

WHEATLAND COUNTY
HARLOWTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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WHEATLAND COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Richard Moe	Board Chairperson
Dave Miller	Commissioner
Thomas Bennett	Commissioner

ELECTED OFFICIALS

Mary Miller	County Clerk and Recorder
Kari Schuchard	County Treasurer
James Rosenberg	County Sheriff/Coroner
Linda Hickman	County Attorney/Public Administrator
Susan Beley	County Superintendent
Janet Hill	Clerk of District Court
Richard Egebakken	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Wheatland County
Harlowton, Montana

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wheatland 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 an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinions

Because of the inadequacy of the accounting records, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which taxes and assessments receivable, unavailable revenue-taxes and assessments were recorded as of June 30, 2014 and property taxes and assessment revenue were recorded for the year ended June 30, 2014.

Management has not recorded the other post employment benefit (OPEB) liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase the liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses has not been determined.

Because of inadequacies in the government's accounting records, we were unable to form an opinion regarding the amounts at which capital assets, accumulated depreciation and related depreciation expense were recorded in the governmental activities.

Disclaimer of Opinions

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

We were engaged to audit the financial statements of the government as of and for the year ended June 30, 2014. Our report thereon dated March 26, 2015, stated that the scope of our audit of the financial statements was not sufficient to enable us to express opinions because of the matters described under the heading Basis for Disclaimer of Opinions and accordingly, we did not express opinions on such financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 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 26, 2015

WHEATLAND COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,946,928	\$ 33,870	\$ 4,980,798
Investments	1,532,582	10,493	1,543,075
Receivables:			
Taxes and assessments	268,278	2,336	270,614
Governments	9,026	-	9,026
Ambulance	-	21,576	21,576
Prepaid items	112,608	-	112,608
Capital assets			
Land and construction in progress	129,778	-	129,778
Capital assets, net of accumulated depreciation	2,817,029	71,001	2,888,030
Total assets	9,816,229	139,276	9,955,505
LIABILITIES			
Accounts payable-vendors	42,665	-	42,665
Long-term liabilities:			
Compensated absences			
Due within one year:	8,161	-	8,161
Due in more than one year	73,445	-	73,445
Total liabilities	124,271	-	124,271
NET POSITION			
Net investment in capital assets	2,946,807	71,001	3,017,808
Restricted for:			
General government	395,470	-	395,470
Public safety	1,106,228	-	1,106,228
Public works	801,891	-	801,891
Public health	33,752	-	33,752
Social and economic services	44,879	-	44,879
Culture and recreation	38,951	-	38,951
Capital projects	845,814	-	845,814
Unrestricted	3,478,166	68,275	3,546,441
Total net position	\$ 9,691,958	\$ 139,276	\$ 9,831,234

WHEATLAND 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	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 725,895	\$ 460,504	\$ 4,044	\$ (261,347)	\$ -	\$ (261,347)
Public safety	953,457	48,001	233,897	(671,559)	-	(671,559)
Public works	1,191,034	31,011	308,216	(851,807)	-	(851,807)
Public health	124,174	21,703	5,330	(97,141)	-	(97,141)
Social and economic services	61,906	-	-	(61,906)	-	(61,906)
Culture and recreation	58,262	5,050	-	(53,212)	-	(53,212)
Housing and community development	1,442	-	-	(1,442)	-	(1,442)
Other current charges	1,023	-	-	(1,023)	-	(1,023)
Total governmental activities	3,117,193	566,269	551,487	(1,999,437)	-	(1,999,437)
Business-type activities:						
Ambulance	66,124	71,040	-	-	4,916	4,916
Total business-type activities	66,124	71,040	-	-	4,916	4,916
Total	\$ 3,183,317	\$ 637,309	\$ 551,487	(1,999,437)	4,916	(1,994,521)
General revenues:						
Property taxes				2,031,920	10,258	2,042,178
Intergovernmental				305,381	879	306,260
Investment earnings				8,140	-	8,140
Miscellaneous				26,489	-	26,489
Gain on disposal of capital assets				750	-	750
Transfers				25,000	(25,000)	-
Total general revenues and transfers				2,397,680	(13,863)	2,383,817
Change in net position				398,243	(8,947)	389,296
Net position - beginning				9,293,715	148,223	9,441,938
Net position - ending				\$ 9,691,958	\$ 139,276	\$ 9,831,234

WHEATLAND COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Road	Public Safety	911	Electrical Generation Impact	PILT	Total Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 203,738	\$ 108,130	\$ 198,233	\$ 540,080	\$ 2,167,903	\$ 334,969	\$ 1,393,875	\$ 4,946,928
Investments	63,119	33,499	61,414	167,320	671,627	103,775	431,828	1,532,582
Receivables:								
Taxes and assessments	63,794	33,546	52,717	-	-	-	118,221	268,278
Governments	-	-	-	-	-	-	9,026	9,026
Prepaid items	-	87,608	-	-	-	-	25,000	112,608
Total assets	\$ 330,651	\$ 262,783	\$ 312,364	\$ 707,400	\$ 2,839,530	\$ 438,744	\$ 1,977,950	\$ 6,869,422
LIABILITIES								
Accounts payable-vendors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,665	\$ -	\$ 42,665
Total liabilities	-	-	-	-	-	42,665	-	42,665
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-taxes and assessments	\$ 63,794	\$ 33,546	\$ 52,717	\$ -	\$ -	\$ -	\$ 118,221	\$ 268,278
Total deferred inflows of resources	63,794	33,546	52,717	-	-	-	118,221	268,278
FUND BALANCES (DEFICITS)								
Nonspendable:								
Prepaid items	-	87,608	-	-	-	-	25,000	112,608
Restricted for:								
General government	-	-	-	-	-	-	342,447	342,447
Public safety	-	-	259,647	707,400	-	-	78,345	1,045,392
Public works	-	141,629	-	-	-	-	480,078	621,707
Public health	-	-	-	-	-	-	26,782	26,782
Social and economic services	-	-	-	-	-	-	40,376	40,376
Culture and recreation	-	-	-	-	-	-	34,449	34,449
Capital projects	-	-	-	-	-	-	845,814	845,814
Committed for:								
General government	-	-	-	-	2,839,530	396,079	1,571	3,237,180
Culture and recreation	-	-	-	-	-	-	10,605	10,605
Unassigned	266,857	-	-	-	-	-	(25,738)	241,119
Total fund balances (deficits)	266,857	229,237	259,647	707,400	2,839,530	396,079	1,859,729	6,558,479
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 330,651	\$ 262,783	\$ 312,364	\$ 707,400	\$ 2,839,530	\$ 438,744	\$ 1,977,950	\$ 6,869,422

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

Total fund balances, governmental funds	\$ 6,558,479
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.	2,946,807
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the fund financial statements.	268,278
Some liabilities (such as 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>(81,606)</u>
Net position of governmental activities	<u><u>\$ 9,691,958</u></u>

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

	General	Road	Public Safety	911	Electrical Generation Impact	PILT	Total Nonmajor Funds	Total Governmental Funds
REVENUES								
Taxes/assessments	\$ 534,748	\$ 285,986	\$ 506,338	\$ -	\$ -	\$ -	\$ 928,905	\$ 2,255,977
Fines and forfeitures	14,133	-	-	-	-	-	-	14,133
Intergovernmental	58,715	76,080	49,192	231,532	-	119,516	315,424	850,459
Charges for services	41,534	17,127	48,001	-	400,000	-	23,078	529,740
Investment earnings	1,586	-	1,268	859	3,487	-	940	8,140
Miscellaneous	4,586	600	200	2,408	-	100	25,004	32,898
Total revenues	655,302	379,793	604,999	234,799	403,487	119,616	1,293,351	3,691,347
EXPENDITURES								
Current:								
General government	508,705	-	-	-	-	2,669	202,332	713,706
Public safety	5,824	-	505,757	89,131	-	-	214,044	814,756
Public works	-	324,056	-	-	-	126,955	597,606	1,048,617
Public health	57,600	-	-	-	8,490	1,816	39,064	106,970
Social and economic services	10,035	-	-	-	-	-	51,096	61,131
Culture and recreation	-	-	-	-	9,700	9,520	34,946	54,166
Housing and community development	-	-	-	-	-	1,442	-	1,442
Other current charges	-	-	-	-	-	-	1,023	1,023
Capital outlay	-	5,600	37,462	60,527	-	-	-	103,589
Total expenditures	582,164	329,656	543,219	149,658	18,190	142,402	1,140,111	2,905,400
Excess (deficiency) of revenues over expenditures	73,138	50,137	61,780	85,141	385,297	(22,786)	153,240	785,947
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	-	-	-	-	-	750	750
Transfers in	-	-	-	-	-	-	372,171	372,171
Transfers out	(15,000)	(30,000)	-	-	-	(5,000)	(297,171)	(347,171)
Total other financing sources (uses)	(15,000)	(30,000)	-	-	-	(5,000)	75,750	25,750
Net change in fund balances	58,138	20,137	61,780	85,141	385,297	(27,786)	228,990	811,697
Fund balances - beginning	208,719	209,100	197,867	622,259	2,454,233	423,865	1,630,739	5,746,782
Fund balances - ending	\$ 266,857	\$ 229,237	\$ 259,647	\$ 707,400	\$ 2,839,530	\$ 396,079	\$ 1,859,729	\$ 6,558,479

WHEATLAND 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	\$ 811,697
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlay for capital assets 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.</p>	
This is the amount by which depreciation (\$316,287) exceeded capital outlay (\$103,589) in the current period.	(212,698)
<p>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.</p>	
	(201,661)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Compensated absences	<u>905</u>
Change in net position of governmental activities	<u><u>\$ 398,243</u></u>

WHEATLAND COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Business-type Activities
	Nonmajor Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 33,870
Investments	10,493
Receivables:	
Taxes	2,336
Ambulance	21,576
Total current assets	68,275
Non-current assets:	
Capital assets:	
Buildings and improvements	26,159
Equipment and furniture	211,709
Less: accumulated depreciation	(166,867)
Total non-current assets	71,001
Total assets	139,276
NET POSITION	
Net investment in capital assets	71,001
Unrestricted	68,275
Total net position	\$ 139,276

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

	<u>Business-type Activities Nonmajor Enterprise Fund</u>
REVENUES	
Charges for services	<u>\$ 71,040</u>
Total operating revenues	<u>71,040</u>
OPERATING EXPENSES	
Personal services	23,841
Supplies	13,243
Purchased services	8,001
Building materials	1,543
Depreciation	<u>19,496</u>
Total operating expenses	<u>66,124</u>
Operating income	<u>4,916</u>
NON-OPERATING REVENUES	
Property taxes	10,258
Intergovernmental	<u>879</u>
Total non-operating revenues	<u>11,137</u>
Net income before transfers	16,053
Transfers out	<u>(25,000)</u>
Change in net position	(8,947)
Net position - beginning	<u>148,223</u>
Net position - ending	<u><u>\$ 139,276</u></u>

WHEATLAND COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Business-type Activities
	Nonmajor Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 62,720
Cash paid to employees/volunteers	(23,841)
Cash paid to suppliers for goods and services	(22,787)
Net cash provided by operating activities	16,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash transferred to other funds	(25,000)
Property taxes received	14,255
Intergovernmental receipts	879
Net cash used by noncapital financing activities	(9,866)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(2,500)
Net cash used by capital financing activities	(2,500)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	(343)
Net cash used by investing activities	(343)
Change in cash and cash equivalents	3,383
Cash and cash equivalents - beginning	30,487
Cash and cash equivalents - ending	\$ 33,870
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 4,916
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	19,496
Increase in accounts receivable	(8,320)
Net cash provided by operating activities	\$ 16,092

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

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,474,879	\$ 93,220
Investments	456,925	-
Taxes and assessments receivable	-	494,657
	1,931,804	\$ 587,877
LIABILITIES		
Accounts payable	-	\$ 6,053
Due to:		
Special districts	-	8,499
State	-	88,866
Schools	-	406,630
Cities/towns	-	77,828
Other	-	1
	-	\$ 587,877
NET POSITION		
Held in trust	\$ 1,931,804	

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

	External Investment Trust Fund
ADDITIONS	
Contribution to investment trust	\$ 3,959,712
Total contributions	3,959,712
Investment earnings:	
Interest	2,170
Total net investment earnings	2,170
Total additions	3,961,882
DEDUCTIONS	
Withdrawals	4,382,372
Total deductions	4,382,372
Change in net position	(420,490)
Net position - beginning	2,352,294
Net position - ending	\$ 1,931,804

WHEATLAND 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. 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.

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 are charges to customers for sales and services. Operating expenses for

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 911 fund accounts for quarterly allocation from the state of Montana that may be used only to pay for installing, operating and improving a basic or enhanced 911 emergency telephone system.

The electrical generation impact fund accounts for resources accumulated for and payments made from impact fees from the wind generation farm located in Wheatland County.

The PILT fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Payments made from the fund are at the discretion of the Board of County Commissioners.

Additionally, the government reports the following fund types:

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. 23 percent of the investment pool belongs to these districts.

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

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Receivables

Ambulance 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. 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.

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.

Inventories and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase in both the government-wide and fund financial statements. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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>
Improvements	25
Building	25-150
Machinery and equipment	5-25

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.

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 Clerk and Recorder, along with the County Commissioners, to assign fund balance. There was no assigned fund balance in the general fund.

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.

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The PAC-cattle (\$7,074) and Weed Grant (\$18,664) funds had deficit fund balances as of June 30, 2014. The deficits are a carryover from prior years. The deficits are expected to be eliminated through collection of delinquent taxes and/or a transfer from the General fund.

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	\$ 6,479,510
Business-type activities	44,363
Fiduciary funds	<u>2,025,024</u>
	<u><u>\$ 8,548,897</u></u>

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	\$ 400	\$ -	\$ 400
Cash in banks:			
Demand deposits	239,806	-	239,806
Time deposits	-	2,000,000	2,000,000
Short-term Investment Pool (STIP)	<u>6,308,691</u>	-	<u>6,308,691</u>
	<u><u>\$ 6,548,897</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ 8,548,897</u></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, \$2,377,903 of the government's bank balance of \$2,877,903 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 19,564
Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>2,358,339</u>
	<u><u>\$ 2,377,903</u></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 consisted of time deposits with various maturity dates. The interest rates on the time deposits ranged from .09 to .3 percent.

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.

In accordance with GASB No. 40, STIP is not subject to custodial credit risk.

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 5,718,195	\$ 2,352,294	\$ 8,070,489
Contributions from participants	9,548,979	3,959,712	13,508,691
Investment earnings	8,140	2,170	10,310
Distributions to participants	(8,658,221)	(4,382,372)	(13,040,593)
Net position - end of year	<u>\$ 6,617,093</u>	<u>\$ 1,931,804</u>	<u>\$ 8,548,897</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	\$ 69,251	\$ -	\$ -	\$ 69,251
Construction-in-progress	-	60,527	-	60,527
Total capital assets, not being depreciated	<u>69,251</u>	<u>60,527</u>	<u>-</u>	<u>129,778</u>
Capital assets, being depreciated				
Buildings/improvements	2,415,036	-	-	2,415,036
Improvements other than buildings	988,917	-	-	988,917
Machinery and equipment	3,502,028	43,062	(10,000)	3,535,090
Total capital assets, being depreciated	<u>6,905,981</u>	<u>43,062</u>	<u>(10,000)</u>	<u>6,939,043</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,121,601)	(47,999)	-	(1,169,600)
Improvements other than buildings	(509,154)	(42,422)	-	(551,576)
Machinery and equipment	(2,184,972)	(225,866)	10,000	(2,400,838)
Total accumulated depreciation	<u>(3,815,727)</u>	<u>(316,287)</u>	<u>10,000</u>	<u>(4,122,014)</u>
Total capital assets, being depreciated, net	<u>3,090,254</u>	<u>(273,225)</u>	<u>-</u>	<u>2,817,029</u>
Governmental activities capital assets, net	<u>\$ 3,159,505</u>	<u>\$ (212,698)</u>	<u>\$ -</u>	<u>\$ 2,946,807</u>

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, being depreciated				
Buildings	\$ 26,159	\$ -	\$ -	\$ 26,159
Machinery and equipment	211,709	-	-	211,709
Total capital assets, being depreciated	<u>237,868</u>	<u>-</u>	<u>-</u>	<u>237,868</u>
Less accumulated depreciation for:				
Buildings	(17,840)	(1,017)	-	(18,857)
Machinery and equipment	(129,531)	(18,479)	-	(148,010)
Total accumulated depreciation	<u>(147,371)</u>	<u>(19,496)</u>	<u>-</u>	<u>(166,867)</u>
Business-type activities capital assets, net	<u>\$ 90,497</u>	<u>\$ (19,496)</u>	<u>\$ -</u>	<u>\$ 71,001</u>

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 9,305
Public safety	134,786
Public works	150,896
Public health	17,204
Culture and recreation	<u>4,096</u>
Total depreciation-governmental activities	<u>\$ 316,287</u>
Business-type activities:	
Ambulance	<u>\$ 19,496</u>

Interfund Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out
Governmental activities:		
General	\$ -	\$ (15,000)
Road	-	(30,000)
PILT	-	(5,000)
Nonmajor governmental funds	<u>372,171</u>	<u>(297,171)</u>
	<u>\$ 372,171</u>	<u>\$ (347,171)</u>
Business-type activities:		
Ambulance	<u>\$ -</u>	<u>\$ (25,000)</u>

Transfers are used to fund operations of various governmental activities. Resources are also transferred to fund future capital purchases or improvements.

Long-Term Debt

Compensated absences decreased \$905 to \$81,606 as of June 30, 2014. \$8,161 is considered a current liability. Compensated absences are generally liquidated in the fund in which the employee is paid from.

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 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.

Central Montana Health District Number 6 (CMHD)

The CMHD, formed September 1973, was created under the provisions of Montana Code Annotated. The District was formed to provide for the salaries of sanitarians. District members make contributions to Fergus County (responsible for record keeping and reporting), based on their population.

WHEATLAND COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interlocal Agreement

The County provides law enforcement services to the City of Harlowton and Town of Judith Gap for \$40,000 per year.

Commitments and Contingencies

Wheatland County assists the Wheatland County Memorial Hospital in meeting its financial obligations. During fiscal year 2014, Wheatland County contributed \$55,000 to the hospital.

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.

Economic Dependency

Approximately 70 percent of the government's taxable value is comprised of utility and pipeline companies.

Retirement Plans

The government participates in three 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 Teachers' Retirement System (TRS) covers the county superintendent. The plans are established by State law and are administered by the State of Montana. 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%
TRS:			
Tier 1 member	8.470%	8.150%	16.620%
Tier 2 member	8.470%	8.150%	16.620%
PERS	8.070%	7.900%	15.970%

TRS:

A "tier 1 member" is a person who became a member before July 1, 2013 and who has not withdrawn his/her account balance. A "tier 2 member" is a person who became a member on or after July 1, 2013 or who, after withdrawing his/her account balance, became a member again on or after July 1, 2013. Effective July 1, 2013, the Tier 1 member supplemental contribution may be decreased, and a Tier 2 member may be required to contribute a supplemental contribution, under circumstances described in Section 19-20-608, MCA. Also, the employer supplemental contribution may be decreased under circumstances described in Section 19-20-609, MCA.

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% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

WHEATLAND COUNTY
NOTES TO BASIC 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	\$ 72,482	\$ 63,675	\$ 61,375
TRS	3,253	2,811	2,705
PERS	111,036	89,959	82,320
	\$ 186,771	\$ 156,445	\$ 146,400

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 493,888	\$ 493,888	\$ 534,748
Fines and forfeitures	12,500	12,500	14,133
Intergovernmental	58,902	58,902	58,715
Charges for services	39,550	39,550	41,534
Investment earnings	5,500	5,500	1,586
Miscellaneous	6,500	6,500	4,586
Total revenues	<u>616,840</u>	<u>616,840</u>	<u>655,302</u>
EXPENDITURES			
Current:			
General government	565,365	565,365	508,705
Public safety	10,000	10,000	5,824
Public health	61,000	61,000	57,600
Social and economic services	31,500	31,500	10,035
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>677,865</u>	<u>677,865</u>	<u>582,164</u>
Excess (deficiency) of revenues over expenditures	<u>(61,025)</u>	<u>(61,025)</u>	<u>73,138</u>
OTHER FINANCING USES			
Transfers out	<u>(27,000)</u>	<u>(27,000)</u>	<u>(15,000)</u>
Total other financing uses	<u>(27,000)</u>	<u>(27,000)</u>	<u>(15,000)</u>
Net change in fund balance	<u>\$ (88,025)</u>	<u>\$ (88,025)</u>	<u>58,138</u>
Fund balance - beginning			<u>208,719</u>
Fund balance - ending			<u>\$ 266,857</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 257,201	\$ 257,201	\$ 285,986
Intergovernmental	79,400	79,400	76,080
Charges for services	25,000	25,000	17,127
Miscellaneous	-	-	600
Total revenues	<u>361,601</u>	<u>361,601</u>	<u>379,793</u>
EXPENDITURES			
Current:			
Public works	297,300	297,300	324,056
Capital outlay	145,000	145,000	5,600
Total expenditures	<u>442,300</u>	<u>442,300</u>	<u>329,656</u>
Excess (deficiency) of revenues over expenditures	<u>(80,699)</u>	<u>(80,699)</u>	<u>50,137</u>
OTHER FINANCING USES			
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(30,000)</u>
Total other financing uses	<u>(40,000)</u>	<u>(40,000)</u>	<u>(30,000)</u>
Net change in fund balance	<u>\$ (120,699)</u>	<u>\$ (120,699)</u>	20,137
Fund balance - beginning			<u>209,100</u>
Fund balance - ending			<u>\$ 229,237</u>

WHEATLAND 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
	Original	Final	
REVENUES			
Taxes/assessments	\$ 448,053	\$ 448,053	\$ 506,338
Intergovernmental	46,950	46,950	49,192
Charges for services	40,650	40,650	48,001
Investment earnings	3,100	3,100	1,268
Miscellaneous	700	700	200
Total revenues	<u>539,453</u>	<u>539,453</u>	<u>604,999</u>
EXPENDITURES			
Current:			
Public safety	619,200	619,200	505,757
Capital outlay	<u>47,500</u>	<u>47,500</u>	<u>37,462</u>
Total expenditures	<u>666,700</u>	<u>666,700</u>	<u>543,219</u>
Net change in fund balance	<u>\$ (127,247)</u>	<u>\$ (127,247)</u>	61,780
Fund balance - beginning			<u>197,867</u>
Fund balance - ending			<u>\$ 259,647</u>

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

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 153,873	\$ 153,873	\$ 231,532
Investment earnings	2,177	2,177	859
Miscellaneous	1,102	1,102	2,408
Total revenues	<u>157,152</u>	<u>157,152</u>	<u>234,799</u>
EXPENDITURES			
Current:			
Public safety	431,800	431,800	89,131
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>60,527</u>
Total expenditures	<u>506,800</u>	<u>506,800</u>	<u>149,658</u>
Net change in fund balance	<u>\$ (349,648)</u>	<u>\$ (349,648)</u>	85,141
Fund balance - beginning			<u>622,259</u>
Fund balance - ending			<u>\$ 707,400</u>

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

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 101,177	\$ 101,177	\$ 119,516
Miscellaneous	-	-	100
Total revenues	<u>101,177</u>	<u>101,177</u>	<u>119,616</u>
EXPENDITURES			
Current:			
General government	5,000	5,000	2,669
Public works	-	-	126,955
Public health	-	-	1,816
Culture and recreation	-	-	9,520
Housing and community development	-	-	1,442
Other current charges	<u>218,865</u>	<u>218,865</u>	<u>-</u>
Total expenditures	<u>223,865</u>	<u>223,865</u>	<u>142,402</u>
Excess (deficiency) of revenues over expenditures	<u>(122,688)</u>	<u>(122,688)</u>	<u>(22,786)</u>
OTHER FINANCING USES			
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(5,000)</u>
Total other financing uses	<u>(200,000)</u>	<u>(200,000)</u>	<u>(5,000)</u>
Net change in fund balance	<u><u>\$ (322,688)</u></u>	<u><u>\$ (322,688)</u></u>	<u>(27,786)</u>
Fund balance - beginning			<u>423,865</u>
Fund balance - ending			<u><u>\$ 396,079</u></u>

WHEATLAND 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.

A schedule of revenues, expenditures and changes in fund balance-budget to actual is not required to be presented for the electrical generation impact fund. Section 15-24-3007, (4), MCA, states that the fund must be financially administered as a nonbudgeted fund under the provisions of Title 7, chapter 6, part 40.

The PAC-Cattle (\$8,736), Cemetery (\$17,426), Health Insurance (\$111,083), Disaster (\$9,957), Central MT Health (\$980) and weed grant (\$64,729) funds were overspent for the year ended June 30, 2014.

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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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
Wheatland County
Harlowton, Montana

We were engaged to audit, 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 Wheatland 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 26, 2015. We did not express an opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund because of the inadequacy of the accounting records for taxes and assessments receivable, unavailable revenue-taxes and assessments and property taxes and assessment revenue. Also, we did not express an opinion on government activities because of inadequacies of the government's capital asset accounting records and because management has not recorded the other post employment benefit (OPEB) liability and related expense.

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, 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 to be material weaknesses. (Findings 2014-001 through 2014-008)

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 to be significant deficiencies. (Findings 2014-009 through 2014-011)

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 as items 2014-010 through 2014-011.

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 identified in our audit as described in the accompanying schedule of findings. 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'Neiss & Associates, PC

Billings, Montana
March 26, 2015

WHEATLAND COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

201-001. ESTABLISH PROCEDURES TO IDENTIFY AND RECORD DONATED CAPITAL ASSETS

Criteria: Accounting principles generally accepted in the United States of America require donated capital assets to be recorded in the County's financial statements.

Condition: Several items (grandstands, arena, shoots and crow's nest) at the fairgrounds were built and paid for by organizations outside of the County operations. Costs have not been provided to the County to record the donated capital assets in the financial statements

Cause: Unknown.

Effect: The auditor's issued a disclaimer of opinion.

Recommendation: When organizations outside County operations build and pay for capital assets that are donated to the County, cost figures should be provided to the County so that the donated capital assets can be included in the financial statements.

2014-002. TAXES RECEIVABLE

Criteria: A reconciliation of taxes receivable recorded in the general ledger to the treasurer's unpaid taxes receivable, by fund, by year, should be prepared to verify that the recording of transactions is accurate and proper and that any adjustments to or write-offs of taxes receivable have been approved.

Condition: The Clerk and Recorder's office did not reconcile taxes receivable as recorded in the general ledger to the treasurer's unpaid taxes receivable report.

Cause: Unknown.

Effect: Taxes receivable in the general ledger were approximately \$150,000 higher than the treasurer's unpaid taxes receivable report. Because of the significance of these matter, we were not able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions. Accordingly, we issued a disclaimer of opinion.

Recommendation: The differences should be investigated and resolved. In the future, at the end of December and June of each year, the Clerk and Recorder's office should prepare a reconciliation of taxes receivable from the general ledger to the treasurer's unpaid taxes receivable, by fund, by year. The reconciliation should be prepared to verify that the recording of transactions is accurate and proper and that any adjustments to or write-offs of taxes receivable have been approved.

2014-003. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the other post employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2014.

Effect: The governmental activities liabilities are understated, net position is overstated and expenses would change understated.

Recommendation: The government should engage an actuarial firm to determine the OPEB liability and related expense.

2014-004. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements. The government ensures the quality of its financial statements 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.

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

WHEATLAND COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements; 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, this weakness in internal control would be classified as material.

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

2014-005. 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.

2014-006. RECONCILE PAYROLL CLEARING FUND

Criteria: Reconciling the liability accounts in the payroll clearing fund with the amounts actually paid would strengthen internal controls and ensure the accuracy of amounts recorded in the general ledger.

Condition: The liability accounts in the payroll clearing fund were not reconciled.

Cause: Unknown.

Effect: Cash in the payroll clearing fund is understated by \$9,990.

Recommendation: A correcting entry should be made to correct the \$9,990 deficit. Additionally, after payroll is interfaced, the Clerk and Recorder should print a trial balance and verify the liabilities are equal to the amounts recorded on the deduction summary report.

2014-007. RECONCILE WARRANTS PAYABLE

Criteria: Reconciling warrants payable in the payroll and claims clearing funds would strengthen internal controls and ensure the accuracy of amounts recorded in the general ledger.

Condition: Warrants payable in the payroll and claims clearing funds were not reconciled at the end of each month.

Cause: Unknown.

Effect: Inaccurate financial information.

Recommendation: Warrants payable in the payroll and claims clearing funds should be reconciled at the end of each month. Documentation should be retained for future reference.

2014-008. FAIR TRANSACTIONS

Criteria: The financial activities of the County fair should be properly reflected within the general ledger. Additionally, sound internal control would require a copy of the fair checking account reconciliation be forwarded to the County Commissioners for review and approval.

Condition: The financial activities of the 2013 County fair, other than the amounts given to the fair board, were not recorded in the accounting records of the County. Additionally, a copy of the fair checking account reconciliation is not forwarded to

WHEATLAND COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

the County Commissioners for review and approval. Further all donations are not receipted with the County Treasurer, but instead deposited to the fair checking account and used to pay expenses.

Cause: Unknown

Effect: Inaccurate financial reporting and increase in risk of loss due to lack of oversight.

Recommendation: The financial activities of the County fair should be properly reflected within the general ledger. Additionally, a copy of the fair checking account reconciliation should be forwarded to the County Commissioners for review and approval. Further, all donations should be deposited with the County Treasurer.

2001-009. REQUIRED SUPPLEMENTARY INFORMATION

Criteria: Accounting principles generally accepted in the United States of America require the management's discussion and analysis to be presented to supplement the basic financial statements.

Condition: Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.

Cause: Unknown.

Effect: Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Recommendation: On an annual basis, the County should develop a management's discussion and analysis as required by accounting principles generally accepted in the United States.

2014-010. BUDGET TO ACTUAL RESULTS

Criteria: State law requires that expenditures be limited to appropriations for each budgeted fund.

Condition: At the end of fiscal year 2014, 6 funds were overspent.

Cause: Unknown.

Effect: Non-compliance with state law.

Recommendation: Procedures should be developed to monitor budget versus actual results.

2014-011. RESERVES

Criteria: The amount that may be added as a reserve to any county fund may not exceed one-third (1/3) of the total amount appropriated and authorized to be spent from the fund during the current fiscal year. (Section 7-6-4034(2), MCA)

Condition: The PAC-sheep fund had excess reserves in accordance with Section 7-6-4034(2), MCA.

Cause: Unknown

Effect: Non-compliance with state statutes.

Recommendation: Reserves should be limited to one-third of the appropriations.

WHEATLAND COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS	STATUS
2013-1. ESTABLISH PROCEDURES TO IDENTIFY AND RECORD DONATED CAPITAL ASSETS	NOT IMPLEMENTED
2013-2. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-3. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-4. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED
2013-5. RECONCILE PAYROLL CLEARING FUND	NOT IMPLEMENTED
2013-6. RECONCILE WARRANTS PAYABLE	NOT IMPLEMENTED
2013-7. FAIR TRANSACTIONS	NOT IMPLEMENTED
2013-8. BUDGET TO ACTUAL RESULTS	NOT IMPLEMENTED
2013-9. RESERVES	NOT IMPLEMENTED
2013-10. SALARY RESOLUTION	IMPLEMENTED