

**STILLWATER COUNTY
COLUMBUS, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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STILLWATER COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Gerald Dell	Board Chairperson
Dennis Shupak	Commissioner
Maureen Davey	Commissioner

ELECTED OFFICIALS

Pauline Mishler	County Clerk and Recorder
Donald Strizki	County Treasurer
Cliff Brophy	County Sheriff
John Petak	County Attorney
Judy Martin	County Superintendent
Sandra Fox	Clerk of District Court
Marilyn Kober	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Stillwater County
Columbus, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

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

Because of inadequacies in the government's accounting records, we were unable to form an opinion regarding the classification of federal and state emergency disaster revenue (intergovernmental) between the road fund and the aggregate remaining fund information.

Qualified Opinions

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

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (excluding the road fund) for the government, as of June 30, 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 budgetary comparison information and the schedule of funding progress-other post employment benefits identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions on the basic financial statements are not affected, the following material departure from the prescribed guidelines exists; the management's discussion and analysis is not in conformity with accounting principles generally accepted in the United States because it did not contain all of the elements required by GASB Statement No. 34, as amended by GASB Statement No. 37. We do not express an opinion or provide any assurance on the information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Neal & Associates, PC

Billings, Montana
March 13, 2015

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of the financial performance provides an overview of the government's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with our financial statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net position of the governmental and business-type activities increased by \$2,552,884 and \$4,825, respectively.
- In the business-type activities, revenues decreased to \$675,292 from \$651,720 while expenses decreased by \$59,583.

USING THIS ANNUAL REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Governmental activities—Basic services are reported here, including the sheriff, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

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

Fund financial statements The fund financial statements (pages 10 through 18) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

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

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, net position increased \$2,557,709 for the year ended June 30, 2014.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 20,423,126	\$ 18,093,851	\$ 426,746	\$ 642,409	\$ 20,849,872	18,736,260
Capital assets	11,392,439	11,019,601	817,188	679,361	12,209,627	11,698,962
Total assets	31,815,565	29,113,452	1,243,934	1,321,770	33,059,499	30,435,222
Other liabilities	146,279	207,918	-	-	146,279	207,918
Long-term liabilities	1,635,476	1,727,137	43,850	126,511	1,679,326	1,853,648
Total liabilities	1,781,755	1,935,055	43,850	126,511	1,825,605	2,061,566
Net position						
Net investment in capital assets	11,027,595	10,548,710	817,188	593,961	11,844,783	11,142,671
Restricted	16,614,087	15,022,792	-	10,047	16,614,087	15,032,839
Unrestricted	2,392,128	1,606,895	382,896	591,251	2,775,024	2,198,146
	\$ 30,033,810	\$ 27,178,397	\$ 1,200,084	\$ 1,195,259	\$ 31,233,894	\$ 28,373,656

**STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS**

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 723,414	\$ 682,563	\$ 666,126	\$ 647,674	\$ 1,389,540	\$ 1,330,237
Operating grants and contributions	2,119,801	1,936,937	-	-	2,119,801	1,936,937
Capital grants and contributions	234,882	78,584	-	-	234,882	78,584
General revenues:						
Taxes	6,623,045	5,926,840	-	-	6,623,045	5,926,840
Intergovernmental	1,313,022	1,192,172	-	-	1,313,022	1,192,172
Interest	30,824	60,578	766	2,424	31,590	63,002
Miscellaneous	32,175	40,228	900	1,622	33,075	41,850
Gain on disposal of capital assets	35,962	18,317	7,500	-	43,462	18,317
Total revenues	11,113,125	9,936,219	675,292	651,720	11,788,417	10,587,939
Expenses:						
General government	2,249,816	2,196,601	-	-	2,249,816	2,196,601
Public safety	1,989,293	1,785,269	-	-	1,989,293	1,785,269
Public works	2,994,550	3,012,227	-	-	2,994,550	3,012,227
Public health	218,378	247,070	-	-	218,378	247,070
Social and economic services	143,392	131,208	-	-	143,392	131,208
Culture and recreation	218,598	204,603	-	-	218,598	204,603
Housing and community development	146,230	117,150	-	-	146,230	117,150
Solid waste	-	-	670,467	610,884	670,467	610,884
Other current charges	124,114	125,563	-	-	124,114	125,563
Interest on long-term debt	4,472	6,059	-	-	4,472	6,059
Intergovernmental	471,398	476,436	-	-	471,398	476,436
Total expenses	8,560,241	8,302,186	670,467	610,884	9,230,708	8,913,070
Change in net position	2,552,884	1,634,033	4,825	40,836	2,557,709	1,674,869
Net position, beginning	27,178,397	25,544,364	1,195,259	1,154,423	28,373,656	26,698,787
Prior period adjustments	302,529	-	-	-	302,529	-
Net position, ending	\$ 30,033,810	\$ 27,178,397	\$ 1,200,084	\$ 1,195,259	\$ 31,233,894	\$ 28,373,656

The overall financial position of Stillwater County increased \$2,557,709 when looking at the net position of the county. The taxable value of the county increased \$275,693 to \$36,695,479. Cash reserves have been steady for most levied funds, but overall the cash reserves have increased for the county, most notably from the Metal Mines License Tax Reserve fund.

FUND FINANCIAL STATEMENTS

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

- Total assets, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).
- The same element that met the 10 percent criterion must also be at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The General fund fund balance increased \$346,107 because of increased tax revenues and an ongoing emphasis on increasing the cash reserves.

The Road fund fund balance increased \$133,223 because of increased tax revenues.

The Public Safety fund fund balance decreased by \$12,248 due to increased expenses related to increasing prisoner costs.

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The Hard Rock Mine Trust fund fund balance increased \$561,378 because of the money received from the Metal Mines License Tax on both the Nye Mine and East Boulder Mine. This money is set in a trust fund for use only when the economic conditions are met to allow the expenditure of these funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Stillwater County currently has the following outstanding loans for purchases of capital assets:

The Road department purchased new motor graders that were funded with an intercap loan identified as 2350-01. The amount outstanding is \$175,303, with final payment due February 2018. The Road department also used an intercap loan identified as 2436-01 to purchase an asphalt grinder. It has an outstanding balance of \$107,957 and is scheduled to be paid off in August 2017.

Stillwater County also obtained an Intercap Loan for the purchase of a building to house the County Attorney offices. The loan is identified by number 2065-01. The balance of the loan is \$26,367 and has a scheduled payoff date of February 2016.

The Airport fund has a loan for the purchase of Snow Removal Equipment with an outstanding balance of \$5,898 to be paid off in February 2020

The 911 Emergency fund obtained an intercap loan for the remodel of the old Jail to become the new dispatch center. An intercap loan identified as 2128 has an outstanding balance of \$49,319.

THE GOVERNMENT'S FUTURE

Stillwater County will continue to monitor the protested taxes. The County government has established a strong program to fund Capital Projects to assist in future building and equipment needs. Growth within the County has continued and has helped with increasing taxable valuations.

The County has started to increase funding of capital projects in the future that may include a road/shop facility and also a remodel of the old hospital building.

The County also continues to place more emphasis on increasing the cash reserves of each of the levied funds and the cash balances of those funds.

STILLWATER COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 15,655,710	\$ 310,100	\$ 15,965,810
Investments	4,273,017	44,789	4,317,806
Receivables:			
Taxes and assessments	253,820	68,150	321,970
Governments	148,938	-	148,938
Other	680	3,707	4,387
Stop loss reimbursement	44,427	-	44,427
Inventories	46,534	-	46,534
Capital assets:			
Land and construction in progress	633,737	6,983	640,720
Capital assets, net of accumulated depreciation	10,758,702	810,205	11,568,907
Total assets	<u>31,815,565</u>	<u>1,243,934</u>	<u>33,059,499</u>
LIABILITIES			
Accounts payable:			
Vendors	57,410	-	57,410
Claims	88,869	-	88,869
Long-term liabilities:			
Due within one year:			
Notes payable	100,433	-	100,433
Compensated absences	29,822	4,385	34,207
Due in more than one year:			
Notes payable	264,411	-	264,411
Compensated absences	268,401	39,465	307,866
Other post employment benefits	972,409	-	972,409
Total liabilities	<u>1,781,755</u>	<u>43,850</u>	<u>1,825,605</u>
NET POSITION			
Net investment in capital assets	11,027,595	817,188	11,844,783
Restricted for:			
General government	9,557,943	-	9,557,943
Public safety	694,666	-	694,666
Public works	2,771,629	-	2,771,629
Public health	29,973	-	29,973
Social and economic services	46,629	-	46,629
Culture and recreation	101,354	-	101,354
Housing and community development	1,676,428	-	1,676,428
Capital projects	1,735,465	-	1,735,465
Unrestricted	2,392,128	382,896	2,775,024
Total net position	<u>\$ 30,033,810</u>	<u>\$ 1,200,084</u>	<u>\$ 31,233,894</u>

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental activities:							
General government	\$ 2,249,816	\$ 231,247	\$ 544,783	\$ -	\$ (1,473,786)	\$ -	\$ (1,473,786)
Public safety	1,989,293	100,708	238,439	94,320	(1,555,826)	-	(1,555,826)
Public works	2,994,550	269,522	571,557	140,562	(2,012,909)	-	(2,012,909)
Public health	218,378	24,349	45,263	-	(148,766)	-	(148,766)
Social and economic services	143,392	96,427	-	-	(46,965)	-	(46,965)
Culture and recreation	218,598	1,161	12,655	-	(204,782)	-	(204,782)
Housing and community development	146,230	-	-	-	(146,230)	-	(146,230)
Other current charges	124,114	-	-	-	(124,114)	-	(124,114)
Interest on long-term debt	4,472	-	-	-	(4,472)	-	(4,472)
Intergovernmental	471,398	-	707,104	-	235,706	-	235,706
Total governmental activities	8,560,241	723,414	2,119,801	234,882	(5,482,144)	-	(5,482,144)
Business-type activities:							
Solid waste	670,467	666,126	-	-	-	(4,341)	(4,341)
Total business-type activities	670,467	666,126	-	-	-	(4,341)	(4,341)
Total	\$ 9,230,708	\$ 1,389,540	\$ 2,119,801	\$ 234,882	(5,482,144)	(4,341)	(5,486,485)
General revenues:							
Property taxes					6,623,045	-	6,623,045
Intergovernmental					1,313,022	-	1,313,022
Unrestricted investment earnings					30,824	766	31,590
Miscellaneous					32,175	900	33,075
Gain on disposal of capital assets					35,962	7,500	43,462
Total general revenues					8,035,028	9,166	8,044,194
Change in net position					2,552,884	4,825	2,557,709
Net position - beginning					27,178,397	1,195,259	28,373,656
Prior period adjustments					302,529	-	302,529
Net position - ending					\$ 30,033,810	\$ 1,200,084	\$ 31,233,894

STILLWATER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Road	Public Safety	Hard Rock Mine Trust	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,309,241	\$ 666,864	\$ 247,083	\$ 5,644,305	\$ 7,139,043	\$ 15,006,536
Investments	189,098	239,687	88,807	3,448,700	306,725	4,273,017
Receivables:						
Taxes and assessments	81,721	52,721	39,454	-	79,924	253,820
Governments	9,279	-	-	-	139,659	148,938
Other	-	-	680	-	-	680
Inventories	-	29,737	-	-	16,797	46,534
Total assets	\$ 1,589,339	\$ 989,009	\$ 376,024	\$ 9,093,005	\$ 7,682,148	\$ 19,729,525
LIABILITIES						
Accounts payable-vendors	\$ -	\$ -	\$ 24,803	\$ -	\$ 24,983	\$ 49,786
Total liabilities	-	-	24,803	-	24,983	49,786
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-taxes and assessments	81,721	52,721	39,454	-	79,924	253,820
Total deferred inflows of resources	81,721	52,721	39,454	-	79,924	253,820
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventory	-	29,737	-	-	16,797	46,534
Restricted for:						
General government	-	-	-	9,093,005	443,660	9,536,665
Public safety	-	-	311,767	-	329,793	641,560
Public works	-	906,551	-	-	1,743,663	2,650,214
Public health	-	-	-	-	23,708	23,708
Social and economic services	-	-	-	-	42,784	42,784
Culture and recreation	-	-	-	-	95,860	95,860
Housing and community development	-	-	-	-	1,676,428	1,676,428
Capital projects	-	-	-	-	1,735,465	1,735,465
Committed for:						
General government	-	-	-	-	1,514,655	1,514,655
Roads and streets	-	-	-	-	4,366	4,366
Stillwater Action Group	-	-	-	-	15,088	15,088
Library services	-	-	-	-	43,097	43,097
Unassigned	1,507,618	-	-	-	(108,123)	1,399,495
Total fund balances (deficits)	1,507,618	936,288	311,767	9,093,005	7,577,241	19,425,919
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 1,589,339	\$ 989,009	\$ 376,024	\$ 9,093,005	\$ 7,682,148	\$ 19,729,525

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

Total fund balances, governmental funds	\$ 19,425,919
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	11,392,439
Certain long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the fund financial statements.	253,820
The assets and liabilities of the internal service fund (self-insurance) are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	(375,301)
Some liabilities (such as notes payable and compensated absences) are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(663,067)</u>
Net position of governmental activities	<u><u>\$ 30,033,810</u></u>

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

	General	Road	Public Safety	Hard Rock Mine Trust	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$ 2,257,619	\$ 1,335,646	\$ 1,085,002	\$ -	\$ 2,167,233	\$ 6,845,500
Fines and forfeitures	77,180	-	30,000	-	20,213	127,393
Licenses and permits	8,425	1,330	6,116	-	-	15,871
Intergovernmental	394,680	464,219	165,877	545,450	2,096,879	3,667,105
Charges for services	271,788	23,998	8,935	-	106,603	411,324
Investment earnings	10,022	-	-	15,928	4,526	30,476
Miscellaneous	14,191	21,772	1,854	-	7,609	45,426
Total revenues	3,033,905	1,846,965	1,297,784	561,378	4,403,063	11,143,095
EXPENDITURES						
Current:						
General government	1,665,380	-	-	-	397,782	2,063,162
Public safety	68,011	-	1,201,519	-	551,460	1,820,990
Public works	1,653	1,188,215	-	-	1,419,044	2,608,912
Public health	125,257	-	-	-	59,815	185,072
Social and economic services	27,160	-	-	-	113,349	140,509
Culture and recreation	5,225	-	-	-	199,618	204,843
Housing and community development	-	-	-	-	139,113	139,113
Other current charges	-	-	-	-	124,114	124,114
Debt service:						
Principal	-	71,911	-	-	34,136	106,047
Interest and other charges	-	3,371	-	-	1,101	4,472
Capital outlay	95,604	187,195	64,379	-	572,523	919,701
Intergovernmental	-	-	-	-	471,398	471,398
Total expenditures	1,988,290	1,450,692	1,265,898	-	4,083,453	8,788,333
Excess (deficiency) of revenues over expenditures	1,045,615	396,273	31,886	561,378	319,610	2,354,762
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	-	-	11,718	-	-	11,718
Sale of capital assets	-	-	-	-	24,225	24,225
Transfers in	-	185,773	-	-	1,872,219	2,057,992
Transfers out	(699,508)	(448,823)	(55,852)	-	(853,809)	(2,057,992)
Total other financing sources (uses)	(699,508)	(263,050)	(44,134)	-	1,042,635	35,943
Net change in fund balances	346,107	133,223	(12,248)	561,378	1,362,245	2,390,705
Fund balances - beginning	1,161,511	803,065	324,015	8,531,627	6,214,996	17,035,214
Fund balances - ending	\$ 1,507,618	\$ 936,288	\$ 311,767	\$ 9,093,005	\$ 7,577,241	\$ 19,425,919

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

Net change in fund balances - total governmental funds	\$ 2,390,705
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlay as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlay (\$919,701) exceeded depreciation (\$558,600) in the current period.	361,101
 Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold.	
	11,737
 Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	
	(66,280)
 Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt principal repayments.	
	106,047
 Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	(16,969)
 Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in net position of the internal service fund is reported with governmental activities.	
	<u>(233,457)</u>
 Change in net position of governmental activities	 <u><u>\$ 2,552,884</u></u>

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

	<u>Enterprise</u>		<u>Internal Service Fund</u>
	<u>Solid Waste</u>		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 310,100	\$	649,174
Investments	44,789		-
Receivables:			
Solid waste	3,707		-
Taxes and assessments	68,150		-
Stop loss reimbursement	-		44,427
Total current assets	<u>426,746</u>		<u>693,601</u>
Non-current assets:			
Capital assets:			
Land	6,983		-
Buildings and systems	868,658		-
Equipment and furniture	688,775		-
Less: accumulated depreciation	<u>(747,228)</u>		<u>-</u>
	817,188		-
Total non-current assets	<u>817,188</u>		<u>-</u>
Total assets	<u>1,243,934</u>		<u>693,601</u>
LIABILITIES			
Current liabilities:			
Accounts payable:			
Vendors	-	7,624	
Claims	-	88,869	
Compensated absences	4,385		-
Total current liabilities	<u>4,385</u>		<u>96,493</u>
Non-current liabilities:			
Compensated absences	39,465		-
Other post employment benefits	-	972,409	
Total non-current liabilities	<u>39,465</u>		<u>972,409</u>
Total liabilities	<u>43,850</u>		<u>1,068,902</u>
NET POSITION			
Net investment in capital assets	817,188		-
Unrestricted	382,896		(375,301)
Total net position	<u>\$ 1,200,084</u>		<u>\$ (375,301)</u>

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

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
REVENUES		
Charges for services	\$ 70,242	\$ 778,078
Assessments	595,884	-
	<u>666,126</u>	<u>778,078</u>
Total operating revenues		
OPERATING EXPENSES		
Personal services	355,424	-
Supplies	67,395	-
Purchased services	152,836	-
Fixed charges	41,186	-
Other post employment benefits	-	299,946
Insurance claims	-	500,511
Administration	-	211,426
Depreciation	53,130	-
	<u>669,971</u>	<u>1,011,883</u>
Total operating expenses		
Operating loss	<u>(3,845)</u>	<u>(233,805)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	766	348
Miscellaneous revenue	900	-
Gain on disposal of capital assets	7,500	-
Interest expense	(496)	-
	<u>8,670</u>	<u>348</u>
Total non-operating revenues (expenses)		
Change in net position	4,825	(233,457)
Total net position - beginning	1,195,259	(444,373)
Prior period adjustments	-	302,529
	<u>-</u>	<u>302,529</u>
Total net position - ending	<u>\$ 1,200,084</u>	<u>\$ (375,301)</u>

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

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Interal Service Fund</u>
CASH FLOWS FROM OPERATIONS:		
Cash received from customers	\$ 652,120	\$ 778,078
Medical claims paid	-	(323,468)
Cash paid to employees	(352,685)	-
Cash paid to suppliers for goods and services	(261,417)	(211,426)
	<u>38,018</u>	<u>243,184</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from miscellaneous sources	900	-
	<u>900</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of capital assets	(183,457)	-
Principal payments on debt	(85,400)	-
Interest paid	(496)	-
	<u>(269,353)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	46,612	-
Interest received	766	348
	<u>47,378</u>	<u>348</u>
Change in cash and cash equivalents	(183,057)	243,532
Cash and cash equivalents - beginning	493,157	405,642
Cash and cash equivalents - ending	<u>\$ 310,100</u>	<u>\$ 649,174</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (3,845)	\$ (233,805)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation	53,130	-
Other post employment benefits	-	299,946
(Increase) decrease in accounts receivable	(2,837)	171,065
Increase in taxes/assessments receivable	(11,169)	-
Increase in accounts payable	-	5,978
Increase in compensated absences	2,739	-
	<u>\$ 38,018</u>	<u>\$ 243,184</u>

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

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 8,121,743	\$ 560,275
Investments	1,210,584	-
Taxes/assessments receivable	-	469,188
Total assets	9,332,327	\$ 1,029,463
LIABILITIES		
Accounts payable	-	\$ 300,417
Due to special districts	-	52,973
Due to state	-	239,426
Due to schools	-	289,013
Due to cities/towns	-	147,634
Total liabilities	-	\$ 1,029,463
NET POSITION		
Held in trust	\$ 9,332,327	

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

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 3,577,318
Total contributions	3,577,318
Investment earnings:	
Interest	18,683
Total net investment earnings	18,683
Total additions	3,596,001
DEDUCTIONS	
Withdrawals	3,588,200
Total deductions	3,588,200
Change in net position	7,801
Net position - beginning	9,324,526
Net position - ending	\$ 9,332,327

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government's significant accounting policies are described below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

The government reports the following major governmental funds:

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

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

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

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The hard rock mine trust fund accounts for money received by the County pursuant to state statute. The money must remain in the account and may not be appropriated by the governing body until: a) a mining operation has permanently ceased all mining related activity; or b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.

The government reports the following major proprietary fund:

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund types:

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

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

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

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

Cash and Investments

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

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 31% of the investment pool belongs to these districts.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

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

The government charges a 1.5% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$514.

Receivables

Solid Waste receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

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

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

Inventories

All inventories are valued at cost. Inventories are recorded as expenses when consumed in the government-wide financial statements. In the fund financial statements, inventories are recorded as expenditures when purchased.

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	15-60
Infrastructure	20-75
Building and improvements	20-100
Machinery and equipment	5-20

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Inflows of Resources

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

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

Net Position

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

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

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

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

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

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

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balance

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

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

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

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

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

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

The governing body has by resolution authorized the finance officer and/or board of county commissioners to assign fund balance. There was no assigned fund balance at the end of the year.

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Health Insurance (\$103,286), TSEP (\$3,176), CTEP (\$1,000), Park City Lights (\$661) and Self-Insurance (\$375,301) funds had deficit fund equity as of June 30, 2014. The deficits are a carryover from the prior year. The deficits are expected to be eliminated through a transfer from the General fund. Additionally, the deficit in the Self-Insurance fund occurred because of recording the other post employment benefit liability. This liability is an unfunded liability.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 19,928,727
Business-type activities	354,889
Fiduciary funds	<u>9,892,602</u>
	<u>\$ 30,176,218</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,350	\$ -	\$ 1,350
Cash in banks:			
Demand deposits	5,577,758	-	5,577,758
Savings deposits	362,982	-	362,982
Brokers:			
Money markets	325,007	-	325,007
U.S. Government securities	-	500,000	500,000
Time deposits	-	5,028,390	5,028,390
Short-term Investment Program (STIP)	16,380,731	-	16,380,731
Repurchase agreements	2,000,000	-	2,000,000
	<u>\$ 24,647,828</u>	<u>\$ 5,528,390</u>	<u>\$ 30,176,218</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$8,283,086 of the government's bank balance of \$11,811,489 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 8,283,086</u>
---	---------------------

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

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificates of deposits	.31-2.00%	Various	\$ 5,028,390	\$ 5,028,390	\$ 5,028,390	90.96%
U.S. Government securities	1.00%	Various	500,000	500,000	500,640	9.04%
				<u>\$ 5,528,390</u>	<u>\$ 5,529,030</u>	

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

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

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

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,640
Money markets with brokers	325,007	-	-	325,007	325,007
Repurchase agreements	-	-	2,000,000	2,000,000	2,000,000
	<u>\$ 825,007</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	2,825,007	2,825,647
STIP				<u>16,380,731</u>	<u>16,380,731</u>
				<u>\$ 19,205,738</u>	<u>\$ 19,206,378</u>

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

	Internal	External	Total
Net position - beginning of year	\$ 19,181,561	\$ 9,324,526	\$ 28,506,087
Contributions from participants	6,631,900	3,577,318	10,209,218
Investment earnings and change in fair value	32,187	18,683	50,870
Administrative fees	(355)	(159)	(514)
Distributions to participants	<u>(5,001,402)</u>	<u>(3,588,041)</u>	<u>(8,589,443)</u>
Net position - end of year	<u>\$ 20,843,891</u>	<u>\$ 9,332,327</u>	<u>\$ 30,176,218</u>

Capital Assets

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 566,976	\$ -	\$ -	\$ 566,976
Construction-in-progress	94,012	217,360	(244,611)	66,761
Total capital assets, not being depreciated	<u>660,988</u>	<u>217,360</u>	<u>(244,611)</u>	<u>633,737</u>
Capital assets, being depreciated				
Buildings/improvements	2,751,026	-	-	2,751,026
Improvements other than buildings	3,528,736	292,428	-	3,821,164
Machinery and equipment	5,685,442	432,773	(59,168)	6,059,047
Infrastructure	2,721,846	241,751	-	2,963,597
Total capital assets, being depreciated	<u>14,687,050</u>	<u>966,952</u>	<u>(59,168)</u>	<u>15,594,834</u>
Less accumulated depreciation for:				
Buildings/improvements	(627,083)	(50,680)	-	(677,763)
Improvements other than buildings	(798,215)	(96,925)	-	(895,140)
Machinery and equipment	(2,667,310)	(370,546)	50,905	(2,986,951)
Infrastructure	(235,829)	(40,449)	-	(276,278)
Total accumulated depreciation	<u>(4,328,437)</u>	<u>(558,600)</u>	<u>50,905</u>	<u>(4,836,132)</u>
Total capital assets, being depreciated, net	<u>10,358,613</u>	<u>408,352</u>	<u>(8,263)</u>	<u>10,758,702</u>
Governmental activities capital assets, net	<u>\$ 11,019,601</u>	<u>\$ 625,712</u>	<u>\$ (252,874)</u>	<u>\$ 11,392,439</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,983	\$ -	\$ -	\$ 6,983
Total capital assets, not being depreciated	6,983	-	-	6,983
Capital assets, being depreciated				
Buildings and systems	868,658	-	-	868,658
Machinery and equipment	549,698	190,957	(51,880)	688,775
Total capital assets, being depreciated	1,418,356	190,957	(51,880)	1,557,433
Less accumulated depreciation for:				
Buildings and systems	(328,378)	(27,637)	-	(356,015)
Machinery and equipment	(417,600)	(25,493)	51,880	(391,213)
Total accumulated depreciation	(745,978)	(53,130)	51,880	(747,228)
Total capital assets, being depreciated, net	672,378	137,827	-	810,205
Business-type activities capital assets, net	\$ 679,361	\$ 137,827	\$ -	\$ 817,188

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 87,805
Public safety	114,615
Public works	319,932
Public health	28,027
Social and economic services	911
Culture and recreation	7,310
Total governmental activities	\$ 558,600
Business-type activities:	
Solid waste	\$ (53,130)

Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ -	\$ (699,508)
Road	185,773	(448,823)
Public Safety	-	(55,852)
Nonmajor governmental funds	1,872,219	(853,809)
Total governmental activities	\$ 2,057,992	\$ (2,057,992)

Transfers use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Governmental Activities
County building-2006 (1)	\$ 125,000	10 yr	1.00%	\$ 26,367
Airport-2010	11,793	10 yr	1.63%	5,898
Asphalt grinder-2013 (1)	152,990	5 yr	1.00%	107,957
Dispatch-2007 (1)	130,500	10 yr	1.00%	49,319
Road equipment-2011 (1)	299,055	7 yr	1.00%	175,303
				<u>\$ 364,844</u>

(1) Through Montana Board of Investments. Interest adjusted each year, up to a maximum of 15 percent.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 100,433	\$ 3,437	\$ 103,870
2016	102,912	2,419	105,331
2017	91,321	1,415	92,736
2018	68,996	485	69,481
2019	1,182	19	1,201
	<u>\$ 364,844</u>	<u>\$ 7,775</u>	<u>\$ 372,619</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Notes payable	\$ 470,891	\$ -	\$ (106,047)	\$ 364,844	\$ 100,433
Compensated absences	281,254	16,969	-	298,223	29,822
Governmental activity long-term liabilities	<u>\$ 752,145</u>	<u>\$ 16,969</u>	<u>\$ (106,047)</u>	<u>\$ 663,067</u>	<u>\$ 130,255</u>
Business-type activities:					
Notes payable	\$ 85,400	\$ -	\$ (85,400)	\$ -	\$ -
Compensated absences	41,111	2,739	-	43,850	4,385
Business-type activity long-term liabilities	<u>\$ 126,511</u>	<u>\$ 2,739</u>	<u>\$ (85,400)</u>	<u>\$ 43,850</u>	<u>\$ 4,385</u>

For the governmental activities, notes payable are generally liquidated by the road, airport, 911 and PILT funds. Compensated absences are liquidated by the option tax/compensated absences fund.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Self-Insurance Plan

During the year ended June 30, 2014, employees of the government were covered by a medical self-insurance plan (the "plan"). The government contributed approximately \$665 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the government.

The administrative contract between the government and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The government was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage through Montana Joint Powers Trust. Stop-loss coverage was in effect for individual claims exceeding \$30,000. The aggregate stop-loss coverage was \$866,919.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures of the governmental and enterprise funds. The liability of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2014 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Changes in the claims liability amount during fiscal year 2014 and 2013 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2013-14	\$ 85,196	\$ 500,511	\$ (496,838)	\$ 88,869
2012-13	63,278	387,812	(365,894)	85,196

Prior Period Adjustments

Prior period adjustments resulted from correcting the beginning balance of the other post employment benefits liability.

Interlocal Agreements

The County provides dispatch services to the Town of Columbus. During 2014, the Town contributed \$30,000 for the services. The agreement may be cancelled by either party with proper notification. An interlocal agreement between the Town of Columbus planning board and the Stillwater County planning board provides for expenses related to Town planning to be paid by the Town and expenses related to County planning to be paid by the County. The County provides secretarial services to the joint planning board.

The City-County Airport is owned and operated jointly by the Town of Columbus and Stillwater County. The operation of the airport is accounted for by the County as a special revenue fund. All capital assets are recorded within the County's accounting records. The airport is administered by members of the Town and County. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

Jointly Governed Organizations

South Central Montana Regional Mental Health Center

The Stillwater County Mental Health Center is a satellite office of the South Central Montana Regional Mental Health Center located in Billings, Montana. The County belongs with other counties located in Montana. The District was created under the provisions of Montana Code Annotated (MCA). Each County is represented on the Board by one of its county commissioners. Stillwater County contributed \$10,000 during 2014. The purpose of the Center is to initiate preventive mental health activities for statewide mental health programs and to perform other duties as listed in MCA.

Stillwater Council on Aging

Stillwater Council on Aging is a satellite office of the Area II Agency on Aging. Eleven counties belong to the Agency, with each county contributing money for the purpose of matching federal grants.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Economic Dependency

Approximately 95 percent of the County's taxable value is attributable to mining, utility and railroad companies.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$72,000, primarily for construction projects.

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

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

Retirement Plans

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

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

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

	Employer	Employee	Total
SRS	10.115%	9.245%	19.360%
PERS	8.070%	7.900%	15.970%

PERS:

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

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

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

	2014	2013	2012
SRS	\$ 89,681	\$ 79,742	\$ 71,045
PERS	402,621	339,192	324,951
	\$ 492,302	\$ 418,934	\$ 395,996

Postemployment Benefits Other Than Pensions

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

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost 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 on the government's net OPEB obligation to the postemployment benefit plan:

Annual required contribution	\$ 459,567
Interest on net OPEB obligation	28,580
Adjustment to annual required contribution	<u>(22,416)</u>
Annual OPEB cost (expense)	465,731
Contributions made	<u>(165,785)</u>
Increase in net OPEB obligation	299,946
Net OPEB obligation - beginning of year	974,992
Prior period adjustment	<u>(302,529)</u>
Net OPEB obligation - end of year	<u>\$ 972,409</u>

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

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2012	\$ 339,630	0%	\$ 618,966
2013	356,026	0%	974,992
2014	465,731	0%	972,409

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was \$5,516,386, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,516,386.

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

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

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

Assumptions About Healthcare Costs: The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8%, with reduction to the ultimate rate of 4.5% after 7 years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50 percent. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.25 percent. The value of plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 2,266,252	\$ 2,266,252	\$ 2,257,619
Fines and forfeitures	82,150	82,150	77,180
Licenses and permits	8,300	8,300	8,425
Intergovernmental	244,815	244,815	394,680
Charges for services	283,893	283,893	271,788
Investment earnings	19,000	19,000	10,022
Miscellaneous	19,300	19,300	14,191
Total revenues	2,923,710	2,923,710	3,033,905
EXPENDITURES			
Current:			
General government	1,918,085	1,918,085	1,665,380
Public safety	113,784	113,784	68,011
Public works	12,100	12,100	1,653
Public health	132,223	132,223	125,257
Social and economic services	31,240	31,240	27,160
Culture and recreation	-	-	5,225
Capital outlay	144,000	144,000	95,604
Total expenditures	2,351,432	2,351,432	1,988,290
Excess (deficiency) of revenues over expenditures	572,278	572,278	1,045,615
OTHER FINANCING USES			
Transfers out	(726,503)	(726,503)	(699,508)
Total other financing uses	(726,503)	(726,503)	(699,508)
Net change in fund balance	\$ (154,225)	\$ (154,225)	346,107
Fund balance - beginning			1,161,511
Fund balance - ending			\$ 1,507,618

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

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 1,334,313	\$ 1,334,313	\$ 1,335,646
Licenses and permits	5,000	5,000	1,330
Intergovernmental	334,142	334,142	464,219
Charges for services	12,000	12,000	23,998
Miscellaneous	4,500	4,500	21,772
Total revenues	<u>1,689,955</u>	<u>1,689,955</u>	<u>1,846,965</u>
EXPENDITURES			
Current:			
Public works	1,230,142	1,230,142	1,188,215
Debt service:			
Principal	71,912	71,912	71,911
Interest and other charges	3,372	3,372	3,371
Capital outlay	200,000	200,000	187,195
Total expenditures	<u>1,505,426</u>	<u>1,505,426</u>	<u>1,450,692</u>
Excess (deficiency) of revenues over expenditures	<u>184,529</u>	<u>184,529</u>	<u>396,273</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,661	5,661	185,773
Transfers out	(448,823)	(448,823)	(448,823)
Total other financing sources (uses)	<u>(443,162)</u>	<u>(443,162)</u>	<u>(263,050)</u>
Net change in fund balance	<u>\$ (258,633)</u>	<u>\$ (258,633)</u>	133,223
Fund balance - beginning			<u>803,065</u>
Fund balance - ending			<u>\$ 936,288</u>

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

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 1,088,643	\$ 1,088,643	\$ 1,085,002
Fees and fines	30,000	30,000	30,000
Licenses and permits	6,100	6,100	6,116
Intergovernmental	187,258	187,258	165,877
Charges for services	18,200	18,200	8,935
Miscellaneous	-	-	1,854
Total revenues	<u>1,330,201</u>	<u>1,330,201</u>	<u>1,297,784</u>
EXPENDITURES			
Current:			
Public safety	1,114,576	1,185,105	1,201,519
Public health	2,200	2,200	-
Capital outlay	79,050	79,050	64,379
Total expenditures	<u>1,195,826</u>	<u>1,266,355</u>	<u>1,265,898</u>
Excess (deficiency) of revenues over expenditures	<u>134,375</u>	<u>63,846</u>	<u>31,886</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	2,000	2,000	11,718
Transfers out	(55,822)	(55,822)	(55,852)
Total other financing sources (uses)	<u>(53,822)</u>	<u>(53,822)</u>	<u>(44,134)</u>
Net change in fund balance	<u>\$ 80,553</u>	<u>\$ 10,024</u>	(12,248)
Fund balance - beginning			<u>324,015</u>
Fund balance - ending			<u>\$ 311,767</u>

STILLWATER COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Hard Rock Mine Trust Fund
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 500,757	\$ 500,757	\$ 545,450
Investment earnings	28,000	28,000	15,928
Total revenues	<u>528,757</u>	<u>528,757</u>	<u>561,378</u>
Net change in fund balance	<u>\$ 528,757</u>	<u>\$ 528,757</u>	561,378
Fund balance - beginning			<u>8,531,627</u>
Fund balance - ending			<u>\$ 9,093,005</u>

STILLWATER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2012	\$ -	\$ 4,776,098	\$ 4,776,098	-	\$ 2,915,962	1.637915
6/30/2013	-	5,149,675	5,149,675	-	3,032,600	1.698105
6/30/2014	-	5,516,386	5,516,386	-	3,153,904	1.749066

OTHER SUPPLEMENTARY INFORMATION

STILLWATER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
U.S. Department of Transportation:								
Direct program:								
Airport Improvement Program	20.106	DOT-FA13NM-2028	\$ 120,831	\$ -	\$ -	\$ 55,391	\$ -	\$ (55,391)
Subtotal				-	-	55,391	-	(55,391)
Passed through the Montana Department of Transportation								
Highway Traffic Safety Bureau:								
Highway Planning and Construction	20.205	STPE 48(42)	19,567	-	866	866	-	-
Highway Planning and Construction	20.205	STPE 48(44)	161,558	-	11,688	11,688	-	-
Subtotal				-	12,554	12,554	-	-
Total U.S. Department of Transportation				-	12,554	67,945	-	(55,391)
U.S. Department of Justice:								
Passed through the Montana Public Safety Services Bureau:								
Public Safety Partnerships and Community Policing Grants	16.710	2010-CKWX-0516	200,000	-	65,840	65,840	-	-
Subtotal				-	65,840	65,840	-	-
Passed through the Montana Board of Crime Control:								
Crime Victim Assistance	16.575	13-V01-91504	46,578	-	46,050	46,578	-	(528)
Subtotal				-	46,050	46,578	-	(528)
Total U.S. Department of Justice				-	111,890	112,418	-	(528)
U.S. Department of the Interior:								
Direct Program:								
Refuge Revenue Sharing	15.999	N/A	2,147	-	2,147	2,147	-	-
Subtotal				-	2,147	2,147	-	-
Passed through the Montana Historical Society, State Historic Preservation Office:								
Historic Preservation Fund Grants-In-Aid	15.904	MT-13-015	5,225	-	5,225	5,225	-	-
Subtotal				-	5,225	5,225	-	-
Total U.S. Department of the Interior				-	7,372	7,372	-	-
U.S. Department of Homeland Security:								
Passed through the Montana Department of Military Affairs-Disaster & Emergency Services Division:								
Disaster Grants - Public Assistance	97.036	FEMA-4172-DR-MT	126,461	-	126,461	126,461	-	-
Disaster Grants - Public Assistance	97.036	FEMA-1996-DR-MT	437,232	(7,360)	-	55,841	-	(63,201)
Subtotal				(7,360)	126,461	182,302	-	(63,201)
Emergency Management Performance Grants	97.042	EMW-2012-EP00035	49,650	(6,487)	26,322	19,835	-	-
Emergency Management Performance Grants	97.042	EMW-2013-EP00044-S0	52,200	-	21,222	30,501	-	(9,279)
Subtotal				(6,487)	47,544	50,336	-	(9,279)
Homeland Security Grant Program	97.067	EMW-2013-SS-00064	30,000	-	28,480	28,480	-	-
Subtotal				-	28,480	28,480	-	-
Total U.S. Department of Homeland Security				(13,847)	202,485	261,118	-	(72,480)
U.S. Department of Health and Human Services:								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services Block Grant to the States	93.994	14-07-5-01-067-0	9,222	-	7,378	7,378	-	-
Subtotal				-	7,378	7,378	-	-

STILLWATER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
Immunization Grants	93.268	14-07-4-31-144-0	4,842	-	-	-	-	-
Subtotal				-	-	-	-	-
Public Health Emergency Preparedness	93.069	14-07-6-11-050-0	33,525	-	20,346	20,346	-	-
Subtotal				-	20,346	20,346	-	-
Total U.S. Department of Health and Human Services				-	27,724	27,724	-	-
U.S. Department of Agriculture:								
Passed through the Montana Department of Agriculture:								
Forest Health Protection	10.680	MDA-2012-731	30,000	-	6,284	5,944	(340)	-
Forest Health Protection	10.680	MDA-2012-712	21,121	-	9,603	9,107	(496)	-
Subtotal				-	15,887	15,051	(836)	-
Passed through the Montana Department of Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-14-480	6,800	-	6,800	6,800	-	-
Cooperative Forestry Assistance	10.664	VFA-13-480	7,250	-	656	656	-	-
Subtotal				-	7,456	7,456	-	-
Passed through the Montana Department of Administration:								
Schools and Roads - Grants to States	10.665	N/A	91,912	-	91,912	83,116	-	8,796
Subtotal				-	91,912	83,116	-	8,796
Total U.S. Department of Agriculture				-	115,255	105,623	(836)	8,796
Total Federal Awards				\$ (13,847)	\$ 477,280	\$ 582,200	\$ (836)	\$ (119,603)

Note to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of cash receipts and federal expenditures related to the County's federal award programs. This schedule is presented in accordance with grant terms and conditions, which are not on the accrual basis of accounting as contemplated by generally accepted accounting principles.

NOTE B - SUBRECIPIENT

Certain federal funds are provided to the Stillwater Community Hospital, a subrecipient organization of the County. \$27,724 in expenditures (\$20,346 CFDA No. 93.069 and \$7,378 CFDA No. 93.994) incurred by the Stillwater Community Hospital were reimbursed by the County and included on the schedule as part of non-major program pass-through awards for the year ended June 30, 2014.

STILLWATER COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL
AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to federal award programs.

OLNESS & ASSOCIATES, P. C.

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

To the Board of County Commissioners
Stillwater County
Columbus, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stillwater County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 13, 2015. The report on the governmental activities, the road fund and aggregate remaining fund information was qualified because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities. Also, the report on the road fund and the aggregate remaining fund information was qualified because of inadequacies of the government's accounting records related to the classification of federal and state emergency disaster revenue (intergovernmental) between funds.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-001 through 2014-010 and 2014-014)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2014-011 through 2014-013)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-013 and 2014-014.

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

The Government's Response to Findings

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

Purpose of this Report

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

O'ness & Associates, PC

Billings, Montana
March 13, 2015

OLNESS & ASSOCIATES, P. C.

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

To the Board of County Commissioners
Stillwater County
Columbus, Montana

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Adverse Opinion on the Disaster Grants-Public Assistance

As described in 2014-015 in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding the following:

<u>Finding Number</u>	<u>CFDA No.</u>	<u>Program (Cluster) Name</u>	<u>Compliance Requirement</u>
2014-015	97.036	Disaster Grants-Public Assistance, CFDA No. 97.036	Allowable Costs/Costs Principles

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

Adverse Opinion on the Disaster Grants-Public Assistance

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, the government did not comply in all material respects, with the types of requirements referred to above that could have a direct and material effect on the Disaster Grants-Public Assistance program for the year ended June 30, 2014.

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

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

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

Report on Internal Control over Compliance

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

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

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

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

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

O'Leary & Associates, PC

Billings, Montana
March 13, 2015

STILLWATER COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? √ yes no
- Significant deficiency(ies) identified? √ yes none reported
- Noncompliance material to the financial statements noted? √ yes no

FEDERAL AWARDS:

Internal control over major programs:

- Material weaknesses identified? √ yes no
- Significant deficiency(ies) identified? yes √ none reported

Type of auditor's report issued on compliance for major programs:

- Disaster Grants-Public Assistance-adverse
- Airport Improvement Program and Schools and Roads-Grants to States-unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? √ yes no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
97.036	Disaster Grants-Public Assistance
20.106	Airport Improvement Program
10.665	Schools and Roads-Grants to States

Dollar threshold used to distinguish between type A and type B programs? \$300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001. ROAD AND BRIDGE MATERIALS AND SUPPLIES INVENTORY

Criteria: Periodic physical inventories provide a basis for updating inventory balances and aid in detecting significant inventory shortages.

Condition: A physical count was conducted by the road and bridge departments of materials and supplies inventory on-hand as of June 30, 2014; however, the inventory was not broken down by fund.

Cause: Unknown

Effect: Audit opinion qualification.

Recommendation: Inventory items purchased by each fund should be inventoried at year-end, dollar costs assigned and recorded in the general ledger. Examples include fuel, culverts, bridge plank, gravel and chemicals.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

2014-002. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

2014-003. SEGREGATION OF DUTIES

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

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

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

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

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

2014-004. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE

Criteria: In order for financial reports generated for the County's use and reports sent from the Treasurer's office to other governmental agencies to be as meaningful and as useful as possible, cash and investment reconciliations need to be complete and accurate.

Condition: As of June 30, 2014, cash and investments were not reconciled.

Cause: Procedures are not in place to reconcile cash and investments monthly and in a timely manner.

Effect: Stillwater County Commissioners, other elected officials and department heads and other governmental agencies relying on financial reports and cash balances could be making decisions based on erroneous information.

Recommendation: The Treasurer should develop procedures to ensure cash and investment reconciliations are complete and accurate and completed in a timely manner.

2014-005. INTEREST INCOME NOT RECORDED IN THE PROPER PERIOD.

Criteria: Interest earnings should be receipted/recorded in the month earned.

Condition: Instances were noted where interest earnings were not receipted into the month earned.

Cause: Procedures are not in place to ensure interest earnings are receipted in the month earned.

Effect: Interest earnings, as recorded in the general ledger, could be under/overstated.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Recommendation: Procedures should be developed and implemented to ensure interest earnings are receipted in the correct month.

2014-006. PROPERTY TAX MILL LEVIES

Criteria: Proper internal control dictates that property tax mill levies entered into the tax billing program by the treasurer be reviewed by an independent party to ensure accuracy and completeness.

Condition: Property tax mill levies entered into the tax billing program by the treasurer were not reviewed by an independent party.

Cause: Unknown.

Effect: The incorrect mill levies were entered into the tax billing program for the soil conservation district. As a result, tax payers were over billed.

Recommendation: Property tax mill levies entered into the tax billing program by the treasurer should be reviewed by an independent party to ensure accuracy and completeness.

2014-007. TAXES RECEIVABLE

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

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

Cause: Unknown.

Effect: Errors may accumulate and may not be identified and attributed to a particular period.

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

2014-008. PROTESTED TAXES

Criteria: General ledger protested taxes receivables, subsidiary ledgers and the protested taxes fund (No. 7130) should all agree at the end of each month.

Condition: As of June 30, 2014, the general ledger protested taxes receivables, subsidiary ledgers and the protested taxes fund (No. 7130) were not in agreement.

Cause: Unknown.

Effect: Errors may accumulate and may not be identified and attributed to a particular period.

Recommendation: The Treasurer should develop detail procedures to formally reconcile the protested taxes fund, protested taxes subsidiary ledger and the protested taxes receivable accounts in the general ledger. These procedures should be performed at the end of each month and filed for future reference.

2014-009. SCHOOL CASH AND TAXES RECEIVABLE SUBSIDIARY RECORDS DO NOT EQUAL THE GENERAL LEDGER CONTROL ACCOUNTS

Criteria: The general ledger cash and taxes receivable control accounts for funds 7700 (elementary schools) and 7701 (high schools) should equal the elementary and high school subsidiary records in school accounting.

Condition: At June 30, 2014, the school subsidiary ledgers for cash and taxes receivable did not agree with the general ledger control accounts.

Cause: This occurred because entries were posted to the school subsidiary records and not the general ledger control accounts and entries were posted to the general ledger control accounts that were not posted to the school subsidiary records.

Effect: Reports provided to the schools are not accurate.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Recommendation: Monthly, reports should be generated and procedures should be developed to verify the general ledger control accounts agree with the school subsidiary records.

2014-010. JUSTICE OF THE PEACE

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

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

Cause: Unknown.

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

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

Criteria: A complete and accurate reconciliation of the trust account that is compared to a list of items being held in the account provides evidence that all cash transactions have been recorded properly and helps to discover bank and departmental errors.

Condition: The trust account reconciliation contained numerous errors, adjustments, and old outstanding items.

Cause: Unknown

Effect: Erroneous reconciliations means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace should contact the Montana Supreme Court for assistance in clearing out all unreconciled differences, old outstanding items and errors. Once completed, the court activity maintained in the Full Court system should be balanced to the bank statement on a monthly basis.

2014-011. CONTINUE DEVELOPMENT OF ACCOUNTING PROCEDURES MANUAL

Criteria: Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management.

Condition: The Treasurer and Finance offices do not have complete accounting procedures manuals.

Cause: Unknown.

Effect: Without an accounting procedures manual, the time taken and resources used to train and supervise new personnel in the Treasurer and Finance offices will be increased.

Recommendation: We recommend the Treasurer and Finance offices continue their efforts in developing an accounting procedures manual. Once completed, copies of the manuals should be forwarded to the County Commissioners.

2014-012. CONTINUE CROSS TRAINING IN THE TREASURER OFFICE

Criteria: Employees should be cross-trained to numerous functions so that every position is appropriately backed-up in the event of an unexpected absence. Cross-trained employees ensure that someone will be able to perform all the tasks required by each office.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Condition: The Treasurer office has not completed cross training.

Cause: Unknown.

Effect: By not cross training employees, the County may incur significant costs and operational disruptions in the event an employee leaves.

Recommendation: We recommend that the Treasurer continue staff-cross training. Examples for the Treasurer's office include cash and investment reconciliations, receipting interest income and protested taxes.

2014-013. HEALTH GRANTS

Criteria: The County is currently administering Federal Department of Public Health and Human Services Maternal and Child Health, Public Health Emergency Preparedness and Immunization grants. The County passes the grants through to the Stillwater Community Hospital in a subrecipient arrangement. The requirements for subrecipient monitoring are contained in the 31 USC 7502(f) (2) (B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§___,225 and §___,400 (d)), A-102 Common Rule (§___,37 and §___,40 (a)), and Section 1512(h) of ARRA, 2 CFR section 176.50(c), Federal awarding agency program regulations, and the terms and conditions of the award.

Condition: The County has not entered into formal subrecipient agreements with the hospital to administer the grants.

Cause: Unknown.

Effect: Potential non-compliance with grant terms and conditions.

Recommendation: The County should enter into formal subrecipient agreements that will enable the county to comply with federal subrecipient monitoring requirements and to ensure that the hospital is administering the programs in accordance with grant terms and conditions.

2014-014. DISASTER GRANTS – PUBLIC ASSISTANCE, CFDA No. 97.036, GRANT No. FEMA-1996-DR-MT AND No. FEMA-4172-DR-MT

Criteria: Per OMB Circular A-87, COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS, to be allowable under Federal awards, costs must meet certain general criteria (A-87, Attachment A, paragraph C.1). One of the general criteria is that all items claimed as a cost must be adequately documented.

Condition: For all of the files reviewed, the FEMA recommended forms or equivalent worksheets and supporting documentation required to be included in the project files were either not present and/or were not complete.

Questioned Costs: \$182,302

Cause: Unknown.

Effect: Non-compliance with program terms and conditions.

Recommendation: The FEMA recommended forms or equivalent worksheets should be fully completed and supported by employee timesheets, vendor/contractor invoices and other adequate documentation for all PW's.

Criteria: Per OMB Circular A-87, COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS, the total cost of Federal awards is comprised of the allowable direct costs of the program. Direct costs are those that can be identified specifically with a particular final cost objective.

Condition: Program expenditures were not separately identified in the general ledger for the PW's and support for specific PW's included non-FEMA project related activity. Additionally, because expenditures were not separately identified in the general ledger, we could not determine if the federal and state disaster grant funds were recorded in the correct fund.

Questioned Costs: None

Cause: Unknown.

Effect: Non-compliance with program terms and conditions and OMB Circular A-87.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Recommendation: Grant program expenditures should be separately identified in the general ledger. By separately identifying expenditures in the general ledger, revenue can also be recorded correctly in each fund. Further, only project related activity should be included in the project files and supporting worksheets.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOMELAND SECURITY

2014-015. DISASTER GRANTS – PUBLIC ASSISTANCE, CFDA No. 97.036, GRANT No. FEMA-1996-DR-MT AND No. FEMA-4172-DR-MT

Findings 2014-014 applies to this federal award program.

2014-016. ALL MAJOR PROGRAMS AS DESCRIBED IN SECTION I-SUMMARY OF AUDITOR RESULTS

Findings 2014-002 and 2014-003 apply to these federal award programs.

STILLWATER COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. ROAD AND BRIDGE MATERIALS AND SUPPLIES INVENTORY	NOT IMPLEMENTED
2013-2. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-3. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-4. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE	NOT IMPLEMENTED
2013-5. INTEREST INCOME NOT RECORDED IN THE PROPER PERIOD	NOT IMPLEMENTED
2013-6. TAXES RECEIVABLE	NOT IMPLEMENTED
2013-7. PROTESTED TAXES	NOT IMPLEMENTED
2013-8. SCHOOL CASH AND TAXES RECEIVABLE SUBSIDIARY RECORDS DO NOT EQUAL THE GENERAL LEDGER CONTROL ACCOUNTS	NOT IMPLEMENTED
2013-9. CONTINUE DEVELOPMENT OF ACCOUNTING PROCEDURES MANUAL	NOT IMPLEMENTED
2013-10. CONTINUE CROSS TRAINING IN THE TREASURER OFFICE	NOT IMPLEMENTED
2013-11. HEALTH GRANTS	NOT IMPLEMENTED