

**JEFFERSON COUNTY
BOULDER, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
PO BOX 1980
Billings, Montana 59103

Jefferson County
Boulder, MT 59632

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
INDEPENDENT AUDITOR'S REPORT	7 - 8
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	11 - 12
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	13 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Fund Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	17
Statement of Cash Flow - Proprietary Funds	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
Notes to the Financial Statements	20 - 34
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – All Budgeted Major Funds	36 - 38
Notes to the Budget and Actual Schedule	39
INDEPENDENT AUDITOR'S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	40 - 41
SCHEDULE OF FINDINGS AND RESPONSES	42
AUDITEE RESPONSE	43 - 44

Jefferson County
Boulder, MT 59632

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

Leonard Wortman	Chairperson
David H. Kirsch	Commissioner
Bob Mullen	Commissioner

OFFICIALS

Mathew J. Johnson	County Attorney
Randy McGinnis	Treasurer
Bonnie Ramey	Clerk and Recorder
Marilyn Craft	Clerk of District Court
Dennis H. Giulio	Justice of the Peace
Garry A. Pace	School Superintendent
Craig Doolittle	Sheriff/Coroner

**Jefferson County
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014**

The financial management of Jefferson County Montana offer this discussion and analysis of the financial statements as a narrative to provide an easy to read and understood over view of the Jefferson County financial documents, which are also included. The public is encouraged to read this analysis, and the corresponding financial reports.

The Financial Statements

The financial statements presented herein include all of the activities of Jefferson County Montana using the integrated approach as prescribed by GASB Statement No. 34. The calculation of annual required contributions for post employee benefits as required by GASB 45 is on file at the Jefferson County Clerk & Recorders office.

The Government-wide Financial Statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the County as well as all liabilities (including long term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The Fund Financial Statement includes statements for each of the three categories of activities; governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

In abbreviated terms the Government-wide Financial Statements deal with Mill Levy funded activities, such as the General Fund. The Business Type Activity Funds deal with enterprise funds, such as Solid Waste. The Fiduciary Balance Sheet is the Medical Flex Account.

Financial Highlights

The Governmental Activities net assets of Jefferson County exceed its liabilities at the close of the most recent fiscal year by \$13,859,657.00

The Business-type Activities net assets of Jefferson County exceed its liabilities at the close of the most recent fiscal year by \$788,538.00

Governmental Activities unrestricted net assets is (\$346,957 .00) The Business-type

Activities unrestricted net assets is in the amount of \$565,836.00 which may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the county's fund designations and fiscal policies.

The county's Governmental Activities net assets increased by \$921,991.00.

The county's Business-type Activities net assets decreased by \$15,842.00

Cash reserves remained at the same level as in 2012 and 2013.

Analysis of Financial Highlights

Jefferson County's financial position remains solid. The cash on hand has increased in the amount of \$ 1,122,361.78

The Governmental Activities unrestricted net assets is (\$346,957.00). The Business-type Activities unrestricted net assets of \$565,836.00 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the county's fund designations.

Jefferson County has continued in offering competitive salaries to our employees and quality services to our residents while bettering our cash for the year. The governing body will need to closely watch the budget as the financial condition of the country continues to oscillate. Jefferson County will continue to work towards bettering our cash position while safe guarding the services provided to county residents.

Analysis of Significant Changes

Federal PILT money was received by Jefferson County in the amount of \$1,077,086.00

Jefferson County has created two Tax Increment Financing (TIF) Districts. One is located in the northern end of the county and the other in the southern end. The districts are a proactive measure to help diversify the Jefferson County economy away from the over dependence on natural resources. The purpose of the TIF is to get public infrastructure developed in an area currently without infrastructure to set the stage for future value added industrial development. This is a good tool for local governments with limited resources to bring infrastructure using the tax increment from new development. TIF is for 15-years or could be longer if a bond is sold to finance the infrastructure.

In March of 2014 the Jefferson County Treasurer resigned. A subsequent audit uncovered evidence of substantial fraud activities. Another Treasurer was appointed and took office in May 12, 2014. Another person was elected to the Treasurer's position in the General Election and took office November 14th.

Analysis of Significant General Fund Variations

There were no major variations in the General Fund budget.

Analysis of Significant Capital Assets and Long Term Debt

Jefferson County continues to pursue the creation of new RSIDs. These RSIDs cause long term debt, but allow Jefferson County to improve infrastructure with payment from residents who are benefited by the improvements. This local partnership strategy has been very well received and will be an on-going program for Jefferson County.

A total of \$4,513.83 was paid on RSID #2507, \$16,022.26 was paid on RSID #2511, and \$17161 .21 was paid on RSID #25 17, leaving \$1,264,416.73 owing.

Account	RSID bonds payable/ InterCap Loan	Debt 07/01/2013	Paid	Owed 06/30/2014
231400	RSID #2503	550,000.00	35000.00	515,000.00
231401	RSID #2505	375,000.00	55000.00	320,000.00
235301	RSID # 2507	57867.39	4513.83	53353.56
235302	RSID #25 11	193548.93	16022.26	177526.67
235306	RSID # 2517	215697 .71	17161.21	198536.50
235000	General Fund 1000	206 112.10	29509.98	176602.12

Infrastructure assets

None applicable.

Future Projects

Mining operations continue to fluctuate in Jefferson County. Currently, Golden Sunlight Mine near Cardwell is operating at capacity, Montana Tunnels continues to be closed due to lack of financing, and the new mine at Elkhorn has not yet opened also due to lack of financing. Montana Tunnels and the Elkhorn mine are both owned by Eastern Resources.

Jefferson County is actively involved in an effort to have old, abandoned mines assayed and reclaimed by processing tailings or dumps at existing mills. Ultimately, with enough demand, to encourage the construction of a new mill in Jefferson County.

We have granted matching funds for two different water studies that look at the drainages for the Boulder and Jefferson Rivers. These studies will provide valuable information for us to consider for future development. We are also involved with the Superfund site in Northern Jefferson County from the old lead smelter in East Helena.

Jefferson County continues to provide information to county residents about how to create new RSIDs. This provides a vehicle for county residents to partner with the county to improve roads which residents use to access their homes and businesses. The resources the county has for improving roads are limited and the RSID process will allow us to continue to expand our capabilities.

The voters in Clancy voted to create a Water/Sewer District in the General Election in November. They are experiencing water quality issues and failed septic systems.

Jefferson County was successful in getting funds from the Treasurer State Endowment Program (TSEP) to replace the Dam Lane Bridge over the Boulder River, and the Cataract Creek Bridge over Cataract Creek (a.k.a. Saturday Night Bridge). The Cataract Creek Bridge has been installed and the Dunn Lane Bridge will be done in the Fall of 2015.

Previous projects have been successfully completed that bring integrity to a structurally sound bridge system county wide.

The Jefferson County Road Department continues to upgrade and improve county roads. The Montana Department of Transportation is planning to rebuild six miles of Highway 69 south of Boulder in 2016. Jefferson County has agreed to allow the use of Hubbard Lane, Upper Valley Road, and White Bridge Road as a detour route during much of the construction. Jefferson County has utilized about 15,000 yards of millings taken off of the Interstate in Elk Park to hard surface about three miles of Boulder River Road at Bernice and a little over one mile of Lowlands Road in Elk Park. We intend to utilize about 45,000 yards of additional millings from Elk Park to Basin to hard surface several roads in the Boulder area.

Jefferson County took the results of a study done by Great West Engineering on the entire Pipestone Creek drainage to the 2013 Legislature and were approved for about 1.4 million dollars to begin work on Pipestone Creek and study and develop a conceptual design to gain control of Eurasian Milfoil in the Jefferson Slough. Sedimentation in Pipestone Creek has been a major contributor to flooding problems in Whitehall, as well as providing a prime nursery for Eurasian Milfoil in the upper Missouri River drainage. Several projects have begun on these two projects and Jefferson County will be going to the 2015 Legislature to request an additional four million dollars to complete the projects.

The Jefferson County Fair Board recently installed bleachers at the rodeo grounds. They need to be covered to preserve them. It is also necessary to expand the concession stand to comply with sanitary requirements, and to accommodate increased attendance at the rodeo. We intend to complete these projects in 2015.

Office infrastructure, has been and continues to be, a problem in Jefferson County. More and more space demands are made on the Clerk and Recorder in order to insure the integrity and security of our election process. The Commissioners meet in the Courtroom of the Courthouse, but occasionally the Judge holds court on meeting days, and the Commission is required to find different space. That is usually in the Commission Office, which is inadequate if more than four or five people attend the meeting.

The Jefferson County Commissioners have decided to build a new building for the Clerk and Recorder to alleviate concerns over lack of space, which affects the integrity and security of our election process. The Clerk and Recorders move out of the main Courthouse will free up additional space for the Commissioners to have more room and be able to have a dedicated meeting room. Construction of the new building was delayed following the resignation of our Treasurer amid questions about our financial condition. We plan to begin construction of the project in 2015.

Jefferson County will apply for an Intercap loan for the cost of covering the bleachers and expanding the concession stand at the rodeo grounds and solving the space issues at the Courthouse.

Jefferson County
 Jefferson County
 Boulder, MT 59632
 as of June 30, 2014

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities				Business-type Activities			
	2014	2013	CHANGE	% CHANGE	2014	2013	CHANGE	% CHANGE
Current Assets	\$ 9,931,095	\$ 11,267,527	\$ (1,336,432)	-11.86%	\$ 648,734	\$ 602,513	\$ 46,221	7.67%
Restricted Assets	2,477,067	265,884	2,211,183	831.63%	70,269	70,231	38	0.05%
Capital Assets, net	<u>4,998,952</u>	<u>4,905,814</u>	<u>93,138</u>	<u>1.90%</u>	<u>222,702</u>	<u>252,631</u>	<u>(29,929)</u>	<u>-11.85%</u>
Total Assets	17,407,114	16,439,225	967,889	5.89%	941,705	925,375	16,330	1.76%
Current Liabilities	564,996	568,750	(3,754)	-0.66%	16,859	41,804	(24,945)	-59.67%
Long Term Liabilities	<u>2,982,461</u>	<u>2,717,708</u>	<u>264,753</u>	<u>9.74%</u>	<u>136,308</u>	<u>79,191</u>	<u>57,117</u>	<u>72.13%</u>
Total Liabilities	3,547,457	3,286,458	260,999	7.94%	153,167	120,995	32,172	26.59%
Net Position:								
Net Investment in Capital Assets	4,392,933	4,232,588	160,345	3.79%	222,702	252,631	(29,929)	-11.85%
Restricted	10,077,300	9,061,145	1,016,155	11.21%	-	-	-	-
Unrestricted	<u>(610,576)</u>	<u>(140,966)</u>	<u>(469,610)</u>	<u>333.14%</u>	<u>565,836</u>	<u>551,749</u>	<u>14,087</u>	<u>2.55%</u>
Total Net Position	13,859,657	13,152,767	706,890	5.37%	788,538	804,380	(15,842)	-1.97%
CHANGES IN NET POSITION	Governmental Activities				Business-type Activities			
Revenues	2014	2013	CHANGE	% CHANGE	2014	2013	CHANGE	% CHANGE
Program Revenues:								
Charges for Services	1,122,162	949,858	172,304	18.14%	809,408	837,847	(28,439)	-3.39%
Operating Grants	958,665	1,320,977	(362,312)	-27.43%	-	-	-	-
Capital Grants	6,667	375,092	(368,425)	-98.22%	-	-	-	-
General Revenues:								
Taxes/assessments	5,946,436	5,025,887	920,549	18.32%	-	8,164	(8,164)	-100.00%
PILT	1,077,086	984,670	92,416	9.39%	-	-	-	-
State entitlement	930,828	791,062	139,766	17.67%	-	-	-	-
Grants not restricted to specific programs	408	113,334	(112,926)	-99.64%	-	-	-	-
Local Option Tax	268,452	487,785	(219,333)	-44.97%	-	-	-	-
Interest	17,845	10,305	7,540	73.17%	250	15	235	1566.67%
Other	68,945	56,767	12,178	21.45%	46,039	17,730	28,309	159.67%
Gain on Sale of Assets	<u>30,609</u>	<u>(7,026)</u>	<u>37,635</u>	<u>-535.65%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	10,428,103	10,108,711	319,392	3.16%	855,697	863,756	(8,059)	-0.93%
Program Expenses								
General government	3,368,508	3,236,953	131,555	4.06%				
Public safety	2,375,583	2,599,751	(224,168)	-8.62%				
Public works	1,968,205	1,796,477	171,728	9.56%				
Public health	549,194	588,304	(39,110)	-6.65%				
Social and economic services	158,654	154,579	4,075	2.64%				
Culture and recreation	572,100	468,908	103,192	22.01%				
Housing and community development	237,855	179,810	58,045	32.28%				
Conservation of natural resources	222,364	136,346	86,018	63.09%				
Interest and other charges	53,649	52,815	834	1.58%				
BUSINESS-TYPE ACTIVITIES								
Solid Waste					871,539	906,487	(34,948)	-3.86%
Total Expenses	<u>9,506,112</u>	<u>9,213,943</u>	<u>292,169</u>	<u>3.17%</u>	<u>871,539</u>	<u>906,487</u>	<u>(34,948)</u>	<u>-3.86%</u>
Change in Net Position	921,991	894,768	27,223		(15,842)	(42,731)	26,889	

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jefferson County
Boulder, MT 59632

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (page 35) and budgetary comparison information (pages 36 - 39) 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2014 on our consideration of Jefferson County 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 Jefferson County internal control over financial reporting and compliance.

STROM & ASSOCIATES, PC
Billings, Montana
March 23, 2014

STATEMENT OF NET POSITION
as of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 6,823,730	\$ 533,942	\$ 7,357,672
Taxes and Assessments Receivable	2,359,956	114,702	2,474,658
Accounts Receivable	690,930	90	691,020
Due From Other Governments	56,479	-	56,479
Total Current Assets	9,931,095	648,734	10,579,829
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	2,477,067	70,269	2,547,336
Capital Assets:			
Land	114,230	59,399	173,629
Net Depreciable Assets	4,884,722	163,303	5,048,025
Total Noncurrent Assets	7,476,019	292,971	7,768,990
Total Assets	\$ 17,407,114	\$ 941,705	\$ 18,348,819
LIABILITIES:			
Current Liabilities			
Other Accrued Payables	\$ 118,571	\$ 11,144	\$ 129,715
Current Portions Long-Term Obligations	25,000	-	25,000
Current Portions Compensated Absences	352,934	5,715	358,649
Current Portion Long-Term Capital Obligations	68,491	-	68,491
Total Current Liabilities	564,996	16,859	581,855
Noncurrent Liabilities:			
Long-Term Obligations	2,295,255	103,925	2,399,180
Compensated Absences	149,678	32,383	182,061
Long-Term Capital Obligations	537,528	-	537,528
Total Noncurrent Liabilities	2,982,461	136,308	3,118,769
Total Liabilities	3,547,457	153,167	3,700,624
NET POSITION:			
Net investment in capital assets	4,392,933	222,702	4,615,635
Restricted	10,077,300	-	10,077,300
Unrestricted (Deficit)	(610,576)	565,836	(44,740)
Total Net Position	13,859,657	788,538	14,648,195
Total Liabilities and Net Position	\$ 17,407,114	\$ 941,705	\$ 18,348,819

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
GOVERNMENT OPERATIONS							
General government	\$ 3,368,508	\$ 338,825	\$ 142,118	\$ -	\$ (2,887,565)		\$ (2,887,565)
Public safety	2,375,583	485,373	72,999	-	(1,817,211)		(1,817,211)
Public works	1,968,205	122,794	356,026	-	(1,489,385)		(1,489,385)
Public health	549,194	59,665	75,650	-	(413,879)		(413,879)
Social and economic services	158,654	-	18,456	-	(140,198)		(140,198)
Culture and recreation	572,100	8,896	71,128	6,667	(485,409)		(485,409)
Housing and community conservation of natural resources	237,855	-	-	-	(237,855)		(237,855)
Debt Service	222,364	-	222,288	-	(76)		(76)
Interest and other charges	53,649	106,609	-	-	52,960		52,960
Total Governmental Activities	9,506,112	1,122,162	958,665	6,667	(7,418,618)		(7,418,618)
BUSINESS-TYPE ACTIVITIES							
Solid Waste	871,539	809,408	-	-		(62,131)	(62,131)
Total Business-type activities	871,539	809,408	-	-		(62,131)	(62,131)
Total Primary Government	\$ 10,377,651	\$ 1,931,570	\$ 958,665	\$ 6,667	\$ (7,418,618)	\$ (62,131)	\$ (7,480,749)
GENERAL REVENUES							
Taxes/assessments					5,946,436	-	5,946,436
PILT					1,077,086	-	1,077,086
State entitlement					930,828	-	930,828
Grants not restricted to specific programs					408	-	408
Local Option Tax					268,452	-	268,452
Interest					17,845	250	18,095
Other					68,945	46,039	114,984
Gain on Sale of Assets					30,609	-	30,609
Total General Revenues					8,340,609	46,289	8,386,898
Change in Net Position before extraordinary item					921,991	(15,842)	906,149
Extraordinary item: Loss due to misappropriation					(220,101)	-	(220,101)
Change in Net Position after extraordinary item					701,890	(15,842)	686,048
Net Position							
Beginning of the Year					13,152,767	804,380	13,957,147
Prior period adjustments					5,000	-	5,000
End of the Year					\$ 13,859,657	\$ 788,538	\$ 14,648,195

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2014

	MAJOR				
	General	Road	Public Safety	North End TIF District	Hard Rock Mine Trust
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 2,311,911	\$ 397,338	\$ 1,000,934	\$ 27,808	\$ 114,916
Taxes and Assessments Receivable	255,239	153,913	539,558	293	-
Accounts Receivable	-	-	-	-	690,930
Receivable From Other Funds	45,021	-	-	-	373,618
Due From Other Governments	26,704	-	23,618	-	-
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	9,855	-	-	2,296,854
Total Assets	\$ 2,638,875	\$ 561,106	\$ 1,564,110	\$ 28,101	\$ 3,476,318
LIABILITIES:					
Current Liabilities					
Payable to Other Funds	-	-	-	352,553	-
Other Accrued Payables	39,300	9,961	39,068	-	-
Total Liabilities	39,300	9,961	39,068	352,553	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	255,239	153,913	539,558	293	-
Total Deferred Inflows of resources	255,239	153,913	539,558	293	-
FUND BALANCE:					
Fund Balances:					
Restricted	-	397,232	985,484	-	3,476,318
Unassigned:	2,344,336	-	-	(324,745)	-
Total Fund Balance	2,344,336	397,232	985,484	(324,745)	3,476,318
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,638,875	\$ 561,106	\$ 1,564,110	\$ 28,101	\$ 3,476,318

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above

Internal Service Fund Net Position

Governmental Capital Assets (Excluding internal service fund capital assets of \$263,619)

Long-term Liabilities
Long-Term Obligations

Compensated Absences (Excluding internal service fund compensated absences of \$20,022)
Long-Term Capital Obligations

Unavailable Property Taxes Receivable

Net Position of Governmental Activities

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2014

	MAJOR		Other Governmental Funds	Total Governmental Funds
	South Hills RSID	Saddle Mountain RSID		
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 36,009	\$ 26,465	\$ 2,908,349	\$ 6,823,730
Taxes and Assessments Receivable	517,860	320,408	572,685	2,359,956
Accounts Receivable	-	-	-	690,930
Receivable From Other Funds	-	-	-	418,639
Due From Other Governments	-	-	6,157	56,479
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	36,574	-	133,784	2,477,067
Total Assets	\$ 590,443	\$ 346,873	\$ 3,620,975	\$ 12,826,801
LIABILITIES:				
Current Liabilities				
Payable to Other Funds	-	-	66,086	418,639
Other Accrued Payables	-	-	26,701	115,030
Total Liabilities	-	-	92,787	533,669
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	517,860	320,408	572,685	2,359,956
Total Deferred Inflows of resources	517,860	320,408	572,685	2,359,956
FUND BALANCE:				
Fund Balances:				
Restricted	72,583	26,465	3,014,501	7,972,583
Unassigned:	-	-	(58,998)	1,960,593
Total Fund Balance	72,583	26,465	2,955,503	9,933,176
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 590,443	\$ 346,873	\$ 3,620,975	\$ 12,826,801

RECONCILIATION TO THE STATEMENT OF NET POSITI

Total fund balance reported above	\$ 9,933,176
Internal Service Fund Net Position	240,056
Governmental Capital Assets (Excluding internal service fund capital assets of \$263,619)	4,735,333
Long-term Liabilities	
Long-Term Obligations	(2,320,255)
Compensated Absences (Excluding internal service fund compensated absences of \$20,022)	(482,590)
Long-Term Capital Obligations	(606,019)
Unavailable Property Taxes Receivable	2,359,956
Net Position of Governmental Activities	\$ 13,859,657

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

	MAJOR			
	General	Road	Public Safety	North End TIF District
REVENUES:				
Taxes/assessments	\$ 1,591,576	\$ 513,573	\$ 1,472,261	\$ 64,452
Licenses and permits	2,149	-	450	-
Intergovernmental revenues	1,229,044	492,582	311,871	-
Charges for services	179,695	45,742	457,517	-
Fines and forfeitures	105,109	-	-	-
Miscellaneous	20,949	9,934	20,782	444
Investment and royalty earnings	13,670	-	-	-
Total Revenues	3,142,192	1,061,831	2,262,881	64,896
EXPENDITURES:				
Current				
General government	2,369,980	1,317	-	-
Public safety	73,692	-	2,117,389	-
Public works	-	1,153,893	-	100,389
Public health	41,298	-	-	-
Social and economic services	21,270	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Conservation of natural resources	-	-	-	-
Debt Service				
Principal	29,510	-	-	-
Interest and other charges	1,987	-	-	5,562
Capital Outlay	25,825	130,000	30,958	-
Total Expenditures	2,563,562	1,285,210	2,148,347	105,951
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	578,630	(223,379)	114,534	(41,055)
OTHER FINANCING SOURCES/USES				
Sale of Capital Assets	-	-	35,118	-
Fund Transfers In	194,315	249,925	95,217	-
Fund Transfers (Out)	(340,073)	-	-	-
Total Other financial Sources/Uses	(145,758)	249,925	130,335	-
EXTRAORDINARY ITEMS				
Loss due to misappropriation	(220,101)	-	-	-
NET CHANGES IN FUND BALANCES	212,771	26,546	244,869	(41,055)
FUND BALANCE:				
Beginning of the Year	2,131,565	370,686	740,615	(283,690)
End of the Year	\$ 2,344,336	\$ 397,232	\$ 985,484	\$ (324,745)

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

	MAJOR				
	Hard Rock Mine Trust	South Hills RSID	Saddle Mountain RSID	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes/assessments	\$ -	\$ 58,751	\$ 38,300	\$ 2,255,723	\$ 5,994,636
Licenses and permits	-	-	-	10,550	13,149
Intergovernmental revenues	298,633	-	-	887,405	3,219,535
Charges for services	-	-	-	168,026	850,980
Fines and forfeitures	-	-	-	16,624	121,733
Miscellaneous	-	-	-	62,564	114,673
Investment and royalty earnings	9,325	112	61	1,211	24,379
Total Revenues	<u>307,958</u>	<u>58,863</u>	<u>38,361</u>	<u>3,402,103</u>	<u>10,339,085</u>
EXPENDITURES:					
Current					
General government	-	-	-	447,849	2,819,146
Public safety	-	-	-	20,748	2,211,829
Public works	-	-	-	613,029	1,867,311
Public health	-	-	-	506,912	548,210
Social and economic services	-	-	-	132,958	154,228
Culture and recreation	-	-	-	560,763	560,763
Housing and community development	132,808	-	-	105,037	237,845
Conservation of natural resources	-	-	-	222,364	222,364
Debt Service					
Principal	-	35,000	55,000	37,697	157,207
Interest and other charges	-	25,663	15,861	4,576	53,649
Capital Outlay	-	-	-	244,608	431,391
Total Expenditures	<u>132,808</u>	<u>60,663</u>	<u>70,861</u>	<u>2,896,541</u>	<u>9,263,943</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>175,150</u>	<u>(1,800)</u>	<u>(32,500)</u>	<u>505,562</u>	<u>1,075,142</u>
OTHER FINANCING SOURCES/USES					
Sale of Capital Assets	-	-	-	-	35,118
Fund Transfers In	-	-	-	180,173	719,630
Fund Transfers (Out)	(60,013)	-	-	(388,898)	(788,984)
Total Other financial Sources/Uses	<u>(60,013)</u>	<u>-</u>	<u>-</u>	<u>(208,725)</u>	<u>(34,236)</u>
EXTRAORDINARY ITEMS					
Loss due to misappropriation	-	-	-	-	(220,101)
NET CHANGES IN FUND BALANCES	<u>115,137</u>	<u>(1,800)</u>	<u>(32,500)</u>	<u>296,837</u>	<u>820,805</u>
FUND BALANCE:					
Beginning of the Year	3,361,181	74,383	58,965	2,658,666	9,112,371
End of the Year	<u>\$ 3,476,318</u>	<u>\$ 72,583</u>	<u>\$ 26,465</u>	<u>\$ 2,955,503</u>	<u>\$ 9,933,176</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Jefferson County
Boulder, MT 59632

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Net Changes in Fund Balance		\$	820,805
Change in net position from internal service funds			(16,151)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			58,409
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Sale of Fixed Assets	<u>35,118</u>		(35,118)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(325,466)		
(Increase) decrease in Other Post Employment Benefits	(411,156)		
Gain (loss) on sale of assets	30,609		
(Increase) decrease in compensated absence liability	<u>(8,640)</u>		(714,653)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	431,391		
Principal payments on bonds	<u>157,207</u>		<u>588,598</u>
Change in net position reported on the Statement of Activity		\$	<u>701,890</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
as of June 30, 2014

	<u>MAJOR</u>	
	Solid Waste	Governmental Activities - Internal Service
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 533,942	\$ -
Taxes and Assessments Receivable	114,702	-
Accounts Receivable	90	-
Total Current Assets	<u>648,734</u>	<u>-</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	70,269	-
Capital Assets:		
Land	59,399	-
Net Depreciable Assets	163,303	263,619
Total Noncurrent Assets	<u>292,971</u>	<u>263,619</u>
Total Assets	<u>\$ 941,705</u>	<u>\$ 263,619</u>
LIABILITIES:		
Current Liabilities		
Other Accrued Payables	\$ 11,144	\$ 3,541
Current Portions Compensated Absences	5,715	3,003
Total Current Liabilities	<u>16,859</u>	<u>6,544</u>
Noncurrent Liabilities:		
Long-Term Obligations	103,925	-
Compensated Absences	32,383	17,019
Total Noncurrent Liabilities	<u>136,308</u>	<u>17,019</u>
Total Liabilities	<u>153,167</u>	<u>23,563</u>
NET POSITION:		
Net investment in capital assets	222,702	263,619
Unrestricted (Deficit)	565,836	(23,563)
Total Net Position	<u>788,538</u>	<u>240,056</u>
Total Liabilities and Net Position	<u>\$ 941,705</u>	<u>\$ 263,619</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Jefferson County
Boulder, MT 59632

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	MAJOR	
	Solid Waste	Governmental Activities - Internal Service
OPERATING REVENUES:		
Charges for Services	20,700	86,887
Miscellaneous	931	18,244
Special Assessments	787,777	-
Total Operating Revenues	809,408	105,131
OPERATING EXPENSES:		
Personal services	476,383	145,504
Supplies	111,175	18,026
Purchased services	230,514	11,167
Fixed charges	23,538	7,661
Depreciation	29,929	8,278
Total Operating Expense	871,539	190,636
OPERATING INCOME (LOSS)	(62,131)	(85,505)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	250	-
Sale of Junk and Salvage	46,039	-
Total nonoperating revenue (expenses)	46,289	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		
Transfers in (out)	-	69,354
CHANGE IN NET POSITION	(15,842)	(16,151)
NET POSITION:		
Beginning of the Year	804,380	256,207
End of the Year	\$ 788,538	\$ 240,056

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Jefferson County
Boulder, MT 59632

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	MAJOR	
	Solid Waste	Governmental Activities - Central Shop
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 809,352	\$ 105,903
Payments to Suppliers	(365,227)	(36,854)
Payments to Employees	(444,211)	(143,740)
Net Cash Provided (Used) by Operating Activities	<u>(86)</u>	<u>(74,691)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Subsidies and Transfers to Other Funds	-	69,354
Net Cash Provided (Used) By Noncapital Financing Activities	<u>-</u>	<u>69,354</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Receipts (Payments)	46,039	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>46,039</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends	250	-
Net Cash Provided (Used) by Investing Activities	<u>250</u>	<u>-</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>46,203</u>	<u>(5,337)</u>
BALANCE:		
Beginning of the Year	558,008	5,337
End of the Year	<u>\$ 604,211</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (62,131)	\$ (85,505)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	29,929	8,278
OPEB Expense	30,947	-
Changes In Assets and Liabilities:		
Accounts Receivable	80	-
Special Assessments Receivable	(136)	-
Compensated Absences	237	1,764
Accrued payroll	988	772
Net Cash Provided (Used) by Operating Activities	<u>\$ (86)</u>	<u>\$ (74,691)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Jefferson County
Boulder, MT 59632

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
as of June 30, 2014

	Private Purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 20,856	\$ 9,497,035	\$ 584,927
Tax/assessment receivable	-	-	2,826,251
Total Assets	20,856	9,497,035	3,411,178
LIABILITIES:			
Current Liabilities			
Warrants Payable	-	-	1,357,528
Due to Others	21,890	-	2,053,650
Total Liabilities	21,890	-	3,411,178
NET POSITION:			
Assets held in trust	(1,034)	9,497,035	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2014

	Private Purpose Trust Funds	Investment Trust Funds
ADDITIONS:		
Contributions	\$ 26,400	\$ 12,769,545
Investment earnings	-	18,118
Total Additions	26,400	12,787,663
DEDUCTIONS:		
Distributions	33,314	12,414,052
Total Deductions	33,314	12,414,052
CHANGE IN NET POSITION	(6,914)	373,611
NET POSITION:		
Beginning of the Year	5,880	9,123,424
End of the Year	\$ (1,034)	\$ 9,497,035

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Jefferson County (County) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the County adopted the following

- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement made changes in major fund determination and the use of the term “deferred”. For the County deferred property taxes are reported as an element of deferred inflows of resources.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the County.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The County has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the County assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the County to expand its pension foot note disclosures. The County plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The County is not merging with another County or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The County plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The County is a political subdivision of the State of Montana governed by a Board of 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: 1) It has a separately elected governing body, 2) It is legally separate and 3) It is fiscally independent from the State and other local governments.

The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the County's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the County. Based on those criteria this County has one component units.

Blended component unit: The North Jefferson County Public Library is a legally separate entity within Jefferson County which was created for the purpose of running the Clancy Library. The County handles all accounting functions of the North Jefferson County Public Library and reports the Library as a blended component unit within the special revenue funds.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

- Charges for services such as fee assessments, weed spraying and sales, fair activity and fines and forfeitures.
- Operating and Capital grants that are restricted to a particular functional program.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the entity-wide statements.

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

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued) Fiscal Year-Ended June 30, 2014

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

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

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

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the County and accounts for all revenues and expenditures of the County not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the governmental fund financial statements the general fund also includes the activities of the PILT fund since the restrictions on that fund are similar to the general fund.
- Road Fund – A special revenue fund which its' purpose is maintenance and repair of County roads.
- Public Safety Fund – A special revenue fund created to provide safety for the residents of Jefferson County.
- North End TIF District – A special revenue fund that accounts for taxes received from tax increment financing.
- Hard Rock Mine Trust – A special revenue fund that accounts for taxes on mining for Hard Rock in Jefferson County
- South Hills RSID – A debt service fund used to service the debt payments on the South Hills construction.
- Saddle Mountain RSID – A debt service fund used to service the debt payments on the Saddle Mountain construction.

The County reports the following major enterprise funds:

- Solid Waste Fund – This fund is used to account for financing the activities of the County's solid waste service.

1. b. 3 OTHER FUND TYPES

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost reimbursement basis. The fund includes a central shop fund. Because all of the services predominately benefit governmental rather than business type functions, they are included with governmental activities in the government-wide financial statements.

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from the employee flex account. This accounting reflects the County's trust relationship with the flex fund account.

Agency Funds – Account for assets that the County holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. This fund primarily consists of revenues collected by the County on behalf of other governments.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC). For purposes of the statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

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

Property taxes and special assessments are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction. Taxes and special assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

Materials and supplies inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

The County's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The County considers capital assets to be items in excess of \$15,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	7 – 100 years
Building Improvements	7 – 50 years
Machinery and Equipment	7 – 30 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1.c. 6 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 not 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.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$352,934 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>
General Government	\$ 404,946
Public Safety	1,010,711
Public Works	1,870,751
Public Health	349,681
Social and Economic Services	6,923
Culture and Recreation	351,545
Housing and Community Dev.	3,599,458
Future Capital Costs	67,612
Debt Service	310,956
Total	<u>\$ 7,972,583</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 2,318
Demand Accounts	2,027,686
Time Deposits	2,287,887
Repurchase Agreements	203,276
STIP	<u>15,486,659</u>
Total	<u>\$ 20,007,826</u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2014, County's bank balance was exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value</u>
Insured	\$ 1,501,089
Collateral held by the pledging bank's trust department but not in the County's name.	1,999,820
Uninsured and uncollateralized	<u>542,944</u>
Total	<u>\$ 4,043,853</u>

Interest Rate Risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The County's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the County's investment portfolio is made up of securities whose maturities are less than five years.

2. a REPURCHASE AGREEMENT

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.

2. b SHORT TERM INVESTMENT POOL (STIP)

STIP is an external investment pool of the State of Montana. Although the STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company STIP has policy that it will be consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The County's participant unit price is fixed at \$1 for both buys and sells.

The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value.

The STIP portfolio includes asset-backed and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government agency and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate).

Because of the pooled funds concept, cash held in STIP cannot be categorized as to custodial risk. For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

2. c EXTERNAL INVESTMENT POOL

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

The County has one pooled investment trust fund which is invested in STIP. The pooled funds invested in STIP are carried at fair value.

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

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

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.

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

Statement of Net Position:

Equity of Internal pool participants	\$ 6,856,430
Equity of External pool participants	<u>9,497,035</u>
Total net position	<u>\$ 16,353,465</u>

Statement of Changes in Net Position

	Internal	External
Investment earnings	\$ 8,699	\$ 18,118
Contributions	7,375,151	12,769,545
Distributions	<u>(10,833,144)</u>	<u>(12,414,052)</u>
Change in Net Position	(3,449,294)	373,611
Net Position - Beginning	<u>10,305,724</u>	<u>9,123,424</u>
Net Position - Ending	<u>\$ 6,856,430</u>	<u>\$ 9,497,035</u>

2. d RESTRICTED ASSETS

The following Restricted Cash was held by the County Treasurer as of June 30, 2014:

<u>Fund Name</u>	<u>Amount</u>	<u>Purpose</u>
Road	\$ 9,855	Gas tax money held for road improvements
Library	31,389	Donation held for library improvements
North Jefferson Library District	102,395	Donation held for library improvements
Hard Rock Mine Trust	2,296,854	Restricted by section 7-6-2225, MCA
South Hills RSID	36,574	Future debt service payments
Solid Waste	<u>70,269</u>	Future debt service payments
Total	<u>\$ 2,547,336</u>	

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$28,341,246 for the general County, \$26,386,669 for the Road fund, \$1,331,384 for Mosquito District #1, \$145,893 for Mosquito District #2, \$2,421,184 for Mosquito District #3, \$16,236,925 for the Library, \$12,104,321 for the North Jefferson Library, \$27,279,901 for the Planning Board, \$26,386,669 for Emergency Disaster, and \$120,868 for Basin Lites. The tax rates assessed for the year ended June 30, 2014 to finance County operations and applicable taxes receivable for each taxable value were:

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

<u>County Fund</u>	<u>Taxes</u>		<u>County Fund</u>	<u>Special</u>
	<u>Mill Levies</u>	<u>Receivable</u>		<u>Assessments</u>
General*	35.22	\$ 255,239	Predatory Animal	\$ 12
Road*	20.18	153,913	Predatory Animal Cattle	854
Bridge	2.69	45,790	Mosquito District #1 Fee	6,353
Fair	0.84	8,773	North End TIF District	293
District Court	5.75	46,398	South End TIF District	429
Mosquito #1	3.06	1,345	Destiny Hills RID	255
Mosquito #2	12.36	104	South Hills RMD	1,776
Mosquito #3	10.20	1,354	Saddle Mountain RMD	173
Planning Board	2.02	16,092	Martines Gulch RID	3,323
Emergency Disaster	0.00	2,456	Martine Gulch RMD	900
Senior Citizens	2.36	20,342	South Hills RSID*	517,860
County Agent	2.22	21,962	Saddle Mountain RSID*	320,408
Public Safety*	53.33	539,558	Total Fee Assessment Funds	\$ 852,636
Museum	0.78	5,842		
Emp. Cont. Gr. Health	0.00	1,473	Total Taxes and Assessments	\$ 2,359,956
Permissive Levy	13.25	121,576		
Library	14.58	60,941	Solid Waste*	\$ 114,702
Health & Sanitation	10.24	88,122		
Weed	6.93	57,734		
Basin Improvements	23.75	464		
North Jeff. Library	14.19	57,842		
Total Levied Funds	<u>233.95</u>	<u>\$ 1,507,320</u>		

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
General*	\$ 4,813	State DES	Grant funding
General*	21,891	Flex Fund	Employee flex funds
Health and Sanitation	4,018	Federal	Health grants
Public Safety*	23,112	State of Montana	Board of Prisoners funds
Public Safety*	506	United States Marshall	Board of Prisoners funds
Tobacco Grant	2,139	State of Montana	Tobacco grant funds
Total	<u>\$ 56,479</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u>		<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>			<u>June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 114,230	\$ 0	\$ 0	\$ 0	\$ 114,230
Total Non-depreciable	<u>\$ 114,230</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 114,230</u>
<u>Depreciable:</u>					
Imp. Other than Buildings	\$ 864,673	\$ 0	\$ 0	\$ (17,578)	\$ 847,095
Buildings	3,947,023	244,609	0	0	4,191,632
Machinery and Equipment	3,919,365	186,782	(74,957)	17,578	4,048,768
Total Depreciable	<u>\$ 8,731,061</u>	<u>\$ 431,391</u>	<u>\$ (74,957)</u>	<u>\$ 0</u>	<u>\$ 9,087,495</u>
<u>Accumulated Depreciation:</u>					
Imp. Other than Buildings	\$ (63,129)	\$ (29,094)	\$ 0	\$ 1,758	\$ (90,465)
Buildings	(1,883,104)	(54,678)	0	0	(1,937,782)
Machinery and Equipment	(1,993,244)	(249,972)	70,448	(1,758)	(2,174,526)
Total Depreciation	<u>\$ (3,939,477)</u>	<u>\$ (333,744)</u>	<u>\$ 70,448</u>	<u>\$ 0</u>	<u>\$ (4,202,773)</u>
Net Depreciable Assets	<u>4,791,584</u>	<u>97,647</u>	<u>(4,509)</u>	<u>0</u>	<u>4,884,722</u>
Net Governmental Capital Assets	<u>\$ 4,905,814</u>	<u>\$ 97,647</u>	<u>\$ (4,509)</u>	<u>\$ 0</u>	<u>\$ 4,998,952</u>

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. The details of the capital assets included in the above schedule are Buildings of \$323,195 and Machinery and equipment of \$37,564 with total related accumulated depreciation of \$97,140, for total net depreciable asset of \$263,619. Current year depreciation expense was \$8,278.

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
General Government	\$ 59,401
Public Safety	162,271
Public Works	100,192
Public Health	784
Culture and Recreation	11,096
Total Depreciation Expense	<u>\$ 333,744</u>

5. c. At June 30, 2014, the schedule of changes in business type capital assets are as follows:

<u>Solid Waste Fund:</u>	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	\$ 59,400	\$ 0	\$ 59,400
Total Non-depreciable	<u>\$ 59,400</u>	<u>\$ 0</u>	<u>\$ 59,400</u>
<u>Depreciable:</u>			
Imp. Other than Buildings	\$ 364,588	\$ 0	\$ 364,588
Machinery and Equipment	460,841	0	460,841
Total Depreciable	<u>\$ 825,429</u>	<u>\$ 0</u>	<u>\$ 825,429</u>
<u>Accumulated Depreciation:</u>			
Imp. Other than Buildings	\$ (343,860)	\$ (11,458)	\$ (355,318)
Machinery and Equipment	(288,337)	(18,471)	(306,808)
Total Depreciation	<u>\$ (632,197)</u>	<u>\$ (29,929)</u>	<u>\$ (662,126)</u>
Net Depreciable Assets	<u>193,232</u>	<u>(29,929)</u>	<u>163,303</u>
Net Solid Waste Capital Assets	<u>\$ 252,632</u>	<u>\$ (29,929)</u>	<u>\$ 222,703</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Bonds and Notes Payable:</u>					
Special Assessment Bond	\$ 930,000	\$ 0	\$ (95,000)	\$ 835,000	\$ 25,000
Intercap Loans	673,226	0	(67,207)	606,019	68,491
Total Bonds and Notes Payable	<u>\$ 1,603,226</u>	<u>\$ 0</u>	<u>\$ (162,207)</u>	<u>\$ 1,441,019</u>	<u>\$ 93,491</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 492,208	\$ 10,404	\$ 0	\$ 502,612	\$ 352,934
Other Post-Employment Benefits (OPEB)	1,074,099	411,156	0	1,485,255	0
Total Other Liabilities	<u>\$ 1,566,307</u>	<u>\$ 421,560</u>	<u>\$ 0</u>	<u>\$ 1,987,867</u>	<u>\$ 352,934</u>
Total Governmental Activities-Long-Term Debt:	<u>\$ 3,169,533</u>	<u>\$ 421,560</u>	<u>\$ (162,207)</u>	<u>\$ 3,428,886</u>	<u>\$ 446,425</u>

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. The details of the long-term debt included in the above schedule are compensated absences of \$20,022 which include current year additions of \$1,764.

<u>Solid Waste Fund</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>				
Compensated Absences	\$ 37,861	\$ 237	\$ 38,098	\$ 5,715
Other Post-Employment Benefits (OPEB)	72,978	30,947	103,925	0
Total Other Liabilities	<u>\$ 110,839</u>	<u>\$ 31,184</u>	<u>\$ 142,023</u>	<u>\$ 5,715</u>

6. b. SPECIAL ASSESSMENT BONDS

The County issued special assessment bonds in prior years for the improvement of special improvement districts. Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Saddle Mountain RSID	11/15/07	3 - 6%	20 years	7/1/28	\$ 537,000	\$ 320,000
South Hills RSID	8/14/07	3 - 6.5%	20 years	7/1/27	783,000	515,000
					<u>\$ 1,320,000</u>	<u>\$ 835,000</u>

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,000	\$ 45,863
2016	30,000	45,201
2017	35,000	43,446
2018	60,000	41,521
2019	60,000	38,576
2020-2024	365,000	161,612
2025-2028	260,000	58,375
Totals	<u>\$ 835,000</u>	<u>\$ 434,594</u>

6. c. INTERCAP LOAN

The County entered into intercap loans in prior years for various improvements projects. The loans were issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Big Dipper Rd. Imp.	9/19/08	1 - 4.25%	15 years	8/15/23	\$ 80,000	\$ 53,353
Building purchase	5/15/09	1 - 3.25%	10 years	8/15/19	300,000	176,601
Moonlight Ridge RID	12/24/09	1 - 3.25%	15 years	2/15/25	249,221	177,527
Martinez Gulch RID	11/20/09	1 - 3.25%	14 years	8/15/24	271,333	198,538
					<u>\$ 900,554</u>	<u>\$ 606,019</u>

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

For the year ended 6/30:	Intercap loans	
	Principal	Interest
2015	\$ 68,491	\$ 6,060
2016	69,812	5,375
2017	71,174	4,677
2018	72,849	3,965
2019	74,023	3,238
2020-2025	249,670	7,920
Totals	<u>\$ 606,019</u>	<u>\$ 31,235</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES/ ASSESSMENTS

County Fund	Amount	Reason	County Fund	Amount	Reason
General*	\$ 255,239	Taxes Receivable	Senior Citizens	20,342	Taxes Receivable
Road*	153,913	Taxes Receivable	Ext. Services	21,962	Taxes Receivable
Bridge	45,790	Taxes Receivable	Public Safety*	539,558	Taxes Receivable
Weed	57,734	Taxes Receivable	No. End TIF Dist.*	293	Taxes Receivable
Predatory Animal	12	Taxes Receivable	So. End TIF Dist.	429	Taxes Receivable
Pred. Ani. Cattle	854	Taxes Receivable	Museum	5,842	Taxes Receivable
Fair	8,773	Taxes Receivable	Employer Ctr. Group	1,473	Taxes Receivable
District Court	46,398	Taxes Receivable	Perm. Med. Levy	121,576	Taxes Receivable
Mosquito Dist. 1	1,345	Taxes Receivable	Basin Imp. Dist.	464	Taxes Receivable
Mosquito Dist. 2	104	Taxes Receivable	Destiny Hills RID	255	Taxes Receivable
Mosquito Dist. 3	1,354	Taxes Receivable	South Hills RMD	1,776	Taxes Receivable
Mosq. Dist. 1 fee	6,353	Taxes Receivable	Saddle Mtn. RMD	173	Taxes Receivable
Library	60,941	Taxes Receivable	Martines Gulch RID	3,323	Taxes Receivable
No. Jeff. Lib. Dist.	57,842	Taxes Receivable	Martine Gulch RMD	900	Taxes Receivable
Planning	16,092	Taxes Receivable	South Hills RSID*	517,860	Taxes Receivable
Emer. Disaster	2,456	Taxes Receivable	Saddle Mtn. RSID*	320,408	Taxes Receivable
Health and Sanit.	88,122	Taxes Receivable	Total	<u>\$ 2,359,956</u>	

*Denotes Major Funds

NOTE 8. DEFICIT FUND BALANCES

County Fund	Amount	How to Correct
North End TIF Dist.*	\$ 324,745	Future TIF tax collections
Emp. Cont. Group	125	Contributions
Jack Mtn Est. RSID	5,543	Tax revenue
Moonlight Rg. RMD	15,821	Tax revenue
Forest Pk. Est. RSID	8,431	Tax revenue
Clancy W&S District	21,065	Tax revenue
Sugar Beet RRGL	7,500	Grant funds
Tobacco Grant	513	Grant funds
Total	<u>\$ 383,743</u>	

* Denotes Major Funds

NOTE 9. PRIOR PERIOD ADJUSTMENTS

Governmental Activities	Amount	REASON
Governmental activities	<u>\$ 5,000</u>	Correction of beginning loan balance

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

Fund balance restrictions were as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road*	\$ 397,232	Public Works
Bridge	203,997	Public Works
Weed	302,868	Public Works
Predatory Animal	423	Public Health
Predatory Animal Cattle	3,982	Public Health
Fair	28,655	Culture and Recreation
District Court	43,586	General Government
Mosquito District #1	2,973	Public Health
Mosquito District #2	12,744	Public Health
Mosquito District #3	66,786	Public Health
Mosquito District #1 Fee	23,813	Public Health
County Parks	12,957	Culture and Recreation
Library	88,305	Culture and Recreation
North Jefferson Library District	170,797	Culture and Recreation
Planning	38,888	General Government
Emergency Disaster	7,383	Public Works
Health & Sanitation	238,959	Public Health
Senior Citizens	5,359	Social and Economic Development
Extension Services	1,564	Social and Economic Services
Public Safety*	985,484	Public Safety
South End TIF District	748,405	Public Works
Economic Development	123,140	Housing and Community Development
Rodent	1	Public Health
Museum	4,382	Culture and Recreation
Drug Forfeiture	16,822	Public Safety
Records Preservation	109,544	General Government
Basin Improvements District	3,859	Public Works
Lime Kiln Road RID	879	Public Works
Destiny Hills RID	5,485	Public Works
South Hills RMD	76,933	Public Works
Saddle Mountain RMD	52,767	Public Works
Big Dipper RSID	20,683	Debt Service
Big Dipper RMD	7,882	Public Works
Moonlight Ridge Estates RSID	20,394	Debt Service
Martines Gulch RID	92,231	Debt Service
Martine Gulch RMD	14,841	Public Works
Junk Vehicle	11,423	Public Works
Noxious Weed Grants	36,653	Public Works
County Special Weed Grants	144	Public Works
911 Emergency	187,721	General Government
County Land Information Act	3,197	General Government
Hard Rock Mine Trust*	3,476,318	Housing and Community Development
Forest Reserve Title III	46,449	Culture and Recreation
Crime Victims Assistant Grant	22,010	General Government
DUI Task Force	8,405	Public Safety
SID Revolving	78,600	Debt Service
South Hills RSID*	72,583	Debt Service
Saddle Mountain RSID*	26,465	Debt Service
Capital Improvement Fund	67,612	Capital Projects
TOTAL	<u>\$ 7,972,583</u>	

* Denotes Major Fund

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 11. TRANSFERS

<u>County Fund - From</u>	<u>Amount</u>	<u>County Fund - To</u>
General*	\$ 4,000	Capital Improvement Fund
Mosq. Dist. 1 Fee	5,000	Mosquito District 1
Junk Vehicle	10,000	Health and Sanitation
Land Use Planning	4,300	Planning
Hard Rock Mine Trust*	60,013	Planning
Permissive Medical Levy	194,315	General*
Permissive Medical Levy	61,002	Road*
Permissive Medical Levy	3,813	Bridge
Permissive Medical Levy	15,250	District Court
Permissive Medical Levy	95,217	Public Safety*
General*	188,923	Road*
General*	15,915	Search/Rescue
General*	61,806	County Land Information Act
General*	76	DNRC Grant
General*	69,354	Central Shop
Total	<u>\$ 788,984</u>	

* Denotes Major Funds

Central Shop is reported as a proprietary fund, however, during conversion to the GASB reporting format the Statement of Activities includes the central shop as a governmental internal service fund.

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The County provides the same health care plan to all of its members. The County had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The County reevaluated its participation rate which was 100% in the previous valuation and determined that 10% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,168,911
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>6,168,911</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 3,463,035
UAAL as a percentage of covered payroll	178%

Annual OPEB Cost and Net OPEB Obligations - 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 442,103
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	442,103
Contribution made	<u>0</u>
Increase in net OPEB obligation	442,103
Net OPEB obligation - beginning of year	<u>1,147,077</u>
Net OPEB obligation - end of year	<u>\$ 1,589,180</u>

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.34%
Average Salary Increase	2.80%

Health care cost rate trend	
Year	% Increase
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 13. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability, (i.e. errors and omission), environmental damage, workers' compensation, and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Given the lack of coverage available, the County has no coverage for potential losses from environmental damages. The County participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability and property coverage.

Jefferson County has joined with other Montana counties to form a self-insurance pool offering worker's compensation coverage. This pool, named the Montana Association of Counties Worker's 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.

Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the County's general fund and other funds based upon the insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the past three years.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

The County participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all County employees. The Sheriffs' Retirement System (SRS) covers law enforcement employees. The Public Employee Retirement System (PERS) covers all other employees. The plans are established under State law and are administered by the State of Montana.

Publicly available annual reports that include financial statements and required supplemental information for the plans may be obtained from the following:

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%.

JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The SRS rates for employees was 9.245% and the employers rate was 10.115%.

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

	<u>2012</u>		<u>2013</u>		<u>2014</u>
SRS	\$ 168,647	\$	167,370	\$	169,293
PERS	<u>382,112</u>		<u>400,421</u>		<u>492,747</u>
Total	<u>\$ 550,759</u>	\$	<u>567,791</u>	\$	<u>661,767</u>

NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

Jefferson County provides various financial services to other governmental entities located within the County. The County services 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 16. LOSS DUE TO MISAPPROPRIATION

The County suffered a loss of over \$220,000 in the Treasurer's Office. This has been recorded as a loss due to misappropriation in the PILT fund (reported as part of the General fund). Investigation costs and losses are valued at over \$235,000. It is expected that MACO will reimburse all but the \$10,000 deductible, when a claim is filed with the county insurer.

NOTE 17. PENDING LITIGATION

The following litigation is currently outstanding involving Jefferson County:

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of loss</u>
Hustad vs. Jefferson County	\$100,000	Not stated
Mortimore Lawsuit	Not stated	Not stated
State of MT v. Patty O'Neill	Not stated	Not stated
Reneger	\$100,000	Not stated

NOTE 18. SUBSEQUENT EVENTS

The Jefferson Local Development Council (JLDC) received an EDA grant in the amount of \$655,000 which required matching funds which the county loaned from the metal mines fund. In August of 2014, the county and JLDC agreed the loan should be paid back from the proceeds from activity of the South TIFD since this is where all costs were incurred.

JEFFERSON COUNTY

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2009</u>	<u>\$ 0</u>	<u>\$ 1,342,567</u>	<u>\$ 1,342,567</u>	<u>0%</u>	<u>\$ 2,757,093</u>	<u>49%</u>
<u>7/1/2012</u>	<u>\$ 0</u>	<u>\$ 6,168,911</u>	<u>\$ 6,168,911</u>	<u>0%</u>	<u>\$ 3,463,035</u>	<u>178%</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	General			PILT		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 1,613,804	\$ 1,613,804	\$ 1,591,576	\$ -	\$ -	\$ -
Licenses and permits	2,000	2,000	2,149	-	-	-
Intergovernmental revenues	144,664	144,664	151,958	984,131	984,131	1,077,086
Charges for services	191,318	191,318	179,695	-	-	-
Fines and forfeitures	115,800	115,800	105,109	-	-	-
Miscellaneous	16,723	16,723	20,949	3,000	3,000	-
Investment and royalty earnings	-	-	13,670	-	-	-
Total Revenues	<u>2,084,309</u>	<u>2,084,309</u>	<u>2,065,106</u>	<u>987,131</u>	<u>987,131</u>	<u>1,077,086</u>
EXPENDITURES:						
Current						
General government	2,468,828	2,468,828	2,338,854	-	-	31,126
Public safety	81,182	81,182	73,692	-	-	-
Public works	1,156	1,156	-	-	-	-
Public health	47,906	47,906	41,298	-	-	-
Social and economic services	17,700	17,700	21,270	-	-	-
Housing and community development	-	-	-	-	-	-
Debt Service						
Principal	29,510	29,510	29,510	-	-	-
Interest and other charges	1,987	1,987	1,987	-	-	-
Capital Outlay	800,000	800,000	25,825	-	-	-
Total Expenditures	<u>3,448,269</u>	<u>3,448,269</u>	<u>2,532,436</u>	<u>896,374</u>	<u>896,374</u>	<u>31,126</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,363,960)</u>	<u>(1,363,960)</u>	<u>(467,330)</u>	<u>90,757</u>	<u>90,757</u>	<u>1,045,960</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	-	-	-
Loan Proceeds	800,000	800,000	-	-	-	-
Fund Transfers In	780,757	780,757	782,796	-	-	-
Fund Transfers (Out)	-	-	(4,000)	(896,373)	(896,373)	(924,554)
Total Other financial Sources/Uses	<u>1,580,757</u>	<u>1,580,757</u>	<u>778,796</u>	<u>(896,373)</u>	<u>(896,373)</u>	<u>(924,554)</u>
EXTRAORDINARY ITEMS						
Loss due to misappropriation	-	-	-	-	-	(220,101)
NET CHANGES IN FUND BALANCES	<u>216,797</u>	<u>216,797</u>	<u>311,466</u>	<u>(805,616)</u>	<u>(805,616)</u>	<u>(98,695)</u>
FUND BALANCE:						
Beginning of the Year			600,348			1,531,217
End of the Year			<u>\$ 911,814</u>			<u>\$ 1,432,522</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Jefferson County
Boulder, MT 59632

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	Road			Public Safety		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 534,097	\$ 534,097	\$ 513,573	\$ 1,518,096	\$ 1,518,096	\$ 1,472,261
Licenses and permits	-	-	-	-	-	450
Intergovernmental revenues	528,605	528,605	492,582	281,873	281,873	311,871
Charges for services	4,800	4,800	45,742	338,185	338,185	457,517
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	9,934	16,881	16,881	20,782
Investment and royalty earnings	-	-	-	-	-	-
Total Revenues	<u>1,067,502</u>	<u>1,067,502</u>	<u>1,061,831</u>	<u>2,155,035</u>	<u>2,155,035</u>	<u>2,262,881</u>
EXPENDITURES:						
Current						
General government	1,500	1,500	1,317	-	-	-
Public safety	-	-	-	2,191,702	2,191,702	2,117,389
Public works	1,310,970	1,310,970	1,153,893	-	-	-
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital Outlay	100,000	100,000	130,000	70,000	70,000	30,958
Total Expenditures	<u>1,412,470</u>	<u>1,412,470</u>	<u>1,285,210</u>	<u>2,261,702</u>	<u>2,261,702</u>	<u>2,148,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(344,968)</u>	<u>(344,968)</u>	<u>(223,379)</u>	<u>(106,667)</u>	<u>(106,667)</u>	<u>114,534</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	-	-	35,118
Loan Proceeds	-	-	-	-	-	-
Fund Transfers In	249,925	249,925	249,925	106,753	106,753	95,217
Fund Transfers (Out)	-	-	-	-	-	-
Total Other financial Sources/Uses	<u>249,925</u>	<u>249,925</u>	<u>249,925</u>	<u>106,753</u>	<u>106,753</u>	<u>130,335</u>
EXTRAORDINARY ITEMS						
Loss due to misappropriation	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	<u>(95,043)</u>	<u>(95,043)</u>	<u>26,546</u>	<u>86</u>	<u>86</u>	<u>244,869</u>
FUND BALANCE:						
Beginning of the Year			370,686			740,615
End of the Year			<u>\$ 397,232</u>			<u>\$ 985,484</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	North End TIF District			Hard Rock Mine Trust		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 72,454	\$ 72,454	\$ 64,452	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	313,181	313,181	298,633
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	444	-	-	-
Investment and royalty earnings	-	-	-	10,200	10,200	9,325
Total Revenues	<u>72,454</u>	<u>72,454</u>	<u>64,896</u>	<u>323,381</u>	<u>323,381</u>	<u>307,958</u>
EXPENDITURES:						
Current						
General government	-	-	-	340,329	340,329	-
Public safety	-	-	-	-	-	-
Public works	10,400	10,400	100,389	-	-	-
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Housing and community development	-	-	-	171,750	171,750	132,808
Debt Service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and other charges	-	-	5,562	-	-	-
Capital Outlay	55,000	55,000	-	-	-	-
Total Expenditures	<u>65,400</u>	<u>65,400</u>	<u>105,951</u>	<u>512,079</u>	<u>512,079</u>	<u>132,808</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,054</u>	<u>7,054</u>	<u>(41,055)</u>	<u>(188,698)</u>	<u>(188,698)</u>	<u>175,150</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-
Fund Transfers In	-	-	-	-	-	-
Fund Transfers (Out)	-	-	-	(60,013)	(60,013)	(60,013)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,013)</u>	<u>(60,013)</u>	<u>(60,013)</u>
EXTRAORDINARY ITEMS						
Loss due to misappropriation	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	<u>7,054</u>	<u>7,054</u>	<u>(41,055)</u>	<u>(248,711)</u>	<u>(248,711)</u>	<u>115,137</u>
FUND BALANCE:						
Beginning of the Year			(283,690)			3,361,181
End of the Year			<u>\$ (324,745)</u>			<u>\$ 3,476,318</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

JEFFERSON COUNTY

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds of the County. All annual appropriations lapse at fiscal year-end, unless the County elects to encumber supplies and personal property ordered but not received at year end. The County does not use a formal encumbrance system.

1. a. 1 General Budget Policies:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds. The major funds South Hills RSID and Saddle Mountain RSID are not included in the schedule because they are budgeted debt services funds. The major fund Solid Waste is not included in the schedule because it is an enterprise fund.

The original budget was not amended so the original budget and the final budget are the same.

1. a. 2 Budget Operation:

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

- (1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.
- (2) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.
- (3) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- (4) The governing body and each municipal official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation
- Appropriations may be adjusted according to procedures authorized by the governing body for:
 - a. debt service funds for obligations related to debt approved by the governing body;
 - b. trust funds for obligations authorized by trust covenants;
 - c. any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
 - d. any fund for special assessments approved by the governing body;
 - e. the proceeds from the sale of land;
 - f. any fund for gifts or donations; and
 - g. money borrowed during the fiscal year.
- (5) If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTE 2. FUND BALANCE RECONCILIATION

For financial reporting purposes the general fund and PILT fund are combined since their purposes are the same, however, for accounting purposes a budgetary compliance they are reported in separate funds. In the above budget to actual statements these funds have been separately reported.

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jefferson County
Boulder, MT 59632

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Jefferson County's basic financial statements and have issued our report thereon dated March 23, 2014.

Internal Control Over Financial Reporting

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

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

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jefferson County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

STROM & ASSOCIATES, PC
Billings, Montana
March 23, 2014

SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

Finding 13-1 Cash Internal controls and overstated deposits in transit:

Overstated deposits in transit has been resolved, see current year finding below for internal controls

Finding 2014-001 – Treasurer’s office internal control:

Criteria: The following control weaknesses exist at the Treasurer’s office:

- 1) Deposits of all receipts are not made daily.
- 2) Inter-departmental/Inter-governmental receipts (A-101’s) are not recorded timely and are backdated.
- 3) Monthly and quarterly reports of all receipts, disbursements, debt and assets are not presented to the County Commissioners.

Condition: Strong internal controls require that deposits be made daily and that A-101 receipts be issued the date of receipt and not backdated. In addition, strong controls should include monthly and quarterly reports of all activity and balances to the County Commissioners.

Effect: Deposits of all money not being performed daily increases the risk to the County for all of the cash or checks held on hand in the Treasurer’s office.

In addition, A-101 receipts not being issued timely can increase the risk the County is exposed to in other departments not being issued a timely receipt.

Lastly, having no monthly and quarterly reports presented to the County Commissioners increases risk due to lack of managerial oversight of the Treasurer activities.

Context: Deposits of A-101 receipts is currently not handled immediately in the Treasurer’s office resulting in the receipts not being issued when the money is received, the deposits not being made daily, and the backdating of A-101’s to the date that the money was received.

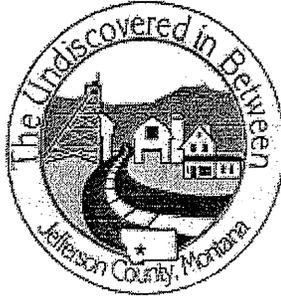
Monthly and quarterly reporting has not been done consistently to the County Commissioners.

Cause: Deposits of money received for A-101’s are held on hand for several days until an employee has time to deal with them. Receipts are therefore not issued when the money is received and the A-101’s are sometimes backdated to the period of receipt when entered.

Monthly and quarterly reporting was not considered necessary in the past by the County Commissioners.

Recommendation: We recommend the following steps be taken to strengthen controls of the Treasurer’s office:

- 1) For inter-departmental/inter-governmental receipts (A-101’s), the money should be receipted into the accounting system and a receipt given to the department making the deposit immediately upon receipt.
- 2) For A-101 receipts which come through on bank statements, a review should be done of the bank statements daily and the A-101 receipt issued to the proper department on the date the money is deposited on the bank statement.
- 3) Monthly and quarterly reports of all activities and balances of the treasurer’s office should be presented to the County Commissioners.



March 19, 2015

To: Leonard Wortman, Commissioner

From: Terri Kunz, Treasurer

Re: Response to Audit findings

Recommendation:

- 1) For inter-department/inter-government receipts (A-101's), the money should be receipted into the accounting system and a receipt given to the department making the deposit immediately upon receipt.

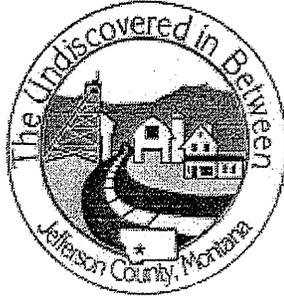
Response:

The Treasurer's office is taking the posting of monies seriously and has started the practice of receipting in the deposits delivered to the office immediately. A deposit ticket has been created by us to insure posting is correct and initialed at delivery if deposit involves cash. Two persons will initial the deposit ticket, person delivering and the person receiving. Receipts are now delivered either via email the same day or in person when the individual will wait. If not delivered in the above manner they will be placed in the department's mail box.

- 2) For A-101 receipts which come through on bank statements, a review should be done of the bank statements daily and the A-101 receipt issued to the proper department of the date the money is deposited on the bank statement.

Response:

Our team is now reviewing the bank statements daily. With that, they are doing the research to get the funds posted the same day. There are times when this won't happen because there is insufficient information coming from the bank to post it. Research has to be completed by contacting outside sources. Either way the electronic deposits are posted, if not the same day, then within 48 hours from the time of the deposit.



Response to Audit:

- 3) Monthly and quarterly reports of all activities and balances of the treasurer's office should be presented to the County Commissioners.

We have begun this process and will continue to do so. This is a benefit to all of us.

Thank you,
Terri
Terri Kunz