning fund balance. Only the amount used in the current period is an expense on the statement of activities		21,196
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlays		276,397
Depreciation expense		(909,731)
In the statement of activities the gain on the sale of capital assets is recognized, however the fund financial statements recognize the entire proceeds from the sale of the assets. This is the net book value of the assets which were disposed.		(9,729)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		
Capital lease and long-term debt principal payments		133,271
Some property taxes will not be collected for several months after the County's fiscal year-end, and therefore are not considered as "available" revenues in the governmental funds, and are instead counted as unavailable tax revenues. They are, however, recorded as revenues in the statement of activities.		24,652
In the statement of activities, certain operating expenses including compensated absences (vacations and sick leave) and other post employment benefits (retiree health insurance) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid).		
Compensated absences		5,574
OPEB liability		(206,268)
Change in net position of governmental activities	\$	<u><u>(391,037)</u></u>

The accompanying notes are an integral part of these financial statements.

**Chouteau County**

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

*as of and for the year ended June 30, 2014*

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Pooled cash and investments	\$ 5,097,227	\$ 1,024,834
Taxes receivable, net	-	456,273
Total assets	<u>5,097,227</u>	<u>1,481,107</u>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	-	500,737
Protested taxes payable	-	305,398
Due to other governments	-	674,972
Total liabilities	<u>-</u>	<u>1,481,107</u>
 Net position held in trust for pool participants	 <u>\$ 5,097,227</u>	 <u>\$ -</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<u>Investment Trust Fund</u>
<b>ADDITIONS</b>	
Contributions to pooled investments	\$ 16,836,547
Investment earnings	9,226
Total additions	<u>16,845,773</u>
<b>DEDUCTIONS</b>	
Distributions from pooled investments	<u>17,175,243</u>
Total deductions	<u>17,175,243</u>
Change in net position held in trust	(329,470)
Net position held in trust for pool participants, beginning	5,427,389
Prior Period Adjustment	(692)
Net position held in trust for pool participants, beginning, restated	<u>5,426,697</u>
Net position held in trust for pool participants, ending	<u>\$ 5,097,227</u>

The accompanying notes are an integral part of these financial statements.

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Chouteau County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to counties and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below:

1. Reporting entity. The county is a political subdivision of the state of Montana governed by a three member board of commissioners duly elected by the registered voters of the county.

The 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 remitted monthly to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the County is financially accountable. The County has also considered all other potential organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. The criteria include appointing a majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the County. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

School districts and other independent taxing units are reflected only in the statement of fiduciary net position and statement of changes in fiduciary net position as investment trust funds agency funds, since the County is responsible, by law, for the collection of taxes and/or the maintenance of cash funds for these entities.

2. Government-Wide financial statements. The Government-Wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. For the most part, the effect of material inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program or function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

3. Fund financial statements. The County uses funds to report on its financial position and results of its operations. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Cod. Sec. 2200.159 *Focus on Major Funds*, sets forth criteria (percentage of assets, liabilities,

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Fund financial statements, continued. revenues or expenditures/expenses of either fund category) for the determination of major funds.
4. Fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate. Funds are classified into two categories: governmental and fiduciary. Each category is then divided into separate fund types as follows:

Governmental Funds: Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is on the sources, uses and balance of current financial resources. Governmental fund types are those funds through which most governmental functions typically are financed and consist of the general fund, special revenue funds, debt service funds, and capital projects funds.

The following comprise the County's major governmental funds:

General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Road Fund is a special revenue fund used to account for costs related to road and street construction, reconstruction, improvements, additions and maintenance of County roads funded by specific tax levy dollars and various outside earned revenues.

Gas Production Tax Fund is a special revenue fund used to account for income and expenses related to taxes on oil and natural gas production.

Fiduciary Funds: Fiduciary funds are used to account for assets held in a trustee capacity or as an agent for others and are therefore not available to support programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to businesses in the private sector. Fiduciary funds consist of private-purpose trust funds, pension trust funds, investment trust funds and agency funds. Investment trust funds are utilized to account for investments held by the entity for other agencies in individual investment accounts or as the external portion of a pool. At June 30, 2014 all Investment Trust Funds were held in an investment pool. Agency funds are primarily clearing devices for cash collected for other governments or agencies and is distributed within a short period of time.

5. Measurement focus and basis of accounting. The financial statements of the County are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) standards as published in the Codification of Governmental Accounting and Financial Reporting Standards (GASB Cod.).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Measurement focus and basis of accounting, continued. Property taxes are recognized as revenues in the year for which they are levied, while grants and similar items are recognized as revenue upon grantor eligibility requirements being met. Generally, the effect of material inter-fund activity has been removed.

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

The County recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue and charges for services. 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.

The County reports advances from grantors as liabilities on its government-wide statement of net position and on its governmental funds balance sheet. The County also reports deferred inflows of resources resulting from unavailable tax revenues on its governmental funds balance sheet. These amounts arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period or when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the related liability or deferred inflows of resources, as appropriate, is removed from the balance sheet and revenue is recognized.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

6. Cash and Pooled Investments. Except where otherwise required, the County maintains all deposits in bank and investment accounts in the name of the County. These deposits are invested on a short term basis with interest income being recorded in the general fund, except for interest income allocated to enterprise funds and where specifically required by law to be recorded in other funds. The balance reported in each fund represents an equity interest in the commingled pool of cash, which is under the management of the County Treasurer.

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Cash and pooled investments, continued. The provisions of GASB Cod. Sec. 150.105, *Accounting and Financial Reporting for Investments*, require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Cod. Sec. 150.105, the County has stated investments at cost, which approximates the fair value.

Cash and investments may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State of Montana Short-Term Investment Pool (STIP); direct obligations of the United States Government and securities issued by agencies of the United States; repurchase agreements; and registered warrants.

7. Property taxes receivable. Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. The current taxes receivable represents the levy based on the assessed valuations as of January 1 for all real property located in the County. Taxes are normally billed in October and payable in two installments on November 30 and May 31.

Delinquent real property taxes attach as a lien on the property as of January 1. Personal property taxes are assessed and billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based upon levies set during August of the prior year. These taxes become delinquent thirty days after billing. Delinquent personal property taxes may become a lien on the property of the owner of the personal property. Property taxes receivable at June 30, 2014 consist primarily of delinquent property taxes from prior years' levies and are offset by unavailable tax revenues in the fund financial statements. The County does not record an allowance for uncollectible taxes because it is considered to be immaterial.

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

8. Inventories. In the Governmental Funds the cost of inventory is recorded as an expenditure when incurred; inventories are accounted for using the purchases method. The year-end value of inventory is recorded as an asset and, because the asset is not available for other discretionary expenditures, it is recorded as reserved fund balance. Under the purchases method the change in inventory from year to year is recorded as a change in the beginning fund balance. At the government-wide level the inventory must be reported on the consumption method, thus there is a reconciling item for inventory change between reporting levels. Inventory value is determined by using the average cost method. The valuation assigned to inventories at June 30, 2014 was \$324,129 and consisted of stockpiled gravel.
9. Capital assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. If no historical records exist, capital assets are recorded at estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during construction is not capitalized. The County has chosen to only record infrastructure assets on a prospective basis beginning July 1, 2003. Minimum cost for capitalization and estimated useful lives have not been established for infrastructure assets and depreciation expense has not been recorded for the current year additions, which is immaterial to the basic financial statements.

continued

Chouteau County

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

9. Capital assets, continued. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, improvements and equipment assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings	50-100
Equipment	5-25
Vehicles	5-10

10. Deferred inflows of resources. In addition to liabilities, the governmental funds balance sheet may report a separate section for deferred inflows of resources. This is a separate financial statement element representing an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. Unavailable tax revenue is the only item the County has of this type. Accordingly, unavailable tax revenue, which only arises under the modified accrual basis of accounting, is reported as deferred inflows of resources on the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.
11. Interfund transactions. Transactions among County funds that would be treated as revenues and expenditures or expenses if they involved organizations external to County government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

11. Warrants payable. The County pays its claims by issuing a warrant ordering the County Treasurer to pay for the warrant upon presentation. Warrants issued but not presented for payment are deducted from cash and amounted to \$104,048 at June 30, 2014.
12. Compensated absences. County employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Upon death or retirement, the total accumulated hours for vacation leave and 25% of the total accumulated hours for sick leave, is paid at the then effective hourly rate for that employee. For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.
13. Long-term obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

14. Fund balances. The GASB Cod. Sec. 1800.165-179 *Fund Balance Reporting* defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In the governmental fund financial statements, fund balances are reported in five classifications:

Nonspendable: Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted: Amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed: Amounts that can be used only for the specific purposes determined by a resolution (formal action) of the Board of County Commissioners (the County's highest level of decision making authority) and does not lapse at year end.

Assigned: Amounts intended to be used by the government for specific purposes, under the direction of the County Clerk and Recorder by authority granted by the Board of County Commissioners, but do not meet the criteria to classified as restricted or committed.

Unassigned: The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the County's policy, for purposes of fund balance classification, when restricted, committed, assigned or unassigned funds are available, expenditures will first be made from restricted, then from committed, then from assigned and lastly from unassigned fund balances.

15. Net position. Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in net investment in capital assets. Net position is reported as restricted when there are limitations imposed on the use of assets either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability, if the liability will be liquidated with the restricted assets reported. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
16. Risk management. The County is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) worker's compensation (e.g. employee injuries) and (6) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liabilities. Given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

16. Risk management, continued. Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for the property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The County has joined with other Montana counties in the Montana Association of Counties' (MACO) Insurance Pool, which provides worker's compensation coverage. The pool is limited to \$250,000 per incident or occurrence. The pool has purchased insurance coverage and an aggregate bond to cover claims in excess of \$250,000 per incident or occurrence. Audited financial statements for the MACO pool are available upon request.

17. Management estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Significant estimates include the actuarial assumptions made in determining the other post-employment liability recorded under GASB Cod. P50.101-134. Actual results could vary from the estimates that were used.

#### NOTE B CASH AND INVESTMENTS

The provisions of GASB Cod. Sec. I50.105, *Accounting and Financial Reporting for Investments*, require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Cod. Sec. I50.105, the County has stated investments at cost, which approximates the fair value.

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); direct obligations of the United States Government and securities issued by agencies of the United States; repurchase agreements; and registered warrants.

All of the investments held in the Investment Trust Fund are held for external participants. Investment accounts held at June 30, 2014 include demand and time deposits, which are reported at cost, which approximates the fair value. Interest income earned on these investments is credited directly to the specific external participants that made the investment.

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

	<u>Maturity</u>	<u>Coupon</u>	<u>Fair Value</u>
Cash on hand			\$ 1,626
Cash in banks:			
Demand deposits		0.02%-0.05%	1,198,305
Time and savings deposits	< 1 year	0.14%-0.30%	6,504,358

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### NOTE B CASH AND INVESTMENTS, continued

Investments:

State Short-Term Investment Pool (STIP)			1,627,412
Mutual Funds (U.S Government Securities)	0.70%-0.85%		651,028
Government Agencies	2.5-3 yrs.	0.12%-0.63%	343,576
Total			\$ 10,326,305

Reconciliation:

Government-wide Statement of Net Assets-Primary Government	\$ 4,204,244
Fiduciary Funds Statement of Net Assets-Investment Trust Fund	5,097,227
Fiduciary Funds Statement of Net Assets-Agency Funds	1,024,834
Total	\$ 10,326,305

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

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Per Montana law 7-6-207, the local governing body may require security only for that portion of the deposits that is not guaranteed or insured according to law and, as to the unguaranteed or uninsured portion, to the extent of 50% of the deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more. As of June 30, 2014 the government's balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 194,604
Uninsured and uncollateralized as acceptable per MT law 7-6-207.	510,647
	\$ 705,251

Investments. Statutes authorize the County to invest in direct obligations of the United States Government and securities issued by agencies of the United States, repurchase agreements, and the State Short-Term Investment Pool (STIP). Investments are carried at fair value based on current market prices as provided by brokerage firms.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes amounts that are insured or registered or, for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered amounts for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered amounts for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

	Category			Carrying Value	Market Value
	1	2	3		
Money Market	\$ -	\$ -	\$ 651,028	\$ 651,028	\$ 651,028
Government Agencies	-	-	343,576	343,576	343,576
	\$ -	\$ -	\$ 994,604	994,604	994,604
Investment (STIP)				1,627,412	1,627,412
Total Investments				\$ 2,622,016	\$ 2,622,016

continued

**Chouteau County**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE B CASH AND INVESTMENTS, continued**

STIP is considered an Individual Investment Account, operating in a manner consistent with the Security and Exchange Commission’s Rule 2a7. The Board of Investments has adopted a policy to treat STIP as a 2a7-like pool; therefore, amortized cost is used rather than fair value to report Net Position to compute unit values. STIP invests in three types of securities required to be disclosed by GASB. Due to the GASB requirements, STIP’s fiscal year 2014 financial statement reports “asset backed”, “variable interest rate” and “covered options” securities as separate investment types. The Board did not participate in covered options during the fiscal year. Amounts (unaudited) invested by STIP as of June 30, 2012 in each type are as follows:

	<u>Category</u>	<u>Percentage</u>
Asset Backed	\$ 815,857,961	32.2%
Variable Rate	1,250,893,728	49.3%
Other Securities	468,401,478	18.5%
	<u>\$ 2,535,153,167</u>	<u>100.0%</u>

Amounts invested by the County in STIP may be redeemed at any date at the carrying value on that date. Audited financial statements for the State of Montana’s Board of Investments are available at 555 Fuller Ave, Helena, MT 59601.

**NOTE C PROPERTY TAXES**

The County’s real property tax is levied on the assessed value listed as of January 1 for all real property located within the County. Assessed values are established by the Montana Department of Revenue based on market value base. A reevaluation of all property is required to be completed on a periodic basis. Taxable value is defined by a State statute as a fixed percentage of assessed value. The County is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The tax levies for the year ended June 30, 2014 were within the legal limits.

The tax levies for the fiscal year ending June 30, 2014 were based on the taxable values of \$21,077,588 as of January 1, 2013. All property taxes are recognized in compliance with GASB Cod. P70 *Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**NOTE D CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Governmental Activities				
Land	\$ 361,618	\$ -	\$ -	\$ 361,618
Construction in progress	-	58,698	-	58,698
Total capital assets not being depreciated	<u>\$ 361,618</u>	<u>\$ 58,698</u>	<u>\$ -</u>	<u>\$ 420,316</u>
Other capital assets				
Building & improvements	\$ 5,375,873	\$ 75,009	\$ (37,413)	\$ 5,413,469
Improvements other than buildings	263,097	7,675	-	270,772
Machinery & equipment	8,508,491	95,695	(66,071)	8,538,115
Infrastructure	5,961,946	39,320	-	6,001,266
Total at historical cost	<u>20,109,407</u>	<u>217,699</u>	<u>(103,484)</u>	<u>20,223,622</u>

continued

**Chouteau County**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE D CAPITAL ASSETS, continued**

Less accumulated depreciation	11,473,143	-	(815,977)	12,289,120
Depreciable capital assets, net	<u>\$ 8,636,264</u>	<u>\$ 217,699</u>	<u>\$ (919,461)</u>	<u>\$ 7,934,502</u>

Depreciation expense was allocated to functions as follows:

General government	\$ 86,740
Public safety	132,087
Public works	646,257
Public health	1,908
Culture and recreation	42,739
	<u>\$ 909,731</u>

**NOTE E NON-CURRENT LIABILITIES**

Non-current liability balances and activity for the year ended June 30, 2014 were as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Capital leases and contracts	\$ 711,873	\$ -	\$ (133,271)	\$ 578,602	\$ 136,811
Other post employment benefits	551,376	206,268	-	757,644	-
Compensated absences payable	271,177	-	5,574	265,603	-
Total Governmental Activities	<u>\$ 1,534,426</u>	<u>\$ 206,268</u>	<u>(127,697)</u>	<u>\$ 1,601,849</u>	<u>\$ 136,811</u>

The annual principal payments for Big Sandy and Fort Benton Airports consist of:

\$1,700 plus interest at 4.125% with maturity date of 02/28/2017	\$ 5,287
\$1,842 plus interest of 1.625% with a maturity date of 02/28/2019	11,193
\$2,500 plus interest of 1.625% with a maturity date of 02/28/2021	17,716

Note payable to First Security Bank, annual payments of \$9,097 including interest at 3.93%, with a maturity date of 11/15/2015 17,165

Note payable to First Security Bank, annual payments of \$88,407 including interest at 3.15%, with a maturity date of 03/01/2017 249,337

Capital leases payable as of June 30 is composed of the following:

Motorola Solutions Credit Co LLC, secured by MCC7500 Dispatch Console, annual payments of \$52,342 including interest of 3.54% per annum, final payment 8/01/2019	<u>277,904</u>
Total capital leases and contracts payable	<u>\$ 578,602</u>

The current portion of compensated absences has not been separately stated due to the indeterminate nature of the liability. Employees are allowed to accrue compensated absences indefinitely, subject to certain dollar limits, and use it at their discretion.

continued

**Chouteau County**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE E NON-CURRENT LIABILITIES, continued**

Annual cash flow requirements for capital leases and contracts payable are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2015	\$ 136,811	\$ 19,077	\$ 155,888
2016	141,283	14,595	155,878
2017	136,856	9,935	146,791
2018	51,874	5,492	57,366
2019	52,954	3,730	56,684
2020	54,750	1,934	56,684
Thereafter	4,074	100	4,174
	<u>\$ 578,602</u>	<u>\$ 54,863</u>	<u>\$ 633,465</u>

**NOTE F ANALYSIS OF INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014 were made up of the following amounts:

	Transfers In	Transfers Out
Other Governmental Funds	\$ 276,721	\$ 276,721
	<u>\$ 276,721</u>	<u>\$ 276,721</u>

The County's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

**NOTE G RETIREMENT AND PENSION PLANS**

The County participated in two multi-employer cost-sharing retirement plans which cover all employees, except part-time employees. The Sheriff's Retirement System (SRS) covers the Sheriff and Deputy Sheriffs, and the Public Employee's Retirement System (PERS) covers all other employees who qualify to be covered. The plans are established by State law and are administered by the Department of Administration of the State of Montana.

Sheriff's Retirement System (SRS):

SRS is a statewide retirement plan established by the State of Montana in 1974 and governed by Title 19, Chapter 7 of the Montana Code Annotated providing retirement services to all persons in Montana employed in the sheriff's department. SRS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employee's Retirement Division (PERD).

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 benefit is calculated as follows: 2.5% of the member's highest average compensation (HAC) for each year of service credit. The HAC is the average of a set number of highest consecutive months of salary, which is 36 months for members hired before July 1, 2011 and 60 months for members hired on or after July 1, 2011. After five years of service, an employee has a 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.

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### **NOTE G RETIREMENT AND PENSION PLANS, continued**

Funding is provided by participating governmental units and their employees. The County's required contribution to this plan for the year ended June 30, 2014 was \$52,603 (10.115% of payroll). The County's contribution represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$48,078 (9.245% of payroll). Total payroll for sheriff and deputies was \$520,047. One hundred percent of the required contributions for the employer and employees were made for the current year and the preceding two years. Contributions were \$100,681, \$84,445, and \$95,340 for the fiscal years ending June 30, 2014, 2013 and 2012, respectively.

The SRS financial information is reported in the Public Employee's Retirement Board's Comprehensive Annual Financial Report for the Fiscal year-end. It is available from PERD at 100 North Park Avenue, Suite 100, PO Box 200131, Helena, MT 59620-0139, (406) 444-3154.

#### Public Employee's Retirement System (PERS):

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 Public Employee's Retirement Division (PERD).

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least 5 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 5 years of service. Annual retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Member's rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

Funding is provided by participating governmental units and their employees. The County's required contribution to this plan for the year ended June 30, 2014 was \$149,883 (8.07% of payroll). The County's contribution represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$145,054 (7.90% of payroll). Total payroll for employees covered by PERS was \$1,856,396. One hundred percent of required contributions for both the employer and employees were made for the current and preceding two years. Contributions were \$294,937, \$252,365, and \$278,524, for fiscal years ending June 30, 2014, 2013 and 2012, respectively. The State of Montana contributes .10% of the employee's compensation. The state's "on-behalf" contribution was \$1,856 and was not recognized in the County's financial statements.

The PERS financial information is reported in the Public Employee's Retirement Board's Comprehensive Annual Financial Report for the fiscal year-end. It is available from the PERD at 100 North Park Avenue, Suite 100, PO Box 200139 Helena, MT 59620-0139, (406) 444-3154.

#### **NOTE H LOCAL RETIREMENT PLAN**

Employees of the County may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to regular employees of the County. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by the National Association of Counties. In July 1998 the plan was restated to place it in compliance with The Small Business Protection Act of 1996. After that time, the assets of the plan are held by the plan trust for the exclusive benefit of participants and beneficiaries, and are not subject to the

continued

## Chouteau County

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### **NOTE H LOCAL RETIREMENT PLAN, continued**

claims of the County's creditors. Plan assets cannot be used by the County for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

#### **NOTE I JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The City-County Airport is owned and operated jointly by Chouteau County and the City of Fort Benton, the Town of Big Sandy and the Town of Geraldine. The airport is administered by a board comprised of members from each of these local governments. For the fiscal year ended June 30, 2014, the County levied 2.70 mills for the airport.

#### **NOTE J RELATED ORGANIZATIONS**

A related organization is an organization for which the primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board. The County's Cemetery Districts fall under this definition and as such, the activities of the Cemetery Districts are not included in the financial statements of the County.

#### **NOTE K CONTINGENT LIABILITIES**

The County is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the County.

#### **NOTE L POST-EMPLOYMENT HEALTHCARE PLAN**

The County provides continuation of medical coverage to its retiring employees, as required under Montana State Law (MCA 2-18-704). A retiree who retires with the Public Employees' Retirement System (PERS) or Sheriff's Retirement System (SRS) is eligible to keep the County's health insurance as a retiree until age 65 or until the retiree is eligible for coverage under Medicare. The retiree can then elect to keep the plan as a secondary insurance. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a PERS, or SRS employer. The retirees, along with surviving spouses and dependents, are on the same medical plan as the County's active employees as long as they pay the same premium. Other postemployment benefits arises from the difference in the County's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the County has calculated and reported a postemployment benefit liability.

Plan Description. The County's plan is a single-employer defined benefit healthcare plan.

Funding Policy. The contribution requirement of plan members is established by the County's insurance committee in conjunction with the insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. A trust fund for future liabilities has not been established.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the County's Post-Retirement Healthcare Plan:

continued

**Chouteau County**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE L POST-EMPLOYMENT HEALTHCARE PLAN, continued**

Annual required contribution	\$	209,209
Interest on net OPEB obligation		15,438
Adjusted to annual required contribution		(18,379)
Annual OPEB cost (expense)		206,268
Contributions made		-
Increase in net OPEB obligation		206,268
Net OPEB obligation - beginning of year		551,376
Net OPEB obligation - end of year	\$	757,644

The three year disclosure of the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is shown in the table below:

Fiscal Year Ended	Annual OPEB Cost (AOE)	Estimated Contribution as a Percentage of AOE*	Net OPEB Obligation at End of Year**
6/30/2012	\$ 119,327	0.0%	\$ 345,259
6/30/2013	\$ 206,117	0.0%	\$ 551,376
6/30/2014	\$ 206,268	0.0%	\$ 757,644

\* Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.

\*\* Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

**Funded Status and Funding Progress.** As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,382,651. The County's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$2,375,442 and the ratio of the UAAL to the covered payroll was 58%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

continued

**Chouteau County**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

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**NOTE L POST-EMPLOYMENT HEALTHCARE PLAN, continued**

In the June 30, 2013 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 1.50% discount rate assuming the County will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 100% of future retirees will elect medical coverage. The annual healthcare cost trend rate of 3.80% for medical, increasing approximately .3% per year until reaching an ultimate rate of 6.90%. It was assumed salary increases will be 2.8% annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

**NOTE M SUBSEQUENT EVENTS**

The county has evaluated subsequent events through June 18, 2015, which is the date of these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2014.

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REQUIRED SUPPLEMENTAL INFORMATION

## Chouteau County

### BUDGETARY COMPARISON SCHEDULES

*for the year ended June 30, 2014*

#### GENERAL FUND

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance
<b>REVENUES</b>				
Taxes and assessments	\$ 1,614,024	\$ 1,614,024	\$ 1,648,346	\$ 34,322
Intergovernmental revenues	282,016	292,059	398,834	106,775
Charges for services	333,915	333,915	295,379	(38,536)
Fines and forfeitures	28,200	28,200	32,020	3,820
Miscellaneous revenues	13,000	13,000	52,378	39,378
Investment and royalty earnings	5,000	5,000	7,443	2,443
Total revenues	2,276,155	2,286,198	2,434,400	148,202
<b>EXPENDITURES</b>				
General government	1,103,126	1,092,937	930,943	161,994
Public safety	1,151,675	1,209,241	1,161,952	47,289
Public health	265,128	259,237	197,832	61,405
Social and economic services	14,100	18,700	11,932	6,768
Culture and recreation	-	2,400	2,319	81
Debt Service	52,343	52,343	52,342	1
Miscellaneous	65,500	66,425	26,341	40,084
Capital outlay	99,000	56,206	28,050	28,156
Total expenditures	2,750,872	2,757,489	2,411,711	345,778
Excess (deficiency) of revenues over expenditures	(474,717)	(471,291)	22,689	493,980
Net change in fund balances	\$ (474,717)	\$ (471,291)	22,689	\$ 493,980
Fund balance, beginning of year			1,096,962	
Fund balance, end of year			\$ 1,119,651	

The accompanying notes are an integral part of these schedules.

continued

**Chouteau County**

**BUDGETARY COMPARISON SCHEDULES**

*for the year ended June 30, 2014*

ROAD FUND				
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance
<b>REVENUES</b>				
Taxes and assessments	\$ 659,597	\$ 659,597	\$ 655,988	\$ (3,609)
Intergovernmental revenues	467,995	467,995	557,497	89,502
Miscellaneous revenues	4,500	4,500	42,613	38,113
Investment and royalty earnings	-	-	346	346
Total revenues	<u>1,132,092</u>	<u>1,132,092</u>	<u>1,256,444</u>	<u>124,352</u>
<b>EXPENDITURES</b>				
Public works	1,203,243	1,153,743	981,422	172,321
Debt service	44,168	97,568	97,504	64
Capital outlay	178,429	174,529	67,273	107,256
Total expenditures	<u>1,425,840</u>	<u>1,425,840</u>	<u>1,146,199</u>	<u>279,641</u>
Excess (deficiency) of revenues over expenditures	(293,748)	(293,748)	110,245	403,993
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from disposal of capital assets	-	-	2,000	2,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Net change in fund balances	<u>\$ (293,748)</u>	<u>\$ (293,748)</u>	112,245	<u>\$ 405,993</u>
Fund balance, beginning of year			<u>607,406</u>	
Fund balance, end of year			<u>\$ 719,651</u>	

The accompanying notes are an integral part of these schedules.

continued

**Chouteau County**

**BUDGETARY COMPARISON SCHEDULES**

*for the year ended June 30, 2014*

**OIL & NATURAL GAS PRODUCTION TAXES FUND**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance
<b>REVENUES</b>				
Intergovernmental revenues	\$ 60,000	\$ 60,000	\$ 74,781	\$ 14,781
Investment and royalty earnings	-	-	607	607
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>75,388</u>	<u>15,388</u>
<b>EXPENDITURES</b>				
Current:				
Public works	271,364	271,364	54,298	217,066
Total expenditures	<u>271,364</u>	<u>271,364</u>	<u>54,298</u>	<u>217,066</u>
Excess (deficiency) of revenues over expenditures	<u>(211,364)</u>	<u>(211,364)</u>	21,090	232,454
Net change in fund balances	<u>(211,364)</u>	<u>(211,364)</u>	21,090	<u>232,454</u>
Fund balance, beginning of year			541,434	
Change in inventory			21,196	
Fund balance, beginning of year as restated			<u>562,630</u>	
Fund balance, end of year			<u>\$ 583,720</u>	

The accompanying notes are an integral part of these schedules.

concluded

## Chouteau County

### NOTES TO BUDGETARY COMPARISON SCHEDULES

*June 30, 2014*

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#### **NOTE A BUDGETED FUNDS**

The County adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget and the final adoption of the budget by the later of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuations from the Department of Revenue. The County must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

#### **NOTE B BUDGETARY BASIS**

The County's budgets are prepared on the budget basis (modified accrual basis, including encumbrances, of which the county has none) of accounting, which results in accounting for certain transactions on a basis other than generally accepted accounting principles (modified accrual). The County's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the County's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget and the final budget, which includes amendments. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. Results of operations, on the budget basis of accounting, are presented for the general fund and major special revenue funds with legally adopted annual budgets, to provide a meaningful comparison of actual results with the budget.

**Chouteau County**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

*June 30, 2014*

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Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	6/30/2012	-	375,897	375,897	-	2,465,351	19.3%
2013	6/30/2013	-	1,385,651	1,385,651	-	1,880,090	15.2%
2014	6/30/2014	-	1,385,651	1,385,651	-	2,375,442	58.3%

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

Board of County Commissioners  
Chouteau County  
PO Box 459  
Fort Benton, MT 59442

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chouteau County (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as referenced in the table of contents, and have issued our report thereon dated June 18, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 County'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP  
Helena, Montana  
June 18, 2015

