

GLACIER COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

**AUDIT REPORT
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SERVICES BUREAU**

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GLACIER COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

TABLE OF CONTENTS

Organization	1
Independent Auditor's Report	2-4
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	5-6
Statement of Activities	7-8
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	9-10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15-16
Statement of Net Position – Fiduciary Fund Types	17-18
Statement of Changes in Net Position – Fiduciary Fund Types	19-20
Notes to Financial Statements	21-43
Required Supplemental Information	
Budgetary Comparison Schedule	44-51
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	52-53
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	54
Single Audit Section	
Schedule of Expenditures of Federal Awards	55-56
Notes to the Schedule of Expenditures of Federal Awards	57
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55-59

GLACIER COUNTY, MONTANA

TABLE OF CONTENTS – Continued

Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	60-61
Schedule of Findings and Questioned Costs	62-77
Report on Prior Audit Recommendations	78

GLACIER COUNTY, MONTANA

ORGANIZATION

Fiscal Years Ended June 30, 2013 and 2014

BOARD OF COUNTY COMMISSIONERS

Tony Sitzmann
Ron Rides at the Door
Michael J. DesRosier

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Carolyn Berkram
Kate Salois
Glenda Hall
Janine Scott
Robert Yunck
Vernon Belledeaux

County Attorney
Treasurer
Clerk and Recorder/School Superintendent
Clerk of District Clerk
Justice of the Peace
Sheriff/Coroner

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Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Glacier County
Cut Bank, Montana

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 Glacier County, Montana, as of and for the Years ended June 30, 2013 and 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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 Glacier County, Montana, as of and for the Years ended June 30, 2013 and 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding for other post employment benefits other than pensions on pages 44 through 53, and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Glacier County, Montana has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basis financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the Glacier County, Montana'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 Glacier County, Montana's internal control over financial reporting and compliance.

Densing, Downey and Associates, CPA's, P.C.

March 27, 2015

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Glacier County, Montana
Statement of Net Position
June 30, 2013

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	4,237,535
Taxes and assessments receivable, net		1,467,111
Accounts receivable - net		311,606
Due from other governments		51,302
Total current assets	\$	6,067,554
Noncurrent assets		
Restricted cash and investments	\$	159,868
Capital assets - land		123,875
Capital assets - depreciable, net		11,004,927
Total noncurrent assets	\$	11,288,670
Total assets	\$	17,356,224
LIABILITIES		
Current liabilities		
Warrants payable	\$	946
Accounts payable		54,763
Accrued payables		62,217
Due to other governments		37,337
Current portion of long-term capital liabilities		501,777
Current portion of compensated absences payable		215,167
Warrants paid by other funds		396,327
Total current liabilities	\$	1,268,534
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	1,622,440
Noncurrent portion of long-term capital liabilities		3,382,511
Noncurrent portion of compensated absences		76,333
Total noncurrent liabilities	\$	5,081,284
Total liabilities	\$	6,349,818
NET POSITION		
Invested in capital assets, net of related debt	\$	7,244,514
Restricted for general government		874,411
Restricted for public works		750,750
Restricted for Public safety		1,282,125
Restricted for public health		16,646
Restricted for culture and recreation		204,372
Restricted for social and economic services		112,620
Restricted for housing and community development		11,209
Restricted for debt service		862,813
Unrestricted		(353,054)
Total net position	\$	11,006,406
Total liabilities and net position	\$	17,356,224

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	3,524,686
Taxes and assessments receivable, net		1,637,751
Accounts receivable - net		265,858
Due from other governments		386,136
Total current assets	\$	5,814,431
Noncurrent assets		
Restricted cash and investments	\$	160,328
Capital assets - land		123,875
Capital assets - construction in progress		109,336
Capital assets - depreciable, net		10,418,500
Total noncurrent assets	\$	10,812,039
Total assets	\$	16,626,470
LIABILITIES		
Current liabilities		
Warrants payable	\$	1,020
Accounts payable		52,593
Accrued payroll		243,304
Due to other governments		1,094
Current portion of long-term capital liabilities		516,876
Current portion of compensated absences payable		249,119
Total current liabilities	\$	1,064,006
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	2,028,050
Noncurrent portion of long-term capital liabilities		2,859,805
Noncurrent portion of compensated absences		84,216
Total noncurrent liabilities	\$	4,972,071
Total liabilities	\$	6,036,077
NET POSITION		
Net investment in capital assets	\$	7,275,030
Restricted for debt service		761,311
Restricted for general government		899,685
Restricted for public safety		1,100,854
Restricted for public works		718,475
Restricted for public health		14,350
Restricted for social and economic services		121,877
Restricted for culture and recreation		175,895
Unrestricted		(477,084)
Total net position	\$	10,590,393

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Functions/Programs					
Primary government:					
Governmental activities:					
General government	\$ 2,789,781	\$ 225,582	\$ 93	\$ 145,021	\$ (2,419,085)
Public safety	3,162,951	1,741,204	47,895	-	(1,373,852)
Public works	2,656,092	21,125	130,717	-	(2,504,250)
Public health	256,578	-	76,808	-	(179,770)
Social and economic services	170,470	10,831	-	-	(159,639)
Culture and recreation	358,758	-	-	-	(358,758)
Housing and community development	60,975	-	-	11,995	(48,980)
Conservation of natural resources	-	-	33,426	-	33,426
Debt service - interest	194,070	-	-	-	(194,070)
Miscellaneous	22,701	-	-	-	(22,701)
Total governmental activities	\$ 9,672,376	\$ 1,998,742	\$ 288,939	\$ 157,016	\$ (7,227,679)
Total primary government	\$ 9,672,376	\$ 1,998,742	\$ 288,939	\$ 157,016	\$ (7,227,679)
General Revenues:					
Property taxes for general purposes					\$ 5,262,917
Licenses and permits					34,236
Miscellaneous					41,069
Interest/investment earnings					41,844
Intergovernmental					2,043,102
Total general revenues, special items and transfers					7,423,168
Change in net position					195,489
Net position - beginning					\$ 12,039,358
Restatements					(1,228,441)
Net position - beginning - restated					10,810,917
Net position - end					11,006,406

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services		Operating Grants and Contributions	Primary Government
Primary government:					
General government	\$ 3,061,645	\$ 259,029	\$ -		(2,802,616)
Public safety	3,532,609	1,231,634	264,068		(2,036,907)
Public works	2,724,846	90,775	352,842		(2,281,229)
Public health	259,592	-	90,275		(169,317)
Social and economic services	182,595	10,833	-		(171,762)
Culture and recreation	383,515	-	-		(383,515)
Housing and community development	425,460	-	398,633		(26,827)
Debt service - interest	171,860	-	-		(171,860)
Miscellaneous	251,279	-	-		(251,279)
Total governmental activities	\$ 10,993,401	\$ 1,592,271	\$ 1,105,818		(8,295,312)
Total primary government	\$ 10,993,401	\$ 1,592,271	\$ 1,105,818		(8,295,312)
General Revenues:					
Property taxes for general purposes				\$ 5,347,671	
Licenses and permits				29,672	
Local Option Taxes				-	
Miscellaneous				31,009	
Interest/investment earnings				18,046	
Intergovernmental				689,461	
PILT				1,005,711	
State entitlement				674,280	
Total general revenues, special items and transfers				\$ 7,795,850	
Change in net position				\$ (499,462)	
Net position - beginning				\$ 11,006,406	
Restatements				83,449	
Net position - beginning - restated				\$ 11,089,855	
Net position - end				\$ 10,590,393	

See accompanying Notes to the Financial Statements

Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety (Law Enforcement)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 1,480,806	\$ 11,676	\$ 446,073	\$ 197	\$ 2,298,783	\$ 4,237,535
Taxes and assessments receivable, net	392,970	258,917	11,514	193,547	610,163	1,467,111
Accounts receivable - net	-	-	311,606	-	-	311,606
Due from other funds	330,133	-	-	-	-	330,133
Due from other governments	-	-	8,262	-	43,040	51,302
Total current assets	<u>\$ 2,203,909</u>	<u>\$ 270,593</u>	<u>\$ 777,455</u>	<u>\$ 193,744</u>	<u>\$ 2,951,986</u>	<u>\$ 6,397,687</u>
Noncurrent assets:						
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 159,868	\$ 159,868
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,868</u>	<u>\$ 159,868</u>
Total assets	<u>\$ 2,203,909</u>	<u>\$ 270,593</u>	<u>\$ 777,455</u>	<u>\$ 193,744</u>	<u>\$ 3,111,854</u>	<u>\$ 6,557,555</u>
LIABILITIES						
Current liabilities:						
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ 946	\$ 946
Accounts payable	28,000	-	125	26,638	-	54,763
Accrued payables	-	-	-	62,217	-	62,217
Due to other funds	-	-	-	330,133	-	330,133
Due to other governments	(12,604)	-	-	-	49,941	37,337
Warrants paid by other funds	-	-	-	-	396,327	396,327
Total liabilities	<u>\$ 15,396</u>	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 418,988</u>	<u>\$ 447,214</u>	<u>\$ 881,723</u>
DEFERRED INFLOWS OF RESOURCES						
Deffered inflows of resources	\$ 392,970	\$ 258,917	\$ 11,514	\$ 193,547	\$ 610,163	\$ 1,467,111
FUND BALANCES						
Restricted	\$ -	\$ 11,676	\$ 765,816	\$ -	\$ 1,847,623	\$ 2,625,115
Committed	-	-	-	-	609,237	609,237
Unassigned fund balance	1,795,543	-	-	(418,791)	(402,383)	974,369
Total fund balance	<u>\$ 1,795,543</u>	<u>\$ 11,676</u>	<u>\$ 765,816</u>	<u>\$ (418,791)</u>	<u>\$ 2,054,477</u>	<u>\$ 4,208,721</u>
Total liabilities and fund balance	<u>\$ 1,810,939</u>	<u>\$ 11,676</u>	<u>\$ 765,941</u>	<u>\$ 197</u>	<u>\$ 2,501,691</u>	<u>\$ 5,090,444</u>

See accompanying Notes to the Financial Statements

Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Road	Ambulance	Public Safety (Law Enforcement)	Community Transportation Enhancement Program	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 942,171	\$ (20)	\$ 372,765	\$ (11,513)	\$ -	\$ 2,221,283	\$ 3,524,686
Taxes and assessments receivable, net	446,860	299,246	13,234	226,933	-	651,478	1,637,751
Accounts receivable - net	-	-	265,858	-	-	-	265,858
Due from other funds	1,814,712	-	-	-	-	-	1,814,712
Due from other governments	-	-	-	-	326,959	59,177	386,136
Total current assets	\$ 3,203,743	\$ 299,226	\$ 651,857	\$ 215,420	\$ 326,959	\$ 2,931,938	\$ 7,629,143
Noncurrent assets:							
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,328	\$ 160,328
Total noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,328	\$ 160,328
Total assets	\$ 3,203,743	\$ 299,226	\$ 651,857	\$ 215,420	\$ 326,959	\$ 3,092,266	\$ 7,789,471
Current liabilities:							
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,020	\$ 1,020
Accounts payable	28,000	-	125	23,748	-	720	52,593
Accrued payroll	70,052	24,003	39,654	64,764	-	44,831	243,304
Due to other funds	-	53,697	-	912,991	447,025	400,999	1,814,712
Due to other governments	656	-	-	-	-	438	1,094
Total liabilities	\$ 98,708	\$ 77,700	\$ 39,779	\$ 1,001,503	\$ 447,025	\$ 448,008	\$ 2,112,723
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	\$ 446,860	\$ 299,246	\$ 13,234	\$ 226,933	\$ -	\$ 651,478	\$ 1,637,751
Total deferred inflows of resources	\$ 446,860	\$ 299,246	\$ 13,234	\$ 226,933	\$ -	\$ 651,478	\$ 1,637,751
FUND BALANCES							
Restricted	\$ -	\$ -	\$ 598,844	\$ -	\$ -	\$ 1,803,944	\$ 2,402,788
Committed	-	-	-	-	-	546,372	546,372
Unassigned fund balance	2,658,175	(77,720)	-	(1,013,016)	(120,066)	(357,536)	1,089,837
Total fund balance	\$ 2,658,175	\$ (77,720)	\$ 598,844	\$ (1,013,016)	\$ (120,066)	\$ 1,992,780	\$ 4,038,997

See accompanying Notes to the Financial Statements

Glacier County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2013

Total fund balances - governmental funds	\$ 4,208,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,128,802
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	1,467,111
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,798,228)
Total net position - governmental activities	\$ <u>11,006,406</u>

See accompanying Notes to the Financial Statements

Glacier County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 4,038,997
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,651,711
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	1,637,751
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,738,066)
Total net position - governmental activities	\$ <u>10,590,393</u>

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Road	Ambulance	Public Safety (Law Enforcement)	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$ 2,327,252	\$ 1,009,485	\$ 39,428	\$ 799,988	\$ 1,691,028	\$ 5,867,181
Licenses and permits	34,236	-	-	-	-	34,236
Intergovernmental	430,698	326,622	4,797	228,758	783,595	1,774,470
Charges for services	148,169	49,009	1,214,213	154,346	49,453	1,615,190
Fines and forfeitures	56,816	-	-	-	9,860	66,676
Miscellaneous	48,296	-	15,681	6,957	18,442	89,376
Investment earnings	33,522	-	-	-	8,322	41,844
Total revenues	\$ 3,078,989	\$ 1,385,116	\$ 1,274,119	\$ 1,190,049	\$ 2,560,700	\$ 9,488,973
EXPENDITURES						
General government	\$ 2,086,274	\$ -	\$ -	\$ 167	\$ 236,460	\$ 2,322,901
Public safety	154,889	-	1,017,137	1,632,731	120,234	2,924,991
Public works	-	1,278,324	-	-	1,077,099	2,355,423
Public health	99,775	-	-	-	59,982	159,757
Social and economic services	92,873	-	-	-	72,606	165,479
Culture and recreation	1,047	-	-	-	350,222	351,269
Housing and community development	-	-	-	-	55,142	55,142
Debt service - principal	-	28,012	-	-	458,006	486,018
Debt service - interest	-	3,765	-	-	190,305	194,070
Miscellaneous	22,701	-	-	-	-	22,701
Capital outlay	62,405	116,132	14,132	64,652	578,157	835,478
Total expenditures	\$ 2,519,964	\$ 1,426,233	\$ 1,031,269	\$ 1,697,550	\$ 3,198,213	\$ 9,873,229
Excess (deficiency) of revenues over expenditures	\$ 559,025	\$ (41,117)	\$ 242,850	\$ (507,501)	\$ (637,513)	\$ (384,256)
OTHER FINANCING SOURCES (USES)						
Compensation for loss of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ 35,997	\$ 35,997
Transfers in	-	150,000	-	450,000	344,677	944,677
Transfers out	(794,677)	-	(150,000)	-	-	(944,677)
Total other financing sources (uses)	\$ (794,677)	\$ 150,000	\$ (150,000)	\$ 450,000	\$ 380,674	\$ 35,997
Net change in Fund Balance	\$ (235,652)	\$ 108,883	\$ 92,850	\$ (57,501)	\$ (256,839)	\$ (348,259)
Fund balances - beginning	\$ (11,439)	\$ (97,207)	\$ 672,966	\$ (361,290)	\$ 2,322,867	\$ 2,525,897
Restatements	2,042,634	-	-	-	(11,551)	2,031,083
Fund balances - beginning, restated	\$ 2,031,195	\$ (97,207)	\$ 672,966	\$ (361,290)	\$ 2,311,316	\$ 4,556,980
Fund balance - ending	\$ 1,795,543	\$ 11,676	\$ 765,816	\$ (418,791)	\$ 2,054,477	\$ 4,208,721

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Road	Ambulance	Public Safety (Law Enforcement)	Community Transportation Enhancement Program	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 1,482,097	\$ 1,089,627	\$ 42,673	\$ 863,299	\$ -	\$ 1,699,334	\$ 5,177,030
Licenses and permits	29,672	-	-	-	-	-	29,672
Intergovernmental	1,826,115	165,888	64,882	103,864	329,959	982,727	3,473,435
Charges for services	113,455	57,131	1,006,349	212,610	-	49,621	1,439,166
Fines and forfeitures	49,427	-	-	-	-	10,785	60,212
Miscellaneous	78,381	2,526	2,020	1,317	-	41,494	125,738
Investment earnings	15,406	-	-	-	-	2,640	18,046
Total revenues	\$ 3,594,553	\$ 1,315,172	\$ 1,115,924	\$ 1,181,090	\$ 329,959	\$ 2,786,601	\$ 10,323,299
EXPENDITURES							
General government	\$ 2,296,563	\$ -	\$ -	\$ -	\$ -	\$ 246,993	\$ 2,543,556
Public safety	194,799	-	1,237,666	1,730,591	-	130,121	3,293,177
Public works	-	1,313,857	-	-	266,731	850,750	2,431,338
Public health	98,758	-	-	-	-	83,823	182,581
Social and economic services	95,470	-	-	-	-	82,134	177,604
Culture and recreation	5,678	-	-	-	-	370,052	375,730
Housing and community development	-	-	-	-	-	419,627	419,627
Debt service - principal	-	29,228	-	-	-	472,330	501,558
Debt service - interest	-	2,549	-	-	-	169,311	171,860
Miscellaneous	25,333	-	8,262	-	-	-	33,595
Capital outlay	15,320	58,934	36,968	44,724	-	253,161	409,107
Total expenditures	\$ 2,731,921	\$ 1,404,568	\$ 1,282,896	\$ 1,775,315	\$ 266,731	\$ 3,078,302	\$ 10,539,733
Net Change in Fund Balance	\$ 862,632	\$ (89,396)	\$ (166,972)	\$ (594,225)	\$ 63,228	\$ (291,701)	\$ (216,434)
Fund balances - beginning	\$ 1,795,543	\$ 11,676	\$ 765,816	\$ (418,791)	\$ (183,294)	\$ 2,237,771	\$ 4,208,721
Restatements	-	-	-	-	-	46,710	46,710
Fund balances - beginning, restated	\$ 1,795,543	\$ 11,676	\$ 765,816	\$ (418,791)	\$ (183,294)	\$ 2,284,481	\$ 4,255,431
Fund balance - ending	\$ 2,658,175	\$ (77,720)	\$ 598,844	\$ (1,013,016)	\$ (120,066)	\$ 1,992,780	\$ 4,038,997

Glacier County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

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

— **Net change in fund balances - total governmental funds** \$ (348,259)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	835,478
- Depreciation expense	(697,957)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	342,895
--	---------

The change in compensated absences is shown as an expense in the Statement of Activities

(17,076)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:

- Long-term debt principal payments	486,018
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(405,610)
--	-----------

Change in net position - Statement of Activities

\$ 195,489

See accompanying Notes to the Financial Statements

Glacier County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (216,434)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	409,107
- Depreciation expense	(699,204)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Loss on deletion of capital assets	(217,684)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	170,640
--	---------

The change in compensated absences is shown as an expense in the Statement of Activities

(41,835)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments	501,558
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(405,610)
--	-----------

Change in net position - Statement of Activities \$ (499,462)

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2013

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 25,150,112	\$ 6,532,659
Taxes receivable	-	2,924,665
Total assets	<u>\$ 25,150,112</u>	<u>\$ 9,457,324</u>
LIABILITIES		
Warrants payable	\$ -	\$ 355,146
Due to others	-	9,102,178
Total liabilities	<u>\$ -</u>	<u>\$ 9,457,324</u>
NET POSITION		
Assets held in trust	<u>\$ 25,150,112</u>	

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 19,643,971	\$ 11,639,132
Taxes receivable	-	3,324,070
Total assets	\$ 19,643,971	\$ 14,963,202
LIABILITIES		
Warrants payable	\$ -	\$ 312,386
Due to others	-	14,650,816
Total liabilities	\$ -	\$ 14,963,202
NET POSITION		
Assets held in trust	\$ 19,643,971	

See accompanying Notes to the Financial Statements

Glacier County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	19,464,380
Investment earnings:		
Interest and change in fair value of investments		246,945
Total additions	\$	<u>19,711,325</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	<u>15,982,450</u>
Change in net position	\$	<u>3,728,875</u>
Net Position - Beginning of the year	\$	29,021,601
Restatements		<u>(7,600,364)</u>
Net Position - Beginning of the year - Restated	\$	<u>21,421,237</u>
Net Position - End of the year	\$	<u><u>25,150,112</u></u>

Glacier County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	4,466,160
Investment earnings:		
Interest and change in fair value of investments		361,296
Total additions	\$	<u>4,827,456</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	<u>10,333,597</u>
Change in net position	\$	<u>(5,506,141)</u>
 Net Position - Beginning of the year	 \$	 25,150,112
 Net Position - End of the year	 \$	 <u>19,643,971</u>

See accompanying Notes to the Financial Statements

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates the pre-November 30, 1989 FASB, APB and ARB pronouncements that the GASB considers to be applicable to state and local governments. This standard is effective for fiscal year ending June 30, 2013.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the County appointed a voting majority of the component units' board; the County is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

Primary Government

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

Related Organizations

Related organizations are separate legal entities that are related to the primary government because the primary government officials appoint a voting majority of the board members. However, the primary government is not financially accountable because it does not have the ability to impose its will and there is not a potential financial

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

benefit or burden relationship. Glacier County Regional Port Authority is considered a related organization to Glacier County

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Major Funds:

The County reports the following major governmental funds:

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

Road Fund – This fund accounts for the resources used for the construction, maintenance, or improvement of County’s roads.

Ambulance Fund – This fund accounts for resources used in providing County ambulance services to the public.

Public Safety Fund – This fund accounts for the resources and charges for providing law enforcement and public safety services to the County.

CTEP Fund – This fund is used to account grant monies received for the development and construction of the high school pathway in Browning.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the County as an agent for individuals, private organizations, other local governmental entities and the County’s claims and payroll clearing funds

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

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

	<u>June 30, 2013</u>	<u>June 30, 2014</u>
<u>Cash on hand and deposits:</u>		
Cash on hand	\$ 1,350	\$ 1,350
Petty Cash	1,050	1,050
Cash in banks:		
Demand deposits	320,661	197,230
Money Market Account	36,941	2,176,842
Time Deposits	1,000,000	3,250,000
<u>Investments:</u>		
U.S. Government Securities	29,289,976	18,196,625
Repurchase agreements	5,033,869	11,145,020
Reconciled warrants paid by other funds:	396,327 *	-
Total	\$ 36,080,174	\$ 34,968,117

* Amount represents the following funds that had a negative cash balance:

Glacier County Transit	\$ 45,822
Enforcement Grant	59,826
Transportation Enhancement	183,294
DEQ Grant	107,385
Total	\$ 396,327

Repurchase Agreements

An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments 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.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be place in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2013	June 30, 2014
	<u>Balance</u>	<u>Balance</u>
<u>Depository Account</u>		
Insured	\$ 1,332,470	\$ 3,912,661
Uninsured and uncollateralized	8,403	1,685,815
Total deposits and investments	<u>\$ 1,340,873</u>	<u>\$ 5,598,476</u>

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

(a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2014, equaled or exceeded the amount required by State statutes.

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. The County has one pooled investment trust fund invested in U.S. Government Securities and non-negotiable certified deposits. The pooled funds are carried at fair value.

Non-pooled investments are also carried at fair value. These investments include demand deposits and repurchase agreement. The fair value of non-pooled investments is determined annually and is based on current market prices.

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

As noted below State statutes limit the type of investments but provide no other regulatory oversight.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

Condensed statements of investments pools

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2013 and June 30, 2014.

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

June 30, 2013

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 5,176,804
Equity of external pool participants	25,150,112
Total equity	\$ 30,326,916

Condensed Statement of Changes in Net Assets

	External	Internal
Investment earnings	\$ 246,945	\$ 50,830
Contributions to trust	19,464,380	4,828,649
Distributions paid	(15,982,450)	(3,120,534)
Net change in net assets	\$ 3,728,875	\$ 1,758,945
Restatements	(7,600,364)	(1,202,602)
Net assets at beginning of year	29,021,601	4,620,461
Net assets at end of year	\$ 25,150,112	\$ 5,176,804

June 30, 2014

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 3,979,496
Equity of external pool participants	19,643,970
Total equity	\$ 23,623,466

Condensed Statement of Changes in Net Assets

	External	Internal
Investment earnings	\$ 361,296	\$ 73,192
Contributions to trust	4,466,160	890,968
Distributions paid	(10,333,597)	(2,161,468)
Net change in net assets	\$ (5,506,141)	\$ (1,197,308)
Net assets at beginning of year	25,150,111	5,176,804
Net assets at end of year	\$ 19,643,970	\$ 3,979,496

Cash equivalents

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2013 and June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>2013</u>	<u>2014</u>
Restricted for contested judgments	\$ <u>159,868</u>	\$ <u>160,328</u>

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 4. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes 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.

NOTE 5. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	20 – 100 years
Machinery and Equipment	3 – 20 years

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has not included the value of all infrastructure into the 2013 and 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets for June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Restatements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 107,925	\$ 15,950	\$ -	\$ -	\$ 123,875
Total capital assets not being depreciated	<u>\$ 107,925</u>	<u>\$ 15,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,875</u>
Other capital assets:					
Buildings	\$ 11,273,928	\$ 324,754	\$ -	\$ -	\$ 11,598,682
Improvements other than buildings	241,440	29,379	-	-	270,819
Machinery and equipment	8,851,615	465,395	-	(1,295,927)	8,021,083
Total other capital assets at historical cost	\$ 20,366,983	\$ 819,528	\$ -	\$ (1,295,927)	\$ 19,890,584
Less: accumulated depreciation	\$ (9,483,567)	\$ (697,957)	\$ -	\$ 1,295,867	\$ (8,885,657)
Total	<u>\$ 10,991,341</u>	<u>\$ 137,521</u>	<u>\$ -</u>	<u>\$ (60)</u>	<u>\$ 11,128,802</u>

A summary of changes in governmental capital assets for June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Restatements	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 123,875	\$ -	\$ -	\$ -	\$ 123,875
Construction in progress	-	109,336	-	-	109,336
Total capital assets not being depreciated	<u>\$ 123,875</u>	<u>\$ 109,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,211</u>
Other capital assets:					
Buildings	\$ 11,598,682	\$ 45,890	\$ -	\$ -	\$ 11,644,572
Improvements other than buildings	270,819	-	-	-	270,819
Machinery and equipment	8,021,083	253,881	(949,463)	-	7,325,501
Total other capital assets at historical cost	\$ 19,890,584	\$ 299,771	\$ (949,463)	\$ -	\$ 19,240,892
Less: accumulated depreciation	\$ (8,885,657)	\$ (699,204)	\$ 731,779	\$ 30,690	\$ (8,822,392)
Total	<u>\$ 11,128,802</u>	<u>\$ (290,097)</u>	<u>\$ (217,684)</u>	<u>\$ 30,690</u>	<u>\$ 10,651,711</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	June 30, 2013	June 30, 2014
General government	\$ 44,194	\$ 70,644
Public safety	237,960	239,432
Public works	371,668	365,199
Public health	25,822	5,320
Social and economic services	4,991	4,991
Culture and recreation	7,489	7,785
Housing and community development	5,833	5,833
Total governmental activities depreciation expense	<u>\$ 697,957</u>	<u>\$ 699,204</u>

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance				Balance	Due Within
	July 1, 2012	Additions	Deletions	Restatements	June 30, 2013	One Year
General obligation bonds	\$ 3,115,000	\$ -	\$ (180,000)	\$ -	\$ 2,935,000	\$ 185,000
Contracted debt	1,161,545	-	(278,006)	-	883,539	285,000
Compensated absences	274,424	17,076	-	-	291,500	215,167
Capital leases	93,761	-	(28,012)	-	65,749	31,777
Other post-employment benefits*	-	405,610	-	1,216,830	1,622,440	-
Total	\$ 4,644,730	\$ 422,686	\$ (486,018)	\$ 1,216,830	\$ 5,798,228	\$ 716,944

*See Note 8

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

Governmental Activities:

	Balance				Balance	Due Within
	July 1, 2013	Additions	Deletions	Restatements	June 30, 2014	One Year
General obligation bonds	\$ 2,935,000	\$ -	(185,000)	-	\$ 2,750,000	\$ 195,000
Contracted debt	883,539	-	(287,330)	-	596,209	291,404
Compensated absences	291,500	41,835	-	-	333,335	249,119
Capital leases	65,749	-	(29,228)	(6,049)	30,472	30,472
Other post-employment benefits*	1,622,440	405,610	-	-	2,028,050	-
Total	\$ 5,798,228	\$ 447,445	\$ (501,558)	\$ (6,049)	\$ 5,738,066	\$ 765,995

*See Note 8

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

General Obligation Bonds - The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding as of June 30, 2013 and June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30, 2014</u>
Nursing Home and Boiler Replacement Bond	5/26/2005	4.5-4.75%	20 yrs	7/1/2022	\$ 2,935,000	Varies	\$ 2,935,000	\$ 2,750,000

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	195,000	124,830
2016	205,000	116,055
2017	215,000	107,445
2018	225,000	98,200
2019	235,000	88,300
2020	250,000	77,842
2021	260,000	66,592
2022	270,000	54,632
2023	285,000	42,078
2024	300,000	28,825
2025	310,000	14,725
Total	\$ 2,750,000	\$ 819,524

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2013 and 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30, 2014</u>
Detention Center 2008	10/17/07	4.50%	8 yrs	7/1/16	\$ 2,100,000	\$ 883,539	\$ 596,209

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	291,404	20,574
2016	304,805	7,173
Total	\$ 596,209	\$ 27,747

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Capital Leases

The County has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2013 and 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30, 2014</u>
Machinery and Equipment	4/28/10	4.28%	5 yrs	4/28/15	\$ <u>65,749</u>	\$ <u>30,472</u>

Annual requirement to amortize debt:

For Fiscal			
<u>Year Ended</u>		<u>Principal</u>	<u>Interest</u>
2015	\$	<u>30,472</u>	\$ <u>1,340</u>
Total	\$	<u>30,472</u>	\$ <u>1,340</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$	2,150,949
Actuarial value of plan assets	\$	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u><u>2,150,949</u></u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	3,503,601
UAAL as a percentage of covered payroll		61.4%

Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	405,610
Interest on net OPEB obligation	\$	0
Adjustment to ARC	\$	<u>0</u>
Annual OPEB cost (expense)	\$	405,610
Contributions made	\$	<u>0</u>
Increase in net OPEB obligation	\$	405,610
Net OPEB obligation - beginning of year	\$	<u>1,622,440</u>
Net OPEB obligation - end of year 2014	\$	<u><u>2,028,050</u></u>

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

		Unit Credit Cost Method
Actuarial cost method		
Average age of retirement (based on historical data)		62
Discount rate (average anticipated rate)		2.66%
Average salary increase (Consumer Price Index)		2.80%

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and thereafter	6.90%

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2013, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clear negative cash accounts in 2010	PILT – Nonmajor Governmental	Public Safety – Major Governmental	<u>\$ 330,133</u>

The composition of interfund balances as of June 30, 2014, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clear negative cash accounts in 2010	PILT – Nonmajor Governmental	Public Safety – Major Governmental	\$ 330,133
Eliminate negative cash balances	PILT – Nonmajor Governmental	Road – Major Governmental	53,699
Eliminate negative cash balances	PILT – Nonmajor Governmental	Cemetery District – Nonmajor Governmental	53,469
Eliminate negative cash balances	PILT – Nonmajor Governmental	Public Safety – Major Governmental	582,858
Eliminate negative cash balances	PILT – Nonmajor Governmental	Study Commission – Nonmajor Governmental	152
Eliminate negative cash balances	PILT – Nonmajor Governmental	Alcoholism – Nonmajor Governmental	65
Eliminate negative cash balances	PILT – Nonmajor Governmental	Museum – Nonmajor Governmental	25,906
Eliminate negative cash balances	PILT – Nonmajor Governmental	Glacier Park Lights – Nonmajor Governmental	955
Eliminate negative cash balances	PILT – Nonmajor Governmental	DUI Prevention – Nonmajor Governmental	2,614
Eliminate negative cash balances	PILT – Nonmajor Governmental	Glacier County Transit – Nonmajor Governmental	65,725
Eliminate negative cash balances	PILT – Nonmajor Governmental	TSEP – Nonmajor Governmental	12,141
Eliminate negative cash balances	PILT – Nonmajor Governmental	COPS Grant – Nonmajor Governmental	2,032

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Eliminate negative cash balances	PILT – Nonmajor Governmental	Sheriff Law Enforc Grant – Nonmajor Governmental	63,796
Eliminate negative cash balances	PILT – Nonmajor Governmental	CTEP – Nonmajor Governmental	447,025
Eliminate negative cash balances	PILT – Nonmajor Governmental	Health – MCH – Nonmajor Governmental	8,682
Eliminate negative cash balances	PILT – Nonmajor Governmental	Tobacco Grant – Nonmajor Governmental	8,259
Eliminate negative cash balances	PILT – Nonmajor Governmental	Immunization 3 rd Party – Nonmajor Governmental	606
Eliminate negative cash balances	PILT – Nonmajor Governmental	Road and Bridge Reserve – Nonmajor Governmental	3,161
Eliminate negative cash balances	PILT – Nonmajor Governmental	Glacier County Ambulance Improvement – Nonmajor Governmental	40,680
Eliminate negative cash balances	PILT – Nonmajor Governmental	DEQ/DOE/ARR Grant – Nonmajor Governmental	<u>112,754</u>
Total			<u>\$ 1,814,712</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2013:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Support operations and help deficit fund balance	Road – Major Governmental	General – Major Governmental	150,000
Support operations and help deficit fund balance	Weed – Nonmajor Governmental	General – Major Governmental	100,000
Support operations and help deficit fund balance	Cemetery District – Nonmajor Governmental	General – Major Governmental	25,000
Support operations and help deficit fund balance	Public Safety – Nonmajor Governmental	General – Major Governmental	450,000
Support operations and help deficit fund balance	Alcoholism – Nonmajor Governmental	General – Major Governmental	26,500
Support operations and help deficit fund balance	Museum – Nonmajor Governmental	General – Major Governmental	40,000
Support operations and help deficit fund balance	Disaster – Nonmajor Governmental	General – Major Governmental	329
Support operations and help deficit fund balance	Immunization Reimbursement – Nonmajor Governmental	General – Major Governmental	2,848
Support operations and help deficit fund balance	Glacier County Ambulance Capital Fund – Nonmajor Governmental	Ambulance – Major Governmental	150,000
			<u>\$ 944,677</u>

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 10. STATE-WIDE RETIREMENT PLANS

All full-time County employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS) and Sheriffs Retirement System (SRS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

	<u>PERS**</u>	<u>SRS</u>
Employer	7.07%	10.115%
Employee	6.90%*	9.425%
State	0.10%	-

* For PERS members hired after 7/1/2011 that rate is 7.9%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the County's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The Entity's contributions for the years ended June 30, 2011, 2012, 2013 and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>SRS</u>
2011	\$ 172,156	\$ 70,640
2012	\$ 175,082	\$ 71,052
2013	\$ 180,079	\$ 74,002
2014	\$ 215,828	\$ 79,698

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance – June 30, 2013

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 11,676	Public works
Ambulance	765,816	Public safety
All other aggregate:		
	195,364	Public works
	16,645	Public health
	592,502	General government
	126,550	Culture and recreation
	427,824	Public safety
	92,280	Social and economic services
	11,209	Housing and community development
	<u>396,925</u>	Debt service
Total	<u>\$ 2,625,115</u>	

Committed Fund Balance – June 30, 2013

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All other aggregate:		
	\$ 220,032	General government
	4,768	Public works
	76,971	Public safety
	<u>307,466</u>	Debt service
Total	<u>\$ 609,237</u>	

Restricted Fund Balance – June 30, 2014

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Ambulance	\$ 598,844	Public safety
All other aggregate:		
	200,833	Public works
	13,281	Public health
	663,162	General government
	488,776	Public safety
	98,477	Social and economic services
	109,403	Culture and recreation
	<u>230,012</u>	Debt service
Total	<u>\$ 2,402,788</u>	

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Committed Fund Balance – June 30, 2014

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All other aggregate:		
	\$ 180,843	General government
	15,719	Public works
	<u>349,810</u>	Debt service
Total	<u>\$ 546,372</u>	

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

June 30, 2013

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Public Safety	\$ 356,574	Small amount of cash, but has \$330K due to other funds and \$26K to AP	PILT Transfer to cover negative cash balances
DUI Prevention (STEP funding)	\$ 3,792	Negative cash balance	PILT Transfer to cover negative cash balances
Glacier County Transit	\$ 45,822	Negative cash balance	PILT Transfer to cover negative cash balances
COPS Grant	\$ 2,032	Negative cash balance	PILT Transfer to cover negative cash balances
Sheriff Law Enforcement Grant	\$ 59,826	Negative cash balance	PILT Transfer to cover negative cash balances
CTEP Immunization 3 rd	\$ 183,294	Negative cash balance	PILT Transfer to cover negative cash balances
Party Billing Grant	\$ 232	Negative cash balance	PILT Transfer to cover negative cash balances
DEQ/DOE/ARRA Grant (Hall)	\$ 107,385	Negative cash balance	PILT Transfer to cover negative cash balances

June 30, 2014

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Road	\$ 77,720	Negative cash balance and \$77K in payables	Tax revenues and PILT monies
Weed	\$ 6,401	Negative cash balance and payroll accrual	Tax revenues and PILT monies
Cemetery District	\$ 11,534	Insufficient cash balance to cover due to other funds payable	Tax revenues and PILT monies
Public Safety	\$ 1,013,016	Negative cash balance, and have \$912K due to other fund payable and \$87K in other payables	PILT Transfer to cover negative cash
Study Commission	\$ 152	Payroll accrual and no cash balance	Transfer from unrestricted fund
Alcoholism	\$ 65	Payroll accrual and no cash balance	Transfer from unrestricted fund
Museum	\$ 29,990	No cash with outstanding payables	Tax revenues or PILT monies
Glacier Park Lights	\$ 955	No cash with outstanding payables	PILT transfer to cover negative cash
DUI Prevention	\$ 2,762	No cash with outstanding payables	PILT transfer to cover negative cash
Glacier County Transit	\$ 66,816	No cash with outstanding payables	PILT transfer to cover negative cash

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

TSEP	\$ 12,141	No cash with outstanding payables	Intergovernmental revenues PILT transfer to cover negative cash
COPS Grant Sheriff Law Enforcement Grant	\$ 2,032 \$ 65,443	No cash with outstanding payables Insufficient cash to cover outstanding payables	PILT transfer to cover negative cash
DOJ – JLEO Grant	\$ 451	No cash with outstanding payables	Transfer from unrestricted fund
CTEP	\$ 120,066	No cash with outstanding payables Insufficient cash to cover outstanding payables	Intergovernmental revenues
Health – MCH	\$ 860	Insufficient cash to cover outstanding payables	Intergovernmental revenues
Tobacco Grant	\$ 1,339	Insufficient cash to cover outstanding payables	Intergovernmental revenues
Road Reserve 7-14-2506	\$ 3,161	No cash with outstanding payables	PILT transfer to cover negative cash
Glacier County Ambulance Capital DEQ/DOE/ARRA Grant (Hall)	\$ 40,680 \$ 113,204	No cash with outstanding payables No cash with outstanding payables	Transfer from ambulance fund PILT transfer to cover negative cash

NOTE 13. RESTATEMENTS

During the 2013 fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net assets.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Cemetery Districts	\$ 21,100	Establish beginning fund balance
Health Grants – Emergency Prep	(9,549)	Record revenue in correct period
Government-Wide	1,216,830	Record prior years OPEB
Government-Wide	<u>60</u>	Capital asset adjustment
Total	<u>\$ 1,228,441</u>	

During the 2014 fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net assets.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Cemetery Districts	\$ 1,714	Fund balance reclassification
East Glacier Fire Department	(36,374)	Remove due to other government payable
Sheriff Law Enforcement Grant	3,315	Remove due from other government accrual
CB Cemetery Capital Improvement	(15,365)	Remove due to other government payable
Government-Wide	(30,690)	Overstated depreciation
Government-Wide	<u>(6,049)</u>	Capital lease liability overstated
Total All	<u>\$ (83,449)</u>	

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14. RELATED ORGANIZATIONS

Glacier County Regional Port Authority

The Glacier County Port Authority was created by the County, Browning, and Cut Bank for support economic development in the community. Each entity listed above appoints and approves three board members to sit on the Port Authorities board. The County contributed \$42,806 in 2013 and \$47,555 in 2014 to support in the operations of the authority.

NOTE 15. LEASING ARRANGEMENTS

Hospital Lease

The County has a lease agreement with Northern Rockies Medical Center Inc (NRMC), a Montana Non Profit Corporation, for the County hospital building and land. There is no known equipment that is leased at this time. The lease term agreed by the two parties extends for period of five years, ending September 30, 2015, for an annual fee of \$1.00. This is has been in place for several years prior to the most recent agreement. NRMC is responsible for management, operations, and administration of the hospital and facilities. All profits, gains, and income derived from the operations of the hospital are for the benefit of NRMC. Per the lease agreement, the County mills for the regular repair and maintenance of the buildings. In fiscal year 2014, the County levied 10.88 mills total about \$258,710 dollars in revenues for the costs of repair and maintenance. Any major repairs and maintenance costs that exceed the levied mills require the NRMC to submit a formal request to the County Commissioners for approval.

Nursing Home Lease

The County has a lease agreement with Glacier Care Center Inc., a Montana Non Profit Corporation, for the County new nursing home constructed by the county in 2005, the land and the facilities equipment for \$1.00 per year. The County issued the 2005 GO bonds to finance the construction of the nursing home facilities. The principal on these bonds when issued amounted to \$3,000,000. The County is solely responsible for the principal and interest payments on these bonds because the building is owned by the County. All income, gains, and other income generated by the facility during the year is solely for the benefit of Glacier Care Center Inc. Glacier Care Center is responsible for the management, operations, and administration of the nursing home facilities and does not rely on any warranty of the County. The County does provide a certain amount of mills to the nursing home to assist in the costs associated with the operations, and includes the insurance costs of the building. Any minor repair and maintenance costs that are under \$5,000 are the responsibility of the Glacier Care Center. Costs that exceed this \$5,000 are the responsibility of the County, and notice must be submitted by Glacier Care Center for approval by the County Commissioners.

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 16. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Interlocal Agreement

The County participates in a dispatch and emergency telephone system services agreement with the City of Cut Bank at June 30, 2013 and 2014. The City of Cut Bank pays the County a flat amount totaling \$48,397 per year, respectively for providing dispatch services for the fiscal year ended June 30, 2013 and 2014.

NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

NOTE 18. RISK MANAGEMENT

The County faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Insurance Pools: (County)

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

GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Separate audited financial statements are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Joint Powers Insurance Trust.

NOTE 19. SUBSEQUENT EVENTS

The County does not maintain sufficient cash reserves in the General, Road, and Public Safety funds to operate on until tax revenues are received in November. As of the end of January 2015 the General fund, Road fund, and Public Safety fund has the following negative cash balances respectively, (\$368,881), (\$477,157), and (\$395,123). Management is aware of the cash issues, and has implemented a more conservative plan in making only the essential expenditure transactions. They have also encouraged departments to be aware of cash on hand and when revenues will be received before making significant expenditure transactions. The County plans to continue monitoring of expenditures until it is able to have a more permanent plan to maintain cash reserves.

NOTE 20. PENDING LITIGATION

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages</u>	<u>Potential of Loss</u>
Flammond vs Glacier County, DV-09-82	Not Stated	Not Stated
Gehrke v. Winkowitsch and Glacier County, DV-14-33	Not Stated	Not Stated

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**REQUIRED SUPPLEMENTAL
INFORMATION**

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Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,422,823	\$ 1,422,823	\$ 1,393,037	\$ (29,786)
Licenses and permits	38,500	38,500	34,236	(4,264)
Intergovernmental	415,420	415,420	424,054	8,634
Charges for services	158,000	158,000	148,169	(9,831)
Fines and forfeitures	65,500	65,500	56,816	(8,684)
Miscellaneous	38,371	38,371	48,296	9,925
Investment earnings	60,000	60,000	32,605	(27,395)
Amounts available for appropriation	<u>\$ 2,198,614</u>	<u>\$ 2,198,614</u>	<u>\$ 2,137,213</u>	<u>\$ (61,401)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,139,478	\$ 2,139,478	\$ 1,923,522	\$ 215,956
Public safety	170,110	170,110	152,507	17,603
Public works	-	-	-	-
Public health	129,688	129,688	99,775	29,913
Social and economic services	73,939	73,939	65,123	8,816
Culture and recreation	5,300	5,300	1,047	4,253
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	29,000	29,000	16,822	12,178
Total charges to appropriations	<u>\$ 2,547,515</u>	<u>\$ 2,547,515</u>	<u>\$ 2,258,796</u>	<u>\$ 288,719</u>
OTHER FINANCING SOURCES (USES)				
Other financing source (revenue)	\$ 322,750	\$ 322,750	\$ -	\$ (322,750)
Transfers in	-	-	-	-
Transfers out	-	-	147,152	147,152
Total other financing sources (uses)	<u>\$ 322,750</u>	<u>\$ 322,750</u>	<u>\$ 147,152</u>	<u>\$ (175,598)</u>
Net change in fund balance			<u>\$ 25,569</u>	
Fund balance - beginning of the year			<u>\$ (11,439)</u>	
Fund balance - end of the year			<u>\$ 14,130</u>	

Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,058,913	\$ 1,058,913	\$ 1,009,485	\$ (49,428)
Licenses and permits	-	-	-	-
Intergovernmental	347,383	347,383	326,622	(20,761)
Charges for services	90,000	90,000	49,009	(40,991)
Fines and forfeitures	-	-	-	-
Miscellaneous	3,000	3,000	-	(3,000)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,499,296</u>	<u>\$ 1,499,296</u>	<u>\$ 1,385,116</u>	<u>\$ (114,180)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	1,262,296	1,262,296	1,278,324	(16,028)
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	75,000	75,000	28,012	46,988
Debt service - interest	12,000	12,000	3,765	8,235
Capital outlay	150,000	150,000	116,132	33,868
Total charges to appropriations	<u>\$ 1,499,296</u>	<u>\$ 1,499,296</u>	<u>\$ 1,426,233</u>	<u>\$ 73,063</u>
OTHER FINANCING SOURCES (USES)				
Other financing source (revenue)	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	150,000	150,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Net change in fund balance			<u>\$ 108,883</u>	
Fund balance - beginning of the year			<u>\$ (97,207)</u>	
Fund balance - end of the year			<u>\$ 11,676</u>	

Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Ambulance			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 43,311	\$ 43,311	\$ 39,428	\$ (3,883)
Licenses and permits	-	-	-	-
Intergovernmental	14,000	14,000	4,797	(9,203)
Charges for services	1,221,500	1,221,500	1,214,213	(7,287)
Fines and forfeitures	-	-	-	-
Miscellaneous	35,000	35,000	15,681	(19,319)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,313,811</u>	<u>\$ 1,313,811</u>	<u>\$ 1,274,119</u>	<u>\$ (39,692)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,023,795	1,023,795	1,017,137	6,658
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	150,000	150,000	14,132	135,868
Total charges to appropriations	<u>\$ 1,173,795</u>	<u>\$ 1,173,795</u>	<u>\$ 1,031,269</u>	<u>\$ 142,526</u>
OTHER FINANCING SOURCES (USES)				
Other financing source (revenue)	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(140,000)	(140,000)	(150,000)	(10,000)
Total other financing sources (uses)	<u>\$ (140,000)</u>	<u>\$ (140,000)</u>	<u>\$ (150,000)</u>	<u>\$ (10,000)</u>
Net change in fund balance			<u>\$ 92,850</u>	
Fund balance - beginning of the year			<u>\$ 672,966</u>	
Fund balance - end of the year			<u>\$ 765,816</u>	

Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

Public Safety (Law Enforcement)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY</u>	
			<u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 799,003	\$ 799,003	\$ 799,988	\$ 985
Licenses and permits	-	-	-	-
Intergovernmental	193,062	193,062	228,758	35,696
Charges for services	240,750	240,750	154,346	(86,404)
Fines and forfeitures	-	-	-	-
Miscellaneous	25,000	25,000	6,957	(18,043)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,257,815</u>	<u>\$ 1,257,815</u>	<u>\$ 1,190,049</u>	<u>\$ (67,766)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,000	\$ 1,000	\$ 167	\$ 833
Public safety	1,752,823	1,752,823	1,632,731	120,092
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	68,749	68,749	64,652	4,097
Total charges to appropriations	<u>\$ 1,822,572</u>	<u>\$ 1,822,572</u>	<u>\$ 1,697,550</u>	<u>\$ 125,022</u>
OTHER FINANCING SOURCES (USES)				
Other financing source (revenue)	\$ -	\$ -	\$ -	\$ -
Transfers in	375,000	375,000	450,000	75,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 450,000</u>	<u>\$ 75,000</u>
Net change in fund balance			<u>\$ (57,501)</u>	
Fund balance - beginning of the year			<u>\$ (361,290)</u>	
Fund balance - end of the year			<u>\$ (418,791)</u>	

Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,552,267	\$ 1,552,267	\$ 1,482,097	\$ (70,170)
Licenses and permits	37,000	37,000	29,672	(7,328)
Intergovernmental	355,650	355,650	814,726	459,076
Charges for services	123,894	123,894	113,455	(10,439)
Fines and forfeitures	65,750	65,750	49,427	(16,323)
Miscellaneous	67,952	67,952	78,381	10,429
Investment earnings	35,000	35,000	15,090	(19,910)
Amounts available for appropriation	<u>\$ 2,237,513</u>	<u>\$ 2,237,513</u>	<u>\$ 2,582,848</u>	<u>\$ 345,335</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,281,734	\$ 2,281,734	\$ 2,146,285	\$ 135,449
Public safety	208,390	208,390	193,317	15,073
Public works	-	-	-	-
Public health	102,069	102,069	98,758	3,311
Social and economic services	73,320	73,320	61,870	11,450
Culture and recreation	5,425	5,425	5,678	(253)
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	1,750	(1,750)
Capital outlay	59,000	59,000	15,320	43,680
Total charges to appropriations	<u>\$ 2,729,938</u>	<u>\$ 2,729,938</u>	<u>\$ 2,522,978</u>	<u>\$ 206,960</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 275,000	\$ 275,000	\$ -	\$ (275,000)
Total other financing sources (uses)	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ (275,000)</u>
Net change in fund balance			<u>\$ 59,870</u>	
Fund balance - beginning of the year			<u>\$ 14,130</u>	
Fund balance - end of the year			<u>\$ 74,000</u>	

Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,141,421	\$ 1,141,421	\$ 1,089,627	\$ (51,794)
Licenses and permits	-	-	-	-
Intergovernmental	294,360	294,360	165,888	(128,472)
Charges for services	50,000	50,000	57,131	7,131
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	2,526	2,526
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,485,781</u>	<u>\$ 1,485,781</u>	<u>\$ 1,315,172</u>	<u>\$ (170,609)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	1,197,427	1,197,427	1,313,857	(116,430)
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	-	-	29,228	(29,228)
Debt service - interest	-	-	2,549	(2,549)
Miscellaneous	41,000	41,000	-	41,000
Capital outlay	110,000	110,000	58,934	51,066
Total charges to appropriations	<u>\$ 1,348,427</u>	<u>\$ 1,348,427</u>	<u>\$ 1,404,568</u>	<u>\$ (56,141)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (89,396)</u>	
Fund balance - beginning of the year			<u>\$ 11,676</u>	
Fund balance - end of the year			<u>\$ (77,720)</u>	

Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2014

	Ambulance			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 45,134	\$ 45,134	\$ 42,673	\$ (2,461)
Licenses and permits	-	-	-	-
Intergovernmental	14,000	14,000	64,882	50,882
Charges for services	1,237,484	1,237,484	1,006,349	(231,135)
Fines and forfeitures	-	-	-	-
Miscellaneous	35,000	35,000	2,020	(32,980)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,331,618</u>	<u>\$ 1,331,618</u>	<u>\$ 1,115,924</u>	<u>\$ (215,694)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,039,795	1,039,795	1,237,666	(197,871)
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	8,262	(8,262)
Capital outlay	150,000	150,000	36,968	113,032
Total charges to appropriations	<u>\$ 1,189,795</u>	<u>\$ 1,189,795</u>	<u>\$ 1,282,896</u>	<u>\$ (93,101)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (166,972)</u>	
Fund balance - beginning of the year			<u>\$ 765,816</u>	
Fund balance - end of the year			<u>\$ 598,844</u>	

Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Public Safety (Law Enforcement)			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 913,821	\$ 913,821	\$ 863,299	\$ (50,522)
Licenses and permits	-	-	-	-
Intergovernmental	255,000	255,000	103,864	(151,136)
Charges for services	229,849	229,849	212,610	(17,239)
Fines and forfeitures	-	-	-	-
Miscellaneous	25,000	25,000	1,317	(23,683)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 1,423,670</u>	<u>\$ 1,423,670</u>	<u>\$ 1,181,090</u>	<u>\$ (242,580)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,797,095	1,797,095	1,792,808	4,287
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	45,000	45,000	44,724	276
Total charges to appropriations	<u>\$ 1,842,095</u>	<u>\$ 1,842,095</u>	<u>\$ 1,837,532</u>	<u>\$ 4,563</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
Total other financing sources (uses)	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>
Net change in fund balance			<u>\$ (656,442)</u>	
Fund balance - beginning of the year			<u>\$ (356,574)</u>	
Fund balance - end of the year			<u>\$ (1,013,016)</u>	

Glacier County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the fiscal year ended June 30, 2013

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety (Law Enforcement)</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,137,213	\$ 1,385,116	\$ 1,274,119	\$ 1,190,049
Combined funds (GASBS 54) revenues	941,776	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,078,989</u>	<u>\$ 1,385,116</u>	<u>\$ 1,274,119</u>	<u>\$ 1,190,049</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,258,796	\$ 1,426,233	\$ 1,031,269	\$ 1,697,550
Combined funds (GASBS 54) expenditures	261,168	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,519,964</u>	<u>\$ 1,426,233</u>	<u>\$ 1,031,269</u>	<u>\$ 1,697,550</u>

Glacier County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the fiscal year ended June 30, 2014

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety (Law Enforcement)</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,582,848	\$ 1,315,172	\$ 1,115,924	\$ 1,181,090
Combined funds (GASBS 54) revenues	1,011,705	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,594,553</u>	<u>\$ 1,315,172</u>	<u>\$ 1,115,924</u>	<u>\$ 1,181,090</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,522,978	\$ 1,404,568	\$ 1,282,896	\$ 1,775,315
Combined funds (GASBS 54) expenditures	208,943	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,731,921</u>	<u>\$ 1,404,568</u>	<u>\$ 1,282,896</u>	<u>\$ 1,775,315</u>

Glacier County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013 & 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2012	\$0	\$2,150,949	\$ 2,150,949	0%	\$3,503,601	61.4%

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SINGLE AUDIT SECTION

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Glacier County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures June 30, 2013
<u>U.S. Department of Agriculture</u>			
<i>Direct:</i>			
Schools and Roads, Grants to States	10.665	N/A	\$ <u>24,254</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation</i>			
Highway planning and construction	20.205	7347	\$ 110,265
Incentive Grant Program to Prohibit Racial Profiling	20611		<u>10,385</u>
			<u>120,650</u>
<u>U.S. Department of Energy</u>			
<i>Passed through Montana Department of Environmental Quality</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-DD0000764	\$ <u>145,021</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	13-07-6-11-023-0	\$ 45,326
Immunizations Cooperative Agreements	93.268	13-04-4-31-018-0	7,800
Maternal and Child Health Services Block Grant to the States	93.994	13-07-5-01-018-0	21,682
<i>Passed through Teton County</i>			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	11-07-3-01-012-0	5,213
Total U.S. Department of Health and Human Services			\$ <u>80,021</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2012-EP-00057-S01	\$ 24,789
Homeland Security Grant Program - Stone Garden	97.067		<u>2,876</u>
Total Corporation for National and Community Service			\$ <u>27,665</u>
Total Federal Financial Assistance			\$ <u>397,611</u>

N/A = Not Applicable or Not Available

Glacier County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure June 30, 2014
<u>U.S. Department of Agriculture</u>			
<i>Direct:</i>			
Schools and Roads, Grants to States	10.665	N/A	\$ <u>21,537</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce:</i>			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-ED 13-05	\$ <u>381,892</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation:</i>			
Highway Planning and Construction	20.205	7347	\$ <u>326,959</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Humans Services:</i>			
Public Health Emergency Preparedness	93.069	14-07-6-11-023-0	\$ 36,589
Immunization Cooperative Agreements	93.268	1-07-4-31-118-0	6,361
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	14-07-4-31-163-0	7,979
Maternal and Child Health Services Block Grants to States	93.994	14-07-5-01-018-0	21,672
<i>Passed through Teton County:</i>			
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	11-07-3-01-012-0	3,359
Total U.S. Department of Education			\$ <u>75,960</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs:</i>			
Emergency Management Performance Grants	97.042	EMW-2012-EP-00057-S01	\$ 7,089
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	25,271
Homeland Security Grant Program	97.067	14-HVMHVM-04-001	82,224
Total U.S. Department of Agriculture			\$ <u>114,584</u>
Total Federal Financial Assistance			\$ <u>920,932</u>

N/A = Not Applicable or Not Available

GLACIER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Years Ended June 30, 2013 and 2014

Basis of Presentation

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

Federal Awards Received as a Pass-Through Entity

Of the federal expenditures presented in the schedule, Glacier County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.228	Community Development Block Grant/Entitlement Grants	\$368,000

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

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

Board of County Commissioners
Glacier County
Cut Bank, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glacier County, Montana, as of and for the Years ended June 30, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Glacier County's basic financial statements and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glacier County, Montana'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 Glacier County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Glacier County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as items 2014-001 through 2014-006.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as items 2014-007 through 2014-012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Glacier 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2014-013 through 2014-015.

Glacier County's Response to Findings

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

Purpose of this Report

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

Denning, Downey and Associates, CPAs, P.C.

March 27, 2015

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of County Commissioners
Glacier County
Cut Bank, Montana

Report on Compliance for Each Major Federal Program

We have audited Glacier County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Glacier County's major federal programs for the Years ended June 30, 2013 and 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Modified Opinion on Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA 14.228

As described in the accompanying and questioned costs, Glacier County, Montana did not comply with requirements regarding Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii as described in finding number 2014-016 in relation to subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for Glacier County, Montana to comply with the requirements applicable to that program.

Modified Opinion on Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA 14.228

In our opinion, except for the noncompliance described in the Basis of Modified Opinion paragraph, Glacier County, Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the program Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii for the Years ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Glacier County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the Years ended June 30, 2013 and 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2014-016 to be a material weakness.

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

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

Denning, Downey and Associates, CPA's, P.C.

March 27, 2015

GLACIER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Years Ended June 30, 2013 and 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Modified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway planning and construction
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2014-001 Ambulance Fund Accounts Receivable and Revenues

Condition:

The ambulance fund did not post revenues that occurred throughout the year for services provided. Therefore the general ledger accounts receivable balance is not accurate throughout the fiscal year. This is a repeat finding from FY 2012.

Context:

The auditor completed an internal control review of the Ambulance Department as well as an analysis of the fund's activity throughout the year.

Criteria:

Revenue received from the services provided by the Ambulance Fund should be posted to the County's general ledger as the transactions occur. The County is given ambulance billing amounts, collection amounts, and accounts receivable reports related to the Ambulance fund on a monthly basis. These reports should be used as the supporting documents to record the revenues received for the month as well as update the County's accounts receivable balance in the fund.

Effect:

If the revenue account is not updated when the transaction occurs, the County's revenues will be understated by the amount of cash received from the service provided by the EMS department. Additionally, the ambulance fund may contain errors throughout the year that are not identified due to the fund not being updated on a monthly basis as the reports are received.

Cause:

The accounting system was not being updated properly to account for the recognition of revenues when services were provided by the County's EMS department. Although the reports were distributed to the County, there was no journal voucher made to update the revenue and receivables that should have been recorded for the month.

Recommendation:

We recommend that the County recognize and record the revenue that is received when the service is provided by the EMS department which would be on a monthly basis. The reports that are given to the County should be utilized to create a journal fund. At the end of the month, the aged accounts receivable schedule should be agreed to the accounts receivable balance in the fund's general ledger. If there are any differences located, these should be investigated and resolved

Views of Responsible Officials and Planned Corrective Action:

The County plans to implement policies and procedures requiring the entry of revenues when report is received from EMS, and performing a monthly reconciliation to determine if errors exist.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-002 Capital Assets

Condition:

The County had 28 assets listed on their books with a total historical cost of \$1,048,163 that were no longer owned by the County due to the assets being retired. The lack of reconciling the physical inventory of assets to the subsidiary records repeat finding

Context:

A capital asset physical observation was performed in addition to inquiries being done with each of the County department heads regarding capital assets on their subsidiary ledgers.

Criteria:

Generally Accepted Accounting Principles require that capital asset amounts reported on the balance sheet accurately reflect the actual value of the assets owned by the County.

Effect:

The failure to maintain complete and accurate capital asset records can result in the loss or misuse of County property. Additionally, the County is overpaying its insurance regarding the assets that are no longer owned by the County.

Cause:

The County has not completed a physical inventory of the assets in the past two years nor has it inquired with the various department heads on what capital assets have been disposed of.

Recommendation:

We recommend that the County complete a physical inventory of assets owned every two years. We also recommend that the County review its capital asset subsidiary schedules each year to ensure that the schedules are complete and accurate.

Views of Responsible Officials and Planned Corrective Action:

The County plans to issue new policies and procedures requiring the schedules to be updated yearly, and to include physical accounts in the future.

2014-003 Justice Court

Condition:

The following control weaknesses were noted in review of the operating controls of the Justice Court.

- (1) When cash is received from an officer, the Court does not issue a tracking receipt to the officer.
- (2) The Justice Court only requires one signature for disbursements.
- (3) The Justice Court had outstanding bonds and outstanding checks that were over one year old.
- (4) The Justice Court had slightly over \$50,000 in fines that were over 180 days old.
- (5) The Justice Court does not perform a monthly time pay evaluation and account reconciliation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

This is a repeat finding from FY 2012. Following up on time pays ensures that those individuals who owe money to the court are making the agreed payments. Reconciling these accounts ensures that the account balances are accurate.

Context:

The auditor completed an internal control review of the Justice Court by inquiry, observation, and documentation.

Criteria:

- (1) An adequate internal control system would ensure that cash received from an officer was accompanied with a tracking receipt. This would aid in validating that cash is being properly recorded when received.
- (2) Adequate internal controls require two signatures for disbursements. Requiring two signatures will create a stronger internal control system due to disbursements needing reviewed and authorized by more than one individual.
- (3) Outstanding checks and bonds over one year old should be followed up on a timely basis.
- (4) The receivables related to fines should be reviewed on a monthly basis for collectability and potential follow-up action.
- (5) A monthly time pay reconciliation should be prepared to determine that all transactions have been recorded properly and to discover any potential errors.

Effect:

The effect of the factors listed above creates internal control weaknesses within the Justice Court. These internal control weaknesses could cause errors in the accounting records that may not be identified timely.

Cause:

The Justice Court Clerk was unaware that a tracking receipt be issued to the officer when cash is received. Another signature will need to be authorized for disbursements. The Court was unaware of the criteria that should be implemented regarding timely follow up on outstanding bonds, checks, and fines that are on the books.

Recommendation:

We recommend the following changes in Glacier Co Justice Court:

- (1) The Court should issue a tracking receipt when receiving cash from an officer.
- (2) The Court should require two signatures on disbursements
- (3) Outstanding checks and bonds that are over a year old be followed up on a timely basis.
- (4) Receivables should be reviewed on a monthly basis for collectability and potential follow-up action.
- (5) A monthly reconciliation of the time pay activity should be performed and reviewed for accuracy.

Views of Responsible Officials and Planned Corrective Action:

The County plans to follow up with the Clerk to address the control issues and implement policies requiring the above recommendations be put in place to strengthen the control.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-004 Clerk & Recorder Internal Control

Condition:

The following control weaknesses were noted in review of the County clerk and recorder's office:

- (1)The clerk and recorder's office receipts money from several sources. There are 4 employees that work in the office. The cash receipting duties in the clerk & recorder's office are not segregated as well as they could be.
- (2)Deposits are not completed on a timely basis. This is a repeat finding from FY 2012.

Context:

The auditor completed an internal control review of the Clerk & Recorder's office as well as an observation of the cash receipting and end of day activities.

Criteria:

- (1)An adequate internal control system would separate the responsibilities of receiving cash, recording the cash into the accounting records, and reconciling the accounting records.
- (2)Deposits of cash should be made by the 10th day of the following month. Section 7-4-2511 MCA.

Effect:

The effect of the factors listed above constitutes a risk of misappropriation of the County's assets and inaccurate accounting records.

Cause:

The staff in the clerk & recorder's office have taken on the responsibilities of receiving cash, entering it into the accounting system, and reconciling cash. An adequate segregation of duties system has not been discussed. Time was stated as a reason that deposits are not made on a timely basis. The clerk & recorder's office was unaware of the necessity of having pre-numbered envelopes.

Recommendation:

We recommend the following changes in Glacier County Clerk and Recorder's office:

- (1)Management should review the assignments given to the staff relating to cash receipting and segregate these duties to the fullest extent possible.
- (2)In addition, deposits should be made on a weekly basis to ensure that cash is not at risk for being misappropriated.

Views of Responsible Officials and Planned Corrective Action:

The County plans implement checks and balances to ensure timely deposits are made and review of segregation of duties to strength controls. Also, implement additional policies and procedures to address issues.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-005 Manual Journal Vouchers Internal Control

Condition:

The manual journal vouchers process of the treasurers and clerk & recorder's office are not segregated. The journal vouchers are prepared, reviewed, and approved by one employee in both the treasurers and clerk & recorders offices.

Context:

The auditor tested the internal controls of the journal vouchers prepared in the Treasurers and Clerk & Recorders office through observation and inquiry of the process.

Criteria:

An adequate internal control system would separate the preparation, review, and approval of manual journal vouchers.

Effect:

The effect of the internal control findings constitutes a risk of financial statement fraud and error of the accounting records.

Cause:

The manual journal vouchers of the Treasurer and Clerk & Recorder do not have a formal internal control process in place requiring all journal vouchers to be reviewed and approved by someone other than the preparer.

Recommendation:

The County should implement a process to have all journal vouchers reviewed, approved and posted by someone other than the preparer.

Views of Responsible Officials and Planned Corrective Action:

The County plans to implement policies and procedures requiring all manual JVs to be reviewed and approved by the commissioners.

2014-006 Payroll Internal Controls

Condition:

The payroll process does not have adequate segregation of duties or compensating controls. The clerk enters all time sheets into the system, verifies the information entered matches the time sheets, confirms amount for direct deposit and non-direct deposit, and makes the direct deposit payment. Additionally, when new employees are entered into the system there is no verification or approval process once the information is entered, and the clerk always has access to entering new employees into the system.

Context:

The auditor completed a walkthrough of the payroll process through inquiry and observation of the process in its entirety.

Criteria:

An adequate internal control system would separate the responsibilities of the processing payroll, and provide several different verification procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

The effect of the factors above constitutes the risk of misappropriation of County assets and increase the possibility of errors.

Cause:

The County clerk & recorder's office doesn't segregate any of the duties of the payroll clerk. There are no compensating controls or policies in place to verify the payroll.

Recommendation:

We recommend that the County implement a procedure to have payroll verified or reviewed by someone other than the payroll clerk. Also, we recommend that for the entry of new employees that the information be verified and approved after it is entered into the system before payroll can be processed for that employee.

Views of Responsible Officials and Planned Corrective Action:

The County is planning to create an HR department to segregate the duties of the payroll clerk. For temporary purposes will implement compensating controls.

2014-007 Monitoring of Fund Balance

Condition:

The County has a number of deficit balances due to negative cash balances in fiscal year 2013. For fiscal year 2014, the County does not have adequate resources to meet current liabilities causing a deficit fund balance. This is a repeat finding, as the County has received multiple findings in the past for not maintaining adequate resources. The following are the list of funds that do not have adequate resources and/or negative cash balances:

2013 – Public Safety (\$356,574), Glacier County Transit (\$45,822), Sheriff Law Enforcement Grant (\$59,826), CTEP (\$183,294), and DEQ/DOE/ARRA Grant (\$107,385)

2014 – Road (\$77,720), Public Safety (\$1,013,016), Museum (\$29,990), Glacier County Transit (\$66,816), Sheriff Law Enforcement Grant (\$65,443), CTEP (\$120,066), Glacier County Ambulance Capital Fund (\$40,680), and DEQ/DOE/ARRA Grant (\$113,204)

Context:

During our testing of fund balances, we noted a number of funds that had a deficit fund balance.

Criteria:

An effective system of internal controls requires that funds are monitored to ensure that adequate resources and reserves are available in meeting expenditures.

Effect:

The funds with deficit fund balances will not have adequate amount of resources to cover expenditures or pay liabilities.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Cause:

Inadequate monitoring of resources and expenditures, and cash available to cover charges.

Recommendation:

We recommend the County actively monitor the funds to ensure the funds have the resources to cover new expenditures and payables. Also, the County should address the current deficit fund balances and determine an approach to eliminate the deficit balances.

Views of Responsible Officials and Planned Corrective Action:

The County plans to implement procedures to review and monitor expenditures to the available resources. Also, plans to educate department heads on a quarterly basis.

2014-008 Due To/From Other Funds

Condition:

The Public Safety fund owes the PILT fund \$330,133. This amount is outstanding in both fiscal year 2013 and 2014.

Context:

During substantive testing of the County's due to and from other funds, we found the loan between funds referenced above since 2010.

Criteria:

Generally accepted account principles state that due to and from other funds are intended to be short-term loans that are expected to be paid back within a year.

Effect:

The County has overstated its short-term payables in the Public Safety Fund and overstated receivables in the General funds

Cause:

The County recorded a due to and from other funds to clear the negative cash balance of the Public Safety Fund back in 2010. This transaction was not reviewed in the following year.

Recommendation:

We recommend the County monitor the due to and from other funds accounts to ensure balances are paid back timely and don't remain outstanding for more than a year. Also, any transactions to clear negative cash balances should be reviewed for if they are going to be permanent or temporary in order to properly record the transactions.

Views of Responsible Officials and Planned Corrective Action:

The County has discussed the short-term loan and have come to an agreement to write-off a certain amount yearly to clear the amount outstanding.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-009 Fair Value Reporting of Cash and Investments

Condition:

Generally accepted accounting principles require County's to report its investments at fair value in the balance sheet. The fair value includes all investment income and changes in fair value to be reported. During both fiscal years 2013 and 2014, the County had not report its cash at fair value causing the cash and investments to be overstated by \$477,085 in 2013 and \$102,957 in 2014.

Context:

During our substantive testing of cash, we compared the book balances of the investment and cash accounts to the fair value amounts and found several investment accounts were not reported at fair value.

Criteria:

GASBS 31 states "Governmental entities, including governmental external investment pools, should report investments at fair value in the balance sheet (or other statement of financial position)."

Effect:

The cash and investment balances of the County are overstated for fiscal 2013 and 2014.

Cause:

The County did not record fair value adjustments in its accounting records at fiscal year-end.

Recommendation:

We recommend the Count implement procedures to adjust all cash and investment accounts to the fair value at least annually.

Views of Responsible Officials and Planned Corrective Action:

The County will implement policies and procedures to ensure the cash and investments are reported at fair value.

2013-010 Grant Reimbursement

Condition:

Grant reimbursement requests are not submitted timely. As of June 30, 2013, the following monies were still owed to the Glacier Co, Sheriff Law Enforcement (\$59,826), CTEP (\$183,294), and DEQ/DOE/ARRA (\$107,385).

Additionally, the Glacier County Transit fund expects \$45,822 reimbursed from other funds for the match money paid for the grants received. This is a repeat finding from prior years.

Context:

During our tests of negative cash balances, we noted that funds had expenditures that were not that were not adequately covered by grants revenues or transfers from other funds because they were not being reimbursed in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:

Many grant programs are funded on an expenditure-driven basis. The allowable costs are required to be incurred before the reimbursement monies sent to the County. Timely submission of cash reimbursements for federal and state grants is needed to have adequate revenues to operate the programs.

Effect:

The Sheriff Law Enforcement, CTEP, DEQ/DOE/ARRA, and Glacier County Transit funds have significant negative cash balances in the amounts listed above.

Cause:

The County is not submitting reimbursement requests to the grant providers timely

Recommendation:

We recommend County implement procedures to ensure cash reimbursement requests are submitted timely to receive the revenues in the period or shortly after the expenditures occur.

Views of Responsible Officials and Planned Corrective Action:

The County will implement policies and procedures requiring timely reimbursement requests to ensure the revenues are received in the same period or shortly after the period as the expenditures.

2014-011 Payroll Clearing Fund

Condition:

The County processes its payroll expenditures using a payroll clearing fund. The County had several unreconciled items in both fiscal year 2013 and 2014. These differences are listed below:

Fiscal 2013 – Warrants payable (\$2,474), Unemployment (\$118), FICA (\$450), Federal withholding (\$327), Due to Medicare (\$105), Due to state (\$30), Due to insurance (\$406).

Fiscal 2014 – Warrants payable (\$6,148)

Context:

During substantive testing of the payroll payables, we found that the outstanding payroll warrants didn't tie to the payroll payables for both fiscal year 2013 and 2014.

Criteria:

A good internal control system requires that the County have working controls in place, such as a reconciliation, to ensure the payroll payables are paid in full and don't have unreconciled amounts.

Effect:

The payroll payables are not in balance with outstanding payroll warrants lists.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Cause:

The County does not have internal controls in place requiring the payroll payables to be reconciled and balanced periodically.

Recommendation:

We recommend the County implement a procedures requiring the payroll payable and clearing funds to be reconciled after each payroll period.

Views of Responsible Officials and Planned Corrective Action:

The County has implemented procedures to balance the payroll clearing funds and payables after each payroll period.

2014-012 Management's Discussion and Analysis (MD&A)

Condition:

Management has omitted the management discussion and analysis that the generally accepted account principles require to be presented as a supplement to the basic financial statements.

Context:

We did not receive the management discussion and analysis to include with the audit report.

Criteria:

Generally accepted accounting principles require that management prepare a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the governments financial activities.

Effect:

The County is not following the generally accepted accounting principles

Cause:

The County did not prepare the management discussion and analysis letter.

Recommendation:

Annually the County should prepare and develop a management discussion and analysis as required by the generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action:

The County plans to implement policies and procedures to be actively working on MD&A for future years to meet the requirements of generally accepted accounting principles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-013 Exceeding Budgetary Authority

Condition:

The County exceeded its budgetary authority in the following funds for both fiscal year 2013 and 2014. This is a repeat finding, as the County has received multiple findings in the past for exceeding its budgetary authority.

2013 – Public Safety (\$21,023), Solid Waste (\$80,109), Glacier County Ambulance Capital Improvements (\$47,858), and DEQ/DOE/ARR Grant (\$107,385)

2014 – Road (\$56,141), Solid Waste (\$28,452), Multi-County Landfill (\$242,860), PILT (\$203,747), Sheriff Law Enforcement Grant (\$12,842), CTEP (\$266,731), Glacier County Ambulance Capital Improvements (\$177,650)

Context:

During our review of the County budget's we found that the County exceeded its budgets in multiple funds during fiscal years 2013 and 2014. Per further review we did not find any budget resolutions indicating an increase in budgetary authority.

Criteria:

MCA 7-6-4005 states "Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund. A local government official who violates subsection is liable for the amount of the excess disbursement, expenditure, or obligation personally. The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability."

Effect:

The County is not in compliance with the laws and regulations of the budgets (MCA 7-6-4005).

Cause:

Inadequate monitoring of budgeted expenditures compared to actual expenditures.

Recommendation:

1) We recommend the County monitor the actual expenditures on a monthly, quarterly, or semi-annual 2) We recommend that if a fund is going to be expected to exceed its budget to take the appropriate measures (budget resolutions) to account for increase in budget

Views of Responsible Officials and Planned Corrective Action:

The County plans to address the issues by requiring department heads more accountable for budgets, and the clerk and recorder/commissioners being more active in monitoring budgets.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-014 Excess Reserves

Condition:

According to MCA 7-6-4034 the County is only allowed to maintain cash reserves up to 1/3 of the levied funds budget. In both fiscal years 2013 and 2014, the County exceeded the 1/3 of the levied funds budget for cash reverses. This requirement was exceeded in prior years, and continues to be a finding. The funds that exceeded the 1/3 requirement are listed below to include the amount of excess reserves:

2013: Ambulance (\$561,746) and Senior Citizens (\$29,314) funds

2014: Bridge (\$38,714), District Court (\$18,365), Senior Citizens (\$31,151), and Senior Citizens Transportation (\$30,378) funds

Context:

During our recalculation of the tax levy requirement schedules of the County, we found that the reserves in the funds listed above were more than 1/3 of its appropriations.

Criteria:

MCA 7-6-4034 states that after deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve of a county's fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

Effect:

The County is not in compliance with the laws and regulations.

Cause:

The County's tax levy requirement schedules were not accurately prepared during 2013 and 2014. Also, the funds above have excess cash reserves.

Recommendation:

We recommend that the County ensure the tax levy requirement schedules are accurately prepared to ensure the reserves are in compliance with MCA 7-6-4034 and are not being over milled.

Views of Responsible Officials and Planned Corrective Action:

The County will review and ensure resolution is added to transfer excess funds. Also, will review tax levy requirement schedule to make more accurate.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2014-015 Pledged Securities

Condition:

At June 30, 2014 the County had \$1,685,815 invested that was not insured or backed by pledged securities.

Context:

During our test for adequate pledged securities for the uninsured cash balances, we found that the County did not have an adequate amount of pledged securities on the cash and money market accounts held by the County.

Criteria:

Montana Codes Annotated, Section 7-6-207(1) states in part “ the local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- a) 50% of the deposits if the financial institution has a net worth to total assets ratio of 6% or more; or
- b) 100% of the deposits if the financial institution has a net worth to total assets ratio of less than 6%.

Effect:

On June 30, 2014, 50% of the required uninsured deposits totaled \$842,908, and the County had no pledged securities to back those uninsured amounts to meet MCA 7-6-207(1).

Cause:

The County did not monitor the security of its investments as of June 30, 2014.

Recommendation:

The County should ensure that their cash balances are adequately covered by pledged securities. When cash is not adequately covered, additional pledged securities should be requested from the financial institution.

Views of Responsible Officials and Planned Corrective Action:

The County plans to actively monitor cash balances to for proper insurance and pledged securities.

Section III – Federal Award Findings and Questioned Costs

2014-016 Subrecipient Monitoring

CFDA Title: Community Development Block Grant

CFDA Number: 14.228

Federal Award Number: MT-CDBG-ED 13-05

Federal Agency: U.S Department of Housing and Urban Pass-through

Entity: Montana Department of Commerce

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition:

Glacier County received a Community Development Block Grant (CDBG). The County passed the money to Sweetgrass Development. The County failed to adequately monitor Sweetgrass Development. Furthermore, the County did not take timely and appropriate action on CDBG Program Specialist recommendations. The County had a monitoring visit done on October 7, 2014. There had not been adequate follow-up based on work completed on February 25, 2015.

Context:

Inquiry was completed with the clerk & recorder, county commissioner, and the executive director of Sweetgrass Development. Follow up documentation was completed in testing the County's compliance with subrecipient monitoring by reviewing what had been completed and what was not completed by the County.

Criteria:

Based on OMB Circular A-133, as the grant recipient, Glacier County is responsible for: (1) Monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements; (2) Ensuring required audits are performed and requiring the subrecipient to take corrective action on any audit findings; (3) Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations; (4) Grant awards that include federal funding must make reference to OMB Circular A-133.

Effect:

The County is not in compliance with OMB Circular A-133 based on the above criteria not being met.

Cause:

The County is unaware of who is specifically responsible for monitoring responsibilities. Due to this lack of understanding the proper monitoring activities were not implemented. Additionally, the County did not follow up on areas specified by the CDBG Program Specialist. This monitoring visit took place on October 7, 2014. The monitoring visit resulted in three areas that were to be reported on by November 7, 2014. None of the three areas had been taken care of by the County as of February 2015.

Recommendation:

The County should monitor the grant recipients by requiring the following:

1. Monitor subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements by requiring supporting documentation and interim financial reports be submitted to the County.
2. Ensure that required audits are performed if required.
3. Evaluate the impact of subrecipient activities on the pass-through entity by reviewing supporting documentation and developing policies and procedures for monitoring activity.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

4. The award letter should reference that if the entity receives \$500,000 or more in federal awards that they must be audited in accordance with OMB Circular A-133.
5. Ensure that individuals working with this grant are knowledgeable of their responsibilities regarding follow-up action necessary based on monitoring reviews.

Views of Responsible Officials and Planned Corrective Action:

The Commissioners plan to be more involved with the CDBG grant in the future years to ensure the grant requirements are being met, and monitor the grant more closely to ensure they meet the guidelines of the grant.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Glacier County
Cut Bank, Montana

The prior audit report contained twenty five recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Financial Statement Preparation	Implemented
OPEB Liability Not Recorded	Implemented
Segregation of Duties	Implemented
Clerk and Recorder Compensation	Implemented
Fund Financial Position	Repeated
Ambulance Accounts Receivable	Repeated
Cash and Investments	Repeated
Capital Assets	Implemented
Grant Cash Draw Requests	Implemented
Continue Development of Accounting Procedures Manual	Implemented
Tax Abatement/Corrections	Implemented
Justice of the Peace Time Pay Accounting	Repeated
Cash Verification	Implemented
Rules of Conduct for Public Officials and Employees	Implemented
Expenditures Limited to Appropriations	Repeated
Overall Increase in Appropriation Authority	Implemented
Determine Property Tax Levy	Implemented
Authorized Reserve	Repeated
Required Supplementary Information	Implemented
Excess Vacation Leave	Implemented
State Prevailing Wage Rates	Implemented
Single Audit Reporting Package Not Submitted	Implemented
Required Purchases Not Bid	Implemented
Clerk and Recorder Fees Not Deposited Timely	Repeated
Formula Grants for Other Than Urban Areas	Implemented

Denning, Downey and Associates, CPA's, P.C.

March 27, 2015

