

SWEET GRASS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

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

SWEET GRASS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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SWEET GRASS COUNTY, MONTANA

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SWEET GRASS COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF COUNTY COMMISSIONERS**

Bill Wallace	Chairperson
Susan Mosness	Commissioner
Bob Faw	Commissioner

**COUNTY OFFICIALS.**

Pat Dringman	County Attorney
Jane Stene	Treasurer
Vera Pederson	Clerk and Recorder
Deanna Novotny	Clerk of District Clerk
Jessie Connolly	Justice of the Peace
Susan Metcalf	School Superintendent
Dan Tronrud	Sheriff
Daryl Hodges	Coroner
Elaine Allestad	Public Administrator

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

As management of Sweet Grass County (the County), we offer readers of Sweet Grass County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

### **Financial Highlights**

- The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year, June 30, 2014, by \$11,883,045 (*total net position*). Of this amount, \$1,099,194 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, Sweet Grass County's governmental funds reported combined fund balances of \$6,988,083, an increase of \$183,475 in comparison with the prior year. Approximately 26% of this amount (\$1,879,297) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$1,988,387, or approximately 78% of the total general fund expenditures.
- Sweet Grass County's total outstanding long-term debt increased by \$89,454 during the fiscal year from a Montana State Board of Investments Intercap loan and an increase in compensated absences and other post-employment benefits.
- Pioneer Medical Center (PMC) is a combined long-term care facility, medical clinic, assisted living facility, critical access hospital and ambulance service. The PMC is accounted for on the County books as a business-type activity.
- PMC assets for FY2014 exceeded its liabilities by \$3,742,491 (*total net position*). Of this amount \$1,621,897 represents unrestricted net position, which may be used to meet the entity's ongoing obligations to its customers and creditors.
- The PMC is currently operating with a county-wide 25 mill tax levy voted on in the spring of 2009 and effective FY10. The last year this levy will be in effect will be FY14. In the spring of 2014 voters approved another 5-year 25-mill levy that will be effective from FY14 through FY19.
- Sweet Grass County is home to Stillwater Mining Company - East Boulder Mine (SMC). The company mines two ores: platinum and palladium. SMC real estate and gross proceed taxes comprise 41% of the total real estate taxes collected by Sweet Grass County. This gives the mine the distinction of being the largest taxpayer in the county.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Sweet Grass County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Sweet Grass County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Sweet Grass County assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Sweet Grass County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of Sweet Grass County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Sweet Grass County include general government, public safety, public works, and culture and recreation. The business-type activity of Sweet Grass County is a medical facility housing a nursing home, medical clinic, ambulance service, and assisted living facility.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sweet Grass County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with Montana Code Annotated and finance-related legal requirements. All the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

Sweet Grass County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and five special revenue funds. Data from the remaining special revenue and capital improvement funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section in this report.

***Proprietary Funds.*** Sweet Grass County maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for the activities of the Pioneer Medical Center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support Sweet Grass County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Sweet Grass County maintains two different types of fiduciary funds. The *Private-purpose trust fund* is used to report resources held in trust to purchase equipment for reserve law enforcement officers. The *Agency fund* reports resources held by Sweet Grass County in a custodial capacity for other governments.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also contains presents *Required Supplementary Information (RSI)*.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Sweet Grass County, assets and deferred outflows of resources exceeded liabilities by \$11,833,045 at June 30, 2014 as compared to \$12,060,505 at June 30, 2013; a decrease of (\$177,460).

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
Current and other assets	\$ 7,499,915	\$ 7,278,127	\$ 221,788	\$ 3,600,004	\$ 3,176,270	\$ 423,734
Capital assets	5,788,488	6,086,647	(298,159)	3,458,462	3,826,063	(367,601)
Total assets	\$ 13,288,403	\$ 13,364,774	\$ (76,371)	\$ 7,058,466	\$ 7,002,333	\$ 56,133
Long-term debt outstanding	\$ 1,074,912	\$ 977,125	\$ 97,787	\$ 2,963,915	\$ 2,925,758	\$ 38,157
Other liabilities	330,446	327,144	3,302	352,060	333,673	18,387
Total liabilities	\$ 1,405,358	\$ 1,304,269	\$ 101,089	\$ 3,315,975	\$ 3,259,431	\$ 56,544
Net investment in capital assets	\$ 5,677,071	\$ 5,924,273	\$ (247,202)	\$ 1,880,214	\$ 2,058,696	\$ (178,482)
Restricted	5,240,350	5,347,016	(106,666)	240,380	239,516	864
Unrestricted (deficit)	965,624	789,216	176,408	1,621,897	1,444,690	177,207
Total net position	\$ 11,883,045	\$ 12,060,505	\$ (177,460)	\$ 3,742,491	\$ 3,742,902	\$ (411)

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 431,351	\$ 381,458	\$ 49,893	\$ 8,328,156	\$ 7,966,382	\$ 361,774
Operating grants and contributions	1,005,537	672,182	333,355	-	-	-
Capital grants and contributions	285,785	1,139,819	(854,034)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,920,468	2,867,114	53,354	430,037	440,175	(10,138)
Local Option Tax	178,389	166,375	12,014	-	-	-
Insurance Proceeds	-	-	-	73,805	-	73,805
Miscellaneous	94,484	1,102,275	(1,007,791)	66,621	6,032	60,589
Interest/investment earnings	19,985	15,960	4,025	7,070	-	7,070
PILT	416,236	383,994	32,242	-	-	-
State Entitlement	348,647	321,107	27,540	-	-	-
Grants and entitlements not restricted to specific programs	614	4,792	(4,178)	-	-	-
Licenses and Permits	368	1,013	(645)	-	-	-
Montana Oil & Gas Tax	3,617	-	3,617	-	-	-
Federal Mineral Royalty	1,096	-	1,096	-	-	-
Total revenues	\$ 5,706,577	\$ 7,056,089	\$ (1,349,512)	\$ 8,905,689	\$ 8,412,589	\$ 493,100
<b>Program expenses</b>						
General government	\$ 1,685,329	\$ 1,651,520	\$ 33,809			
Public safety	1,562,878	1,780,253	(217,375)			
Public works	1,984,054	1,674,022	310,032			
Public health	131,968	66,551	65,417			
Social and economic services	95,974	65,139	30,835			
Culture and recreation	447,944	101,182	346,762			
Housing and community development	23,893	25,873	(1,980)			
Debt service - interest	2,703	2,787	(84)			
Miscellaneous	21,798	46,965	(25,167)			
PMC				\$ 9,057,207	\$ 8,309,413	\$ 747,794
Total expenses	\$ 5,956,541	\$ 5,414,292	\$ 542,249	\$ 9,057,207	\$ 8,309,413	\$ 747,794
Excess (deficiency) before special items and transfers	\$ (249,964)	\$ 1,641,797	\$ (1,891,761)	\$ (151,518)	\$ 103,176	\$ (254,694)
Gain (loss) on sale of capital assets	-	-	-	-	48,899	(48,899)
Insurance proceeds	129,696	-	129,696	-	-	-
Transfers - net	-	(984,708)	984,708	-	984,708	(984,708)
<b>Increase (decrease) in net position</b>	\$ (120,268)	\$ 657,089	\$ (777,357)	\$ (151,518)	\$ 1,136,783	\$ (1,288,301)

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

By far, the largest portion of Sweet Grass County's net position, (47%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. Sweet Grass County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Sweet Grass County's net position (42%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,099,194 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The PMC has 47% of its net position invested in net capital assets (land, buildings and machinery less accumulated depreciation and related debt balances). A small percentage (6%) of PMC net assets are restricted by bond agreements. The remaining balance of \$1,621,897 is unrestricted and may be used to meet the PMC's ongoing obligations to creditors.

At the end of the current fiscal year, Sweet Grass County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Sweet Grass County's overall net position decreased \$177,460 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$177,460 from the prior fiscal year for an ending balance of \$11,883,045.

Governmental revenues decreased between FY13 to FY 14 by \$1,349,512.

1. Capital grant revenue decreased between FY 13 and FY14 due to two Treasure State Endowment Program (TSEP) and two Homeland Security grants being closed out in FY13. Department of Natural Resources and Conservation (DNRC) grant that was received in FY 13 was not received in FY14.
2. Miscellaneous revenues were down in the PMC Memorial fund due to the finalization of the construction project at the PMC. The grant and loan revenues were accounted for in the memorial fund, which is a fund that is kept on the county books. These revenues were transferred to the PMC.

Expenditures, increased by \$542,249. Changes in expenses from FY 2013 to FY 2014 came from the following sources:

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

1. Public health increase as a result of the way the PMC is reimbursed for expenses it pays on behalf of the memorial fund. The expenses should be recognized in the memorial fund and the expenses in the PMC should be reduced with the reimbursement. In FY 13 this method was not followed, but we returned to it in FY 14.
2. Social and economic services increased due to a commitment to our senior center to assist with repairs and maintenance on the building that is used as the Hospitality House and is owned by the county. In the past the senior center had paid for the repairs and maintenance.
3. Culture and recreation increased dramatically. A community events center fund had been established with donations to re-erect a donated steel building at the fairgrounds. The project never came to fruition and donors were given a choice of having their donation refunded back to them or donating it to the fairgrounds for capital projects. Many people opted to have their donation refunded.
4. Miscellaneous expenditures decreased due to a change in the formula used to expense liability insurance. In the past the general fund had covered much of the liability insurance for all departments. With this change the PMC was charged an increased amount for their share of the insurance.

**Business-type Activities.** For Sweet Grass County's business-type activity (Pioneer Medical Center), the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$3,742,491. The total decrease in net position for the PMC was \$411 from the prior fiscal year.

### **Financial Analysis of Governmental Funds**

As noted earlier, Sweet Grass County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements of the State of Montana.

**Governmental Funds.** The focus of the County's *governmental funds* is to provide information on near term inflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purpose by the Sweet Grass County Board of Commission.

At June 30, 2014, Sweet Grass County's governmental funds reported combined funds balances of \$6,988,083, an increase of \$183,475 in comparison with the prior fiscal year. Approximately 26% of this amount (\$1,879,297) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable or restricted* to indicate that it is 1) not in spendable form (\$351,882), or 2) restricted for a particular purpose (\$4,756,904).

Sweet Grass County  
FY 2014  
Management Discussion and Analysis

The general fund is the chief operating fund of Sweet Grass County. At the end of FY14, unassigned fund balance of the general fund was \$1,988,387. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 127% of total general fund expenditures, while total fund balance represents approximately 79% of the same amount.

The fund balance of Sweet Grass County's general fund increased by \$129,977 during FY14.

**Proprietary Funds.** Sweet Grass County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of Pioneer Medical Center at the end of the current fiscal year was \$3,742,491. The total decrease in net position was \$411.

### **General Fund Budgetary Highlights**

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues were as follows:

1. The county budgeted \$200 in video machine apportionment of which \$0 was received. While this in itself is not a significant difference, the research that uncovered why we had gone from \$2000, in years past, to zero is. An establishment which had always had twenty video gambling machines had dropped off the county roll to receive apportionment from. When their gambling license was renewed the establishment marked a box that read "are you in the city limits" with a yes. The apportionment then began going to the city. The Gambling Division with the State of Montana has made a correction to this and the county will begin receiving the apportionment that they should have received (\$9,000) for the past four years plus the current amount being paid out.
2. The outstanding warrants list was cleaned up in FY14 and it was found there were numerous checks that were showing outstanding that had been reissued but never voided. They have been voided and posted back to miscellaneous revenues which have caused these actual revenues to be much higher than the budgeted amounts.
3. A hail storm during the fair in August 2013 caused considerable damage to county vehicles and buildings. We received \$129,697 in insurance payments to make necessary repairs. On the flip side repair and maintenance actual costs in county courthouse, weed, fair, senior citizens, law enforcement, and fire all exceeded budgeted appropriations. Painting to fair buildings damaged by hail did not occur until FY15.
4. Actual expenditures, for the most part, did not exceed budgeted amounts. A fund for website and technology received money from PILT to cover unanticipated cost overruns to establish a county website by a private company. The website is located at <http://sweetgrasscountygov.com>.

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Management Discussion and Analysis

**Capital Asset and Debt Administration**

**Capital assets.** Sweet Grass County's investment in capital assets (net of accumulated depreciation) is \$5,788,488. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The following are key highlights to capital assets for FY 2014:

There is only one construction in progress project. It will not be depreciated until it is completed and, therefore, is accounted for separately from depreciable fixed assets

- A Western Federal Lands Highway grant (\$7,600,000) has been awarded jointly to Park and Sweet Grass County for repairs and bridge replacements on seven miles of road on the Main Boulder Road. This is a long term grant due to the preliminary work that must be completed before the actual work can take place. The grant is split in half for each county and each county is responsible for 50% of the match. The match per county is \$509,960. In FY14 we paid \$28,500, in FY15 the match that is due will be \$19,000. The remainder of the match (\$462,460) is due in FY16. It is anticipated that the project will not begin in FY16. If that happens the total match will be due when the project begins.
- The courthouse remodel project was completed in FY 14.

Improvements that were completed in FY 14 were the courthouse remodel, as mentioned, but also the wooden grandstands and small set of bleachers at the fairgrounds have both been completed. The grandstands have been reworked with new wood and the small set of bleachers has been replaced by a new aluminum set.

Machinery and Equipment that was purchased includes:

- ✓ 2004 Caterpillar Roller for \$57,500 for the road and bridge department
- ✓ 2010 Circle R Side Dump Trailer was purchased for \$31,250 for the road and bridge department ( a Load King Dump Trailer was traded in on this purchase)
- ✓ Water tank was purchased for \$23,500 for the road and bridge department
- ✓ Kubota RTV-9 was purchased by the weed department for \$12,146 (several ATVs were sold to help fund this purchase)
- ✓ 2012 Caterpillar 12M2 Grader was purchased for the road and bridge department at a cost of \$229,000 (a 2003 John Deere grader was taken in trade)

Infrastructure purchases that occurred were:

- ✓ A newly designed website for \$16,500 that can be found at <http://sweetgrasscountygov.com>
- ✓ A security system was installed at the courthouse at a cost of \$23,066  
Several assets were sold to help purchase new assets and several assets were written off as they are no longer being used:
  - ✓ Load Kind Dump trailer traded for a value of \$19,700
  - ✓ 2003 Kawasaki was sold to a private part for \$2,780
  - ✓ Logging recorder and software in sheriff dispatch was replaced
  - ✓ Radios and radio base were disposed of and replaced as part of new bandwidth requirements
- ✓ 2003 John Deere Grader Model 772ch was traded in on a newer grader with trade value received of \$95,000

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Management Discussion and Analysis

**Long-term debt.** As of June 30, 2014 the County had total outstanding debt of \$111,417. Compensated Absences was \$183,061. Other Post-Employment Benefits (OPEB) were \$780,435. There was no new debt incurred during FY14.

The PMC total outstanding debt was \$1,578,248. Compensated Absence Liability is \$298,448. Other Post-Employment Benefits (OPEB) were \$1,087,220. The PMC also incurred no new debt in FY14.

The following statistics are from the most recent data cited:

The latest unemployment rate as of November 2014 for Sweet Grass County is 2.2% compared to a state-wide average of 4.3%.

The major employers in the county are Stillwater Mine, local government, and the high school and grade school districts.

The economy is primarily agriculture, tourism, and mining.

The average earnings per year in Sweet Grass County is \$32,703 as of 2013 Bureau of Economic Analysis. Average wages statewide in Montana is \$40,476 as of 2013 Bureau of Economic Analysis.

Inflationary trends in the County compare favorably to national indices.

All these factors were considered in the preparation of Sweet Grass County's budget for the 2014 fiscal year.

Inflationary trends in the County compare favorably to national indices.

All these factors were considered in the preparation of Sweet Grass County's budget for the 2014 fiscal year.

The FY 2014 budget reflects 2014 mills and the inflationary increases allowed by statute.

Inflationary trends in the County compare favorably to national indices.

All these factors were considered in the preparation of Sweet Grass County's budget for the 2014 fiscal year.

The FY 2014 budget reflects 2014 mills and the inflationary increases allowed by statute.

### **Contacting the County's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions concerning this report or need additional financial information, contact the Finance Office at Sweet Grass County 406-932-3012, the County Commissioners at 406-932-5152 or the County Clerk and Recorder at 406-932-5152.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Sweet Grass County  
Big Timber, Montana

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County, Montana, as of and for the Year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 10, 46 through 52, and 53 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.

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Sweet Grass County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sweet Grass County, Montana's internal control over financial reporting and compliance.

*Derring, Downey and Associates, CPAs, P.C.*

March 31, 2015

**Sweet Grass County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 6,665,052	\$ 1,351,085	\$ 8,016,137
Taxes and assessments receivable, net	181,386	32,973	214,359
Accounts receivable - net	-	1,400,131	1,400,131
Interest receivable	-	155	155
Due from other governments	300,830	442,492	743,322
Prepaid expenses	-	16,496	16,496
Inventories	351,882	97,491	449,373
Employee advance receivable	765	-	765
Total current assets	<u>\$ 7,499,915</u>	<u>\$ 3,340,823</u>	<u>\$ 10,840,738</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 259,181	\$ 259,181
Capital assets - land	61,056	125,106	186,162
Capital assets - construction in progress	28,500	-	28,500
Capital assets - depreciable, net	5,698,932	3,333,356	9,032,288
Total noncurrent assets	<u>\$ 5,788,488</u>	<u>\$ 3,717,643</u>	<u>\$ 9,506,131</u>
Total assets	<u>\$ 13,288,403</u>	<u>\$ 7,058,466</u>	<u>\$ 20,346,869</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 92	\$ 128,939	\$ 129,031
Accrued payables	-	217,221	217,221
Accrued payroll	65,359	-	65,359
Revenues collected in advance	264,995	-	264,995
Current portion of long-term capital liabilities	60,416	198,117	258,533
Current portion of compensated absences payable	139,208	234,559	373,767
Total current liabilities	<u>\$ 530,070</u>	<u>\$ 778,836</u>	<u>\$ 1,308,906</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 5,900	\$ 5,900
Noncurrent portion of long-term liabilities	780,435	1,087,220	1,867,655
Noncurrent portion of OPEB	51,001	1,380,131	1,431,132
Noncurrent portion of compensated absences	43,852	63,888	107,740
Total noncurrent liabilities	<u>\$ 875,288</u>	<u>\$ 2,537,139</u>	<u>\$ 3,412,427</u>
Total liabilities	<u>\$ 1,405,358</u>	<u>\$ 3,315,975</u>	<u>\$ 4,721,333</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,677,071	\$ 1,880,214	\$ 7,557,285
Restricted for bond indenture requirements	-	236,889	236,889
Restricted for general government	1,235,629	-	1,235,629
Restricted for public safety	932,430	-	932,430
Restricted for public works	1,710,890	-	1,710,890
Restricted for public health	659,281	-	659,281
Restricted for culture and recreation	81,121	-	81,121
Restricted for economic development	269,117	-	269,117
Restricted for other purposes	-	3,491	3,491
Non-spendable	351,882	-	351,882
Unrestricted	965,624	1,621,897	2,587,521
Total net position	<u>\$ 11,883,045</u>	<u>\$ 3,742,491</u>	<u>\$ 15,625,536</u>

See accompanying Notes to the Financial Statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,685,329	\$ 166,743	\$ 71,113	\$ 252,968	\$ (1,194,505)		\$ (1,194,505)
Public safety	1,562,878	210,072	677,659	22,817	(652,330)		(652,330)
Public works	1,984,054	34,370	164,088	10,000	(1,775,596)		(1,775,596)
Public health	131,968	18,423	1,605	-	(111,940)		(111,940)
Social and economic services	95,974	1,743	-	-	(94,231)		(94,231)
Culture and recreation	447,944	-	-	-	(447,944)		(447,944)
Housing and community development	23,893	-	91,072	-	67,179		67,179
Debt service - interest	2,703	-	-	-	(2,703)		(2,703)
Miscellaneous	21,798	-	-	-	(21,798)		(21,798)
Total governmental activities	\$ 5,956,541	\$ 431,351	\$ 1,005,537	\$ 285,785	\$ (4,233,868)	\$ -	\$ (4,233,868)
Business-type activities:							
PMC	\$ 9,057,207	\$ 8,328,156	\$ -	\$ -	\$ -	\$ (729,051)	\$ (729,051)
Total business-type activities	\$ 9,057,207	\$ 8,328,156	\$ -	\$ -	\$ -	\$ (729,051)	\$ (729,051)
Total primary government	\$ 15,013,748	\$ 8,759,507	\$ 1,005,537	\$ 285,785	\$ (4,233,868)	\$ (729,051)	\$ (4,962,919)
General Revenues:							
Property taxes for general purposes					\$ 2,920,468	\$ 430,037	\$ 3,350,505
Local Option Tax					178,389	-	178,389
Insurance Proceeds					-	73,805	73,805
Miscellaneous					94,484	66,621	161,105
Interest/investment earnings					19,985	7,070	27,055
PILT					416,236	-	416,236
State Entitlement					348,647	-	348,647
Grants and entitlements not restricted to specific programs					614	-	614
Licenses and Permits					368	-	368
Montana Oil & Gas Tax					3,617	-	3,617
Federal Mineral Royalty					1,096	-	1,096
Insurance proceeds					129,696	-	129,696
Total general revenues, special items and transfers					\$ 4,113,600	\$ 577,533	\$ 4,691,133
Change in net position					\$ (120,268)	\$ (151,518)	\$ (271,786)
Net position - beginning					\$ 12,060,505	\$ 3,742,902	\$ 15,803,407
Restatements					(57,192)	151,107	93,915
Net position - beginning - restated					\$ 12,003,313	\$ 3,894,009	\$ 15,897,322
Net position - end					\$ 11,883,045	\$ 3,742,491	\$ 15,625,536

See accompanying Notes to the Financial Statements

**Sweet Grass County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Road</u>	<u>Law Enforcement</u>	<u>Hard Rock Mine Trust</u>	<u>Disaster (State/Federal)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 1,855,177	\$ 560,854	\$ 278,659	\$ 1,078,175	\$ 113,426	\$ 2,778,761	\$ 6,665,052
Taxes and assessments receivable, net	47,398	26,779	34,173	-	-	73,036	181,386
Due from other funds	123,321	-	-	-	-	-	123,321
Due from other governments	31,783	-	88,115	-	43,561	137,371	300,830
Inventories	-	351,882	-	-	-	-	351,882
Employee advance receivable	765	-	-	-	-	-	765
Total assets	<u>\$ 2,058,444</u>	<u>\$ 939,515</u>	<u>\$ 400,947</u>	<u>\$ 1,078,175</u>	<u>\$ 156,987</u>	<u>\$ 2,989,168</u>	<u>\$ 7,623,236</u>
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92	\$ 92
Accrued payroll	22,659	5,069	16,330	-	-	21,301	65,359
Due to other funds	-	-	-	-	-	123,321	123,321
Revenues collected in advance	-	-	-	-	264,995	-	264,995
Total liabilities	<u>\$ 22,659</u>	<u>\$ 5,069</u>	<u>\$ 16,330</u>	<u>\$ -</u>	<u>\$ 264,995</u>	<u>\$ 144,714</u>	<u>\$ 453,767</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources	\$ 47,398	\$ 26,779	\$ 34,173	\$ -	\$ -	\$ 73,036	\$ 181,386
Total deferred inflows of resources	<u>\$ 47,398</u>	<u>\$ 26,779</u>	<u>\$ 34,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,036</u>	<u>\$ 181,386</u>
<b>FUND BALANCES</b>							
Nonspendable	\$ -	\$ 351,882	\$ -	\$ -	\$ -	\$ -	\$ 351,882
Restricted	-	555,785	350,444	1,078,175	-	2,181,249	4,165,653
Committed	-	-	-	-	-	591,251	591,251
Unassigned fund balance	1,988,387	-	-	-	(108,008)	(1,082)	1,879,297
Total fund balance	<u>\$ 1,988,387</u>	<u>\$ 907,667</u>	<u>\$ 350,444</u>	<u>\$ 1,078,175</u>	<u>\$ (108,008)</u>	<u>\$ 2,771,418</u>	<u>\$ 6,988,083</u>

See accompanying Notes to the Financial Statements

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

<b>Total fund balances - governmental funds</b>	\$ 6,988,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,788,488
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	181,386
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,074,912)
<b>Total net position - governmental activities</b>	<b>\$ <u>11,883,045</u></b>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Road</u>	<u>Law Enforcement</u>	<u>Hard Rock Mine Trust</u>	<u>Disaster (State/Federal)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes and assessments	\$ 928,652	\$ 401,858	\$ 531,140	\$ -	\$ -	\$ 1,223,796	\$ 3,085,446
Licenses and permits	368	375	-	-	-	870	1,613
Intergovernmental	574,747	289,756	81,668	252,968	10,255	705,318	1,914,712
Charges for services	134,454	-	190,733	-	-	65,851	391,038
Fines and forfeitures	35,587	-	-	-	-	8,220	43,807
Miscellaneous	56,241	20,383	1,851	-	-	153,323	231,798
Investment earnings	11,665	-	1,097	4,009	-	7,982	24,753
Total revenues	<u>\$ 1,741,714</u>	<u>\$ 712,372</u>	<u>\$ 806,489</u>	<u>\$ 256,977</u>	<u>\$ 10,255</u>	<u>\$ 2,165,360</u>	<u>\$ 5,693,167</u>
<b>EXPENDITURES</b>							
General government	\$ 1,214,648	\$ -	\$ -	\$ -	\$ -	\$ 195,644	\$ 1,410,292
Public safety	62,771	-	852,529	-	-	438,407	1,353,707
Public works	89,120	622,976	-	-	10,254	912,413	1,634,763
Public health	30,925	-	-	-	-	101,043	131,968
Social and economic services	4,000	-	-	-	-	90,086	94,086
Culture and recreation	-	-	-	-	-	404,406	404,406
Housing and community development	-	-	-	-	-	23,893	23,893
Debt service - principal	3,599	35,476	13,264	-	-	6,951	59,290
Debt service - interest	1,217	624	730	-	-	132	2,703
Miscellaneous	21,798	-	-	-	-	-	21,798
Capital outlay	131,219	36,550	-	-	-	267,473	435,242
Total expenditures	<u>\$ 1,559,297</u>	<u>\$ 695,626</u>	<u>\$ 866,523</u>	<u>\$ -</u>	<u>\$ 10,254</u>	<u>\$ 2,440,448</u>	<u>\$ 5,572,148</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 182,417</u>	<u>\$ 16,746</u>	<u>\$ (60,034)</u>	<u>\$ 256,977</u>	<u>\$ 1</u>	<u>\$ (275,088)</u>	<u>\$ 121,019</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,333	\$ 8,333
Proceeds from the sale of general capital asset disposition	-	-	-	-	-	3,220	3,220
Proceeds from insurance	19,329	930	51,510	-	-	57,927	129,696
Transfers in	-	-	28,000	-	61,784	509,172	598,956
Transfers out	(71,769)	(109,448)	(30,164)	-	-	(387,575)	(598,956)
Total other financing sources (uses)	<u>\$ (52,440)</u>	<u>\$ (108,518)</u>	<u>\$ 49,346</u>	<u>\$ -</u>	<u>\$ 61,784</u>	<u>\$ 191,077</u>	<u>\$ 141,249</u>
Net Change in Fund Balance	<u>\$ 129,977</u>	<u>\$ (91,772)</u>	<u>\$ (10,688)</u>	<u>\$ 256,977</u>	<u>\$ 61,785</u>	<u>\$ (84,011)</u>	<u>\$ 262,268</u>
Fund balances - beginning	\$ 1,858,410	\$ 966,454	\$ 361,132	\$ 821,198	\$ (79,616)	\$ 2,855,429	\$ 6,783,007
Restatements	-	32,985	-	-	(90,177)	-	(57,192)
Fund balances - beginning, restated	<u>\$ 1,858,410</u>	<u>\$ 999,439</u>	<u>\$ 361,132</u>	<u>\$ 821,198</u>	<u>\$ (169,793)</u>	<u>\$ 2,855,429</u>	<u>\$ 6,725,815</u>
Fund balance - ending	<u>\$ 1,988,387</u>	<u>\$ 907,667</u>	<u>\$ 350,444</u>	<u>\$ 1,078,175</u>	<u>\$ (108,008)</u>	<u>\$ 2,771,418</u>	<u>\$ 6,988,083</u>

See accompanying Notes to the Financial Statements

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

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

**Net change in fund balances - total governmental funds** \$ 262,268

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

- Capital assets purchased 435,242  
- Depreciation expense (729,266)

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

- Proceeds from the sale of capital assets (4,135)

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

- Long-term receivables (deferred revenue) 13,410

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

7,343

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

- Long-term debt principal payments 59,290

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt (8,333)

**Change in net position - Statement of Activities** \$ (120,268)

See accompanying Notes to the Financial Statements

**Sweet Grass County, Montana**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2014**

		<b>Business-Type Activities - Enterprise Fund</b>
		<b>Pioneer Medical Center</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	1,351,085
Taxes and assessments receivable, net		32,973
Accounts receivable - net		1,400,131
Interest receivable		155
Due from other governments		442,492
Prepaid expenses		16,496
Inventories		97,491
Total current assets	\$	<u>3,340,823</u>
Noncurrent assets:		
Restricted cash and investments	\$	259,181
Capital assets - land		125,106
Capital assets - depreciable, net		3,333,356
Total noncurrent assets	\$	<u>3,717,643</u>
Total assets	\$	<u>7,058,466</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$	128,939
Accrued payables		217,221
Current portion of long-term capital liabilities		210,301
Current portion of compensated absences payable		234,559
Total current liabilities	\$	<u>791,020</u>
Noncurrent liabilities:		
Deposits payable	\$	5,900
Noncurrent portion of long-term liabilities		1,087,220
Noncurrent portion of OPEB		1,367,947
Noncurrent portion of compensated absences		63,888
Total noncurrent liabilities	\$	<u>2,524,955</u>
Total liabilities	\$	<u>3,315,975</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$	1,880,214
Restricted for bond indenture requirements		236,889
Restricted for other purposes		3,491
Unrestricted		1,621,897
Total net position	\$	<u>3,742,491</u>
Total liabilities and net position	\$	<u>7,058,466</u>

See accompanying Notes to the Financial Statements

**Sweet Grass County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2014**

		<b>Business-Type Activities - Enterprise Fund</b>
		<b><u>Pioneer Medical Center</u></b>
<b>OPERATING REVENUES</b>		
Charges for services	\$	8,328,156
Miscellaneous revenues		66,621
Total operating revenues	\$	<u>8,394,777</u>
<b>OPERATING EXPENSES</b>		
Personal services	\$	3,794,504
Supplies		400,986
Purchased services		2,285,945
Fixed charges		220,113
Loss/bad debt expense		1,844,603
Depreciation		379,552
Total operating expenses	\$	<u>8,925,703</u>
Operating income (loss)	\$	<u>(530,926)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Taxes/assessments revenue	\$	430,037
Interest revenue		7,070
Insurance proceeds		73,805
Debt service interest expense		(80,304)
Loss on Disposal of Capital Assets		(51,200)
Total non-operating revenues (expenses)	\$	<u>379,408</u>
Income (loss) before contributions and transfers	\$	<u>(151,518)</u>
Change in net position	\$	<u>(151,518)</u>
Net Position - Beginning of the year	\$	3,742,902
Restatements		151,107
Net Position - Beginning of the year - Restated	\$	<u>3,894,009</u>
Net Position - End of the year	\$	<u><u>3,742,491</u></u>

See accompanying Notes to the Financial Statements

**Sweet Grass County  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 Fiscal Year Ended June 30, 2014**

	<u>Pioneer Medical Center</u>
<b>Cash flows from operating activities:</b>	
Cash received from providing services	\$ 6,474,713
Cash received from miscellaneous sources	66,621
Cash payments to suppliers	(792,924)
Cash payments for professional services	(2,506,058)
Cash payments to employees	(3,616,197)
Net cash provided (used) by operating activities	<u>\$ (373,845)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	\$ (62,033)
Insurance proceeds	73,805
Principal paid on debt	(190,237)
Interest paid on debt	(81,804)
Net cash provided (used) by capital and related financing activities	<u>\$ (260,269)</u>
<b>Cash flows from non-capital financing activities:</b>	
Tax levies and contributions from the County	\$ 428,720
Net cash provided (used) from non-capital financing activities	<u>\$ 428,720</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	\$ 7,046
Net cash provided (used) by investing activities	<u>\$ 7,046</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (198,348)</b>
<b>Cash and cash equivalents at beginning</b>	<b>\$ 1,808,614</b>
<b>Cash and cash equivalents at end</b>	<b>\$ <u>1,610,266</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (530,926)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	379,552
Other post-employment benefits	217,444
Changes in assets and liabilities:	
Increase in accounts receivable	(8,840)
Increase in inventory	(5,916)
Increase in prepaid expenses	(12,386)
Increase in due from other governments	(442,492)
Increase in accounts payable	127,751
Decrease in due to other governments	(58,895)
Increase in compensated absences	9,832
Decrease in accrued payroll	(48,969)
Net cash provided (used) by operating activities	<u>\$ (373,845)</u>

See accompanying notes to the financial statements

**Sweet Grass County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 2,362,653	\$ 1,683,316
Taxes receivable	-	302,930
Total assets	<u>\$ 2,362,653</u>	<u>\$ 1,986,246</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 464,579
Short-term payables	-	9,850
Due to others	-	1,499,571
Accrued interest payable	-	12,246
Total liabilities	<u>\$ -</u>	<u>\$ 1,986,246</u>
<b>NET POSITION</b>		
Assets held in trust	<u>\$ 2,362,653</u>	

See accompanying Notes to the Financial Statements

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

	<u>Investment Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Contributions to Investment Trust Fund	1,424,809
Investment earnings:	
Interest and change in fair value of investments	\$ 14,890
Total additions	\$ <u>1,439,699</u>
<b>DEDUCTIONS</b>	
Distributions from investment trust fund	<u>1,550,307</u>
Change in net position	\$ <u>(110,608)</u>
Net Position - Beginning of the year	\$ 2,473,261
Net Position - End of the year	\$ <u><u>2,362,653</u></u>

See accompanying Notes to the Financial Statements

SWEET GRASS COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This standard is effective for fiscal year ending June 30, 2012.

The government adopted the provisions of Governmental Accounting Standards Board statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

**Financial Reporting Entity**

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

*Primary Government*

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

SWEET GRASS COUNTY, MONTANA  
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**Basis of Presentation, Measurement Focus and Basis of Accounting.**

*Government-wide Financial Statements:*

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

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

SWEET GRASS COUNTY, MONTANA  
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**Fund Financial Statements:**

*Basis of Presentation*

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

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

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

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

SWEET GRASS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**

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

*Major Funds:*

The County reports the following major governmental funds:

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

*Road* – A special revenue fund to account for activities relating to roadwork.

*Law Enforcement* – A special revenue fund to account for the activities related to law enforcement services.

*Hard Rock Mine Trust* – A special revenue fund to account for the holding of funds resulting from Metal Mines License Taxes and Hard Rock Mining Impact Fees.

*Disaster State/Federal* – A special revenue fund used to account for the activities related to presidentially declared disaster repair and recovery.

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for 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 non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

SWEET GRASS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

Major Funds:

The County reports the following major proprietary funds:

*Pioneer Medical Center (Hospital Fund)* – An enterprise fund that accounts for the activities of the Pioneer Medical Center.

***Fiduciary Funds***

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

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

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

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 3,494
<u>Cash in banks:</u>	
Demand deposits	3,890,524
Savings deposits	1,059,459
Time deposits	6,501,625
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	866,185
Total	\$ <u><u>12,321,287</u></u>

SWEET GRASS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Credit Risk**

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

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

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

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

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

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

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

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

SWEET GRASS COUNTY, MONTANA  
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Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2014:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 907,892,295	A1	44
Corporate Commercial Paper	150,768,775	A1	105
Corporate Variable-Rate	663,143,336	A3	41
Certificates of Deposit Fixed Rate	50,000,000	A1	222
Certificates of Deposit Variable-Rate	435,974,196	A2	35
Other Asset Backed	17,987,295	BBB-	NA
U.S. Government Agency Fixed	25,000,000	A1	3
U.S. Government Agency Variable -Rate	182,700,345	A1	17
Money Market Funds (Unrated)	168,232,935	NR	1
Money Market Funds (Rated)	15,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>29,561,449</u>	<u>NR</u>	<u>4</u>
Total Investments	<u>\$ 2,646,260,626</u>		<u>43</u>
Securities Lending Collateral Investment Pool	<u>\$ 7,182,928</u>	NR	*

“\*As of June 30, 2013, the Securities Lending Quality Trust liquidity pool had an average duration of 48 days and an average weighted final maturity of 99 days for U.S. dollar collateral. The duration pool had an average duration of 36 days and an average weighted final maturity of 679 days for U.S. dollar collateral.”

Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014, \$3,699,510 of the government's bank balance of \$11,473,625 was exposed to custodial credit risk as follows:

SWEET GRASS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 3,806,674
- Collateral held by the pledging bank's trust department but not in the County's name.	3,967,441
Uninsured and Uncollateralized Balance	3,699,510
Total deposits and investments	\$ <u><u>11,473,625</u></u>

Deposit Security

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

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

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

**Cash and Investment Pool**

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments."

**Investment in the Treasurer's Pools**

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds.

The County has one pooled investment trust fund invested in STIP, savings, and time deposits, and they are carried at fair value.

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

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

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

SWEET GRASS COUNTY, MONTANA  
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Investment Income

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

**Condensed statements of investments pools**

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

**Statement of Net Assets**

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 6,209,189
Equity of external pool participants	2,362,653
Total equity	<u>\$ 8,571,842</u>

**Condensed Statement of Changes in Net Assets**

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 14,890	\$ 36,455
Contributions to trust	1,424,809	3,488,326
Distributions paid	(1,550,307)	(3,312,400)
Net change in net assets	<u>\$ (110,608)</u>	<u>\$ 212,381</u>
Net assets at beginning of year	2,473,261	5,996,808
Net assets at end of year	<u>\$ 2,362,653</u>	<u>\$ 6,209,189</u>

**Cash equivalents**

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

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

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

<u>Description</u>	<u>Amount</u>
Debt Service	\$ 255,690
Patient Trust Account	<u>3,491</u>
Total	<u>\$ 259,181</u>

SWEET GRASS COUNTY, MONTANA  
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**NOTE 4. RECEIVABLES**

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

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

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

**NOTE 5. INVENTORIES**

Inventories recorded in the proprietary fund statements are recorded using the First in First out inventory method. The cost of inventories are recorded as an expenditure when purchased.

**NOTE 6. CAPITAL ASSETS**

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

SWEET GRASS COUNTY, MONTANA  
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Buildings	60 years
Machinery & Equipment	5 – 30 years
Improvements	5 – 75 years
Vehicles & Heavy Equipment	3 – 10 years

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

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 61,056	\$ -	\$ -	\$ -	\$ 61,056
Construction in progress	21,838	29,470	-	(22,808)	28,500
Total capital assets not being depreciated	<u>\$ 82,894</u>	<u>\$ 29,470</u>	<u>\$ -</u>	<u>\$ (22,808)</u>	<u>\$ 89,556</u>
Other capital assets:					
Buildings	\$ 4,217,870	\$ 127,510	\$ -	\$ 22,808	\$ 4,368,188
Improvements other than buildings	4,803,977	238,696	(104,525)	-	4,938,148
Machinery and equipment	2,216,555	39,566	-	-	2,256,121
Total other capital assets at historical cost	<u>\$ 11,238,402</u>	<u>\$ 405,772</u>	<u>\$ (104,525)</u>	<u>\$ 22,808</u>	<u>\$ 11,562,457</u>
Less: accumulated depreciation	<u>\$ (5,234,649)</u>	<u>\$ (729,266)</u>	<u>\$ 100,390</u>	<u>\$ -</u>	<u>\$ (5,863,525)</u>
Total	<u><u>\$ 6,086,647</u></u>	<u><u>\$ (294,024)</u></u>	<u><u>\$ (4,135)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,788,488</u></u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$125,378
Public safety	209,171
Public works	349,291
Social and economic services	1,888
Culture and recreation	<u>43,538</u>
Total governmental activities depreciation expense	<u><u>\$729,266</u></u>

SWEET GRASS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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A summary of changes in business-type capital assets was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 101,667	\$ -	\$ -	\$ 101,667
Other capital assets:				
Buildings	\$ 6,956,747	\$ 45,481	\$ (53,333)	\$ 6,948,895
Improvements other than buildings	5,769	17,670	-	23,439
Machinery and equipment	1,964,744	-	-	1,964,744
Total other capital assets at historical cost	\$ 8,927,260	\$ 63,151	\$ (53,333)	\$ 8,937,078
Less: accumulated depreciation	\$ (5,202,864)	\$ (379,552)	\$ 2,133	\$ (5,580,283)
Total	<u>\$ 3,826,063</u>	<u>\$ (316,401)</u>	<u>\$ (51,200)</u>	<u>\$ 3,458,462</u>

**NOTE 8. LONG TERM DEBT OBLIGATIONS**

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

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

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

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 190,403	\$ -	\$ (7,343)	\$ 183,060	\$ 139,208
Intercap loans	149,972	8,333	(55,691)	102,614	56,275
Capital leases	12,402	-	(3,599)	8,803	4,141
Other post-employment benefits*	624,348	156,087	-	780,435	-
Total	<u>\$ 977,125</u>	<u>\$ 164,420</u>	<u>\$ (66,633)</u>	<u>\$ 1,074,912</u>	<u>\$ 199,624</u>

\*See Note 9

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

SWEET GRASS COUNTY, MONTANA  
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Business-type Activities:

	Balance			Balance		Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
Revenue bonds	\$ 1,525,276	\$ -	\$ (142,328)	\$ 1,382,948	\$ 147,913	
Contracted debt	242,091	-	(46,791)	195,300	50,204	
Compensated absences	288,615	9,832	-	298,447	234,559	
Other post-employment benefits*	869,776	217,444	-	1,087,220	-	
Total	<u>\$ 2,925,758</u>	<u>\$ 227,276</u>	<u>\$ (189,119)</u>	<u>\$ 2,963,915</u>	<u>\$ 432,676</u>	

\*See Note 9

*Revenue Bonds* - The County also issues bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding, at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
2001 Assisted Living Facility Bond #1	5-1-01	6.15%	20 yrs	7-1-20	\$ 935,000	Varies	\$ 390,000
2001 Assisted Living Facility Bond #2	5-1-01	4.75%	30 yrs	5-14-31	500,000	\$ 31,320	363,054
1996 Pioneer Medical Center	7-2-96	4.89%	25 yrs	5-31-21	<u>1,550,000</u>	\$ 107,508	<u>629,894</u>
					<u>\$ 2,985,000</u>		<u>\$ 1,382,948</u>

SWEET GRASS COUNTY, MONTANA  
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Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The County was in compliance with applicable covenants as of June 30, 2014.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 147,913	\$ 69,637
2016	157,535	61,798
2017	167,388	53,405
2018	172,482	44,411
2019	182,829	35,131
2020	193,444	25,246
2021	115,378	14,491
2022	20,127	11,193
2023	21,104	10,216
2024	22,128	9,192
2025	23,202	8,118
2026	24,329	6,991
2027	25,510	5,810
2028	26,748	4,572
2029	28,047	3,273
2030	29,409	1,911
2031	25,375	611
Total	<u>\$ 1,382,948</u>	<u>\$ 366,006</u>

**Loans/Contracted Debt**

Loans/contracted debt outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Triangle Telephone Loan (2)	10-15-12	1.25%	8.8 yrs	1-1-18	\$ <u>551,000</u>	\$ <u>195,300</u>

(2) Reported in business-type activities.

SWEET GRASS COUNTY, MONTANA  
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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 50,204	\$ 12,184
2016	53,864	8,523
2017	57,792	4,595
2018	33,440	753
Total	<u>\$ 195,300</u>	<u>\$ 26,055</u>

**Intercap Loans**

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Airport Master Plan (1)	3/5/13	1.63%	5 yrs	2/1/18	\$ 8,333	\$ 6,683
Equipment (1)	3/5/10	1.0-4.75%	5 yrs	2/15/15	200,000	41,195
Patrol Cars (1)	2/15/13	1.0-4.75%	5 yrs	2/15/18	68,000	<u>54,736</u>
Total					<u>\$ 276,333</u>	<u>\$ 102,614</u>

(1) Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 56,275	\$ 1,237
2016	15,248	427
2017	17,152	289
2018	13,939	139
Total	<u>\$ 102,614</u>	<u>\$ 2,092</u>

**Capital Leases**

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

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<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Capitalized Original Cost</u>	<u>Remaining Payments as of June 30, 2014</u>
Courthouse Copier (1)	7/1/11	12.00%	\$ 7,295	\$ 3,451
Annex copier (1)	11/1/11	10.00%	<u>10,399</u>	<u>5,352</u>
Total			<u>\$ 17,694</u>	<u>\$ 8,803</u>

(1) Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,141	\$ 779
2016	3,935	345
2017	727	19
Total	<u>\$ 8,803</u>	<u>\$ 1,143</u>

**Compensated Absences**

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

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**NOTE 10. INTERFUND RECEIVABLES AND PAYABLES**

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

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Deficit cash balance	PILT – Nonmajor Governmental	Emergency Disaster - Nonmajor Governmental	\$ 544
Deficit cash balance	PILT – Nonmajor Governmental	Garnishments – Nonmajor Governmental	286
Deficit cash balance	PILT – Nonmajor Governmental	Weed Old Boulder – Nonmajor Governmental	2,408
Deficit cash balance	PILT – Nonmajor Governmental	Weed Deer & Bridger – Nonmajor Governmental	1,121
Deficit cash balance	PILT – Nonmajor Governmental	Weed NRCS Contribution – Nonmajor Governmental	2,282
Deficit cash balance	PILT – Nonmajor Governmental	SAR RAC – Nonmajor Governmental	600
Deficit cash balance	PILT – Nonmajor Governmental	RAC – Nonmajor Governmental	340
Deficit cash balance	PILT – Nonmajor Governmental	STEP Grant – Nonmajor Governmental	640
Deficit cash balance	PILT – Nonmajor Governmental	2012 HSGP – Nonmajor Governmental	110,000
Deficit cash balance	PILT – Nonmajor Governmental	TSEP PER 2014 – Nonmajor Governmental	<u>5,100</u>
			<u>\$ 123,321</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Future Capital Projects	Capital Improvement Courthouse – Nonmajor Governmental	General – Major Governmental	\$ 30,000
Future Capital Projects	Capital Improvement Annex – Nonmajor Governmental	General – Major Governmental	5,000
Future Capital Projects	Disaster State-Federal – Major Governmental	Road – Major Governmental	61,784
Future Capital Projects	Capital Improvement Road M&E – Nonmajor Governmental	Road – Major Governmental	25,000
Future Capital Projects	Capital Improvement WFHL Grant – Nonmajor Governmental	Road – Major Governmental	22,664
Future Capital Projects	TSEP P.E.R 2014 – Nonmajor Governmental	Bridge – Nonmajor Governmental	15,000
Future Capital Projects	TSEP Pony Truss Bridge – Nonmajor Governmental	Bridge – Nonmajor Governmental	35,000

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Engineering services for FAA Grant Plan	FAA Master Plan Grant – Nonmajor Governmental	Airport – Nonmajor Governmental	10,000
Future Capital Projects	Capital Improvement Airport - Nonmajor Governmental	Airport – Nonmajor Governmental	10,000
Future Capital Projects	Capital Improvement Cemetery – Nonmajor Governmental	Cemetery – Nonmajor Governmental	37,250
Future Capital Projects	Capital Improvement SR Citizens – Nonmajor Governmental	SR Citizens – Nonmajor Governmental	5,000
Future Capital Projects	Capital Improvement Law Enforcement – Nonmajor Governmental	Law Enforcement – Major Governmental	30,164
Future Capital Projects	Capital Improvement Fire – Nonmajor Governmental	Fire – Nonmajor Governmental	43,500
Future Capital Projects	Capital Improvement Technology – Nonmajor Governmental	Website & Technology – Nonmajor Governmental	16,491
Budgeted Transfer	Search & Rescue – Nonmajor Governmental	Posse – Nonmajor Governmental	3,500
Budgeted Transfer	Posse – Nonmajor Governmental	Search & Rescue – Nonmajor Governmental	3,500
Budgeted Transfer	Possee – Nonmajor Governmental	Cost of Services Grant – Nonmajor Governmental	1,303
Budgeted Transfer	Fair – Nonmajor Governmental	Community Events Center – Nonmajor Governmental	44,005
Future Capital Projects	Capital Improvements Fair – Nonmajor Governmental	Community Events Center – Nonmajor Governmental	84,006
Future Capital Projects	Law Enforcement – Major Governmental	911 Emergency – Nonmajor Governmental	28,000
Future Capital Projects	Capital Improvements Fair – Nonmajor Governmental	PILT – Nonmajor Governmental	6,000
Future Capital Projects	Capital Improvements WFHL Grant – Nonmajor governmental	PILT – Nonmajor Governmental	<u>5,769</u>
Future Capital Projects	Capital Project Weed	PILT	25,000
Future Capital Projects	TSEP Pony Truss Bridge – Nonmajor Governmental	TSEP P.E.R.	<u>51,020</u>
	Total		<u>\$ 598,956</u>

**NOTE 11. STATE-WIDE RETIREMENT PLANS**

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

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

	<u>PERS</u> **	<u>SRS</u>
Employer	7.07%	10.115%
Employee	6.90%	9.245%
State	0.10%	-

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

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

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

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

	<u>PERS</u>	<u>SRS</u>
2012	\$ 245,943	\$ 29,434
2013	\$ 244,646	\$ 31,527
2014	\$ 263,765	\$ 31,420

**NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

**Nonspendable Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ <u>351,882</u>	Inventory

SWEET GRASS COUNTY, MONTANA  
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 June 30, 2014

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 555,785	Public Works
Law Enforcement	350,444	Public Safety
Hard Rock Mine Trust	1,078,175	General Government
All other aggregate:		
	146,794	General Government
	528,694	Public Safety
	508,069	Public Works
	657,086	Public Health
	75,329	Culture & Recreation
	<u>265,277</u>	Economic Development
Total	<u>\$ 4,165,653</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All other aggregate		
	\$ 5,019	General Government Capital Projects
	73,203	Public Safety Capital Projects
	409,368	Public Works Capital Projects
	5,000	Economic Development Capital Projects
	<u>98,661</u>	Culture & Recreation Capital Projects
Total	<u>\$ 591,251</u>	

**NOTE 13. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
		The County received	Part of the deficit will be
		FEMA grant revenue in	eliminated if the County receives
Disaster/State Federal	\$ 108,008	advance	FEMA reimbursements.

**NOTE 14. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Road	\$ 32,985	To correct prior year inventory
Disaster (State/Federal)	\$(90,177)	Grant receivable recorded in prior year not received
PMC	\$ 151,107	To adjust Medicare cost reimbursement receivable to actual

SWEET GRASS COUNTY, MONTANA  
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**NOTE 15. RELATED PARTY TRANSACTIONS**

Sweet Grass County had a lease agreement to lease a 2013 Ford Supercrew 4x4 Truck from the Sheriff Dan Tronrud from July 1, 2013 to June 30, 2014. The County will pay the Sheriff rent in the amount of \$600 per month, payable at the beginning of each month for a total annual amount of \$7,200. The lease will automatically renew July 1, 2015, unless the Sheriff terminated employment with the County or purchases a different vehicle. The amount of the lease may be negotiated annually during the budgeting process. The Sheriff will use the vehicle for all job related duties and shall also maintain, possess and be entitled to use the vehicle for personal use when vehicle is not required for official duties. The Sheriff is responsible for all maintenance and the County is responsible to furnish an insurance policy to insure the vehicle. The County pays for the purchase of and installation of all police equipment and in the event that the lease is not renewed the Sheriff agrees to permit the County to remove the police equipment.

**NOTE 16. JOINT VENTURES**

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

**NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS**

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

**NOTE 18. RISK MANAGEMENT**

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

SWEET GRASS COUNTY, MONTANA  
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Insurance Policies:

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

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Sweet Grass County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 900,842	\$ 900,842	\$ 928,652	\$ 27,810
Licenses and permits	300	300	368	68
Intergovernmental	160,170	160,170	163,814	3,644
Charges for services	127,853	127,853	134,454	6,601
Fines and forfeitures	45,700	45,700	35,587	(10,113)
Miscellaneous	24,200	24,200	54,607	30,407
Investment earnings	5,000	5,000	6,897	1,897
Insurance Proceeds	-	-	-	-
Amounts available for appropriation	<u>\$ 1,264,065</u>	<u>\$ 1,264,065</u>	<u>\$ 1,324,379</u>	<u>\$ 60,314</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 1,180,488	\$ 1,180,488	\$ 1,104,174	\$ 76,314
Public safety	94,800	94,800	62,771	32,029
Public works	-	-	-	-
Public health	32,350	32,350	30,925	1,425
Social and economic services	5,000	5,000	4,000	1,000
Debt service - principal	3,510	3,510	3,599	(89)
Debt service - interest	1,150	1,150	1,217	(67)
Miscellaneous	11,000	11,000	21,798	(10,798)
Capital outlay	20,000	20,000	1,219	18,781
Total charges to appropriations	<u>\$ 1,348,298</u>	<u>\$ 1,348,298</u>	<u>\$ 1,229,703</u>	<u>\$ 118,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Proceeds from insurance	-	19,329	19,329	-
Transfers in	-	-	-	-
Transfers out	(30,000)	(30,000)	(35,000)	(5,000)
Total other financing sources (uses)	<u>\$ (30,000)</u>	<u>\$ (10,671)</u>	<u>\$ (15,671)</u>	<u>\$ (5,000)</u>
Net change in fund balance			<u>\$ 79,005</u>	
Fund balance - beginning of the year			\$ 543,177	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 543,177</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 622,182</u></u>	

**Sweet Grass County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Road</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 406,593	\$ 406,593	\$ 401,858	\$ (4,735)
Licenses and permits	300	300	375	75
Intergovernmental	80,667	80,667	289,756	209,089
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	20,383	20,383
Investment earnings	-	-	-	-
Insurance Proceeds	-	-	-	-
Amounts available for appropriation	<u>\$ 487,560</u>	<u>\$ 487,560</u>	<u>\$ 712,372</u>	<u>\$ 224,812</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	676,450	676,450	622,976	53,474
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	35,477	35,477	35,476	1
Debt service - interest	625	625	624	1
Miscellaneous	-	-	-	-
Capital outlay	50,000	50,000	36,550	13,450
Total charges to appropriations	<u>\$ 762,552</u>	<u>\$ 762,552</u>	<u>\$ 695,626</u>	<u>\$ 66,926</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Proceeds from insurance	-	-	930	930
Transfers in	-	-	-	-
Transfers out	(109,448)	(109,488)	(109,448)	40
Total other financing sources (uses)	<u>\$ (109,448)</u>	<u>\$ (109,488)</u>	<u>\$ (108,518)</u>	<u>\$ 970</u>
Net change in fund balance			<u>\$ (91,772)</u>	
Fund balance - beginning of the year			\$ 966,454	
Restatements			32,985	
Fund balance - beginning of the year - restated			<u>\$ 999,439</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 907,667</u></u>	

**Sweet Grass County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Law Enforcement</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>WITH FINAL</b>
			<b>(BUDGETARY</b>	<b>BUDGET</b>
			<b>BASIS) See Note A</b>	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 535,708	\$ 535,708	\$ 531,140	\$ (4,568)
Licenses and permits	-	-	-	-
Intergovernmental	83,105	83,105	81,668	(1,437)
Charges for services	180,720	180,720	190,733	10,013
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	1,851	1,851
Investment earnings	500	500	1,097	597
Insurance Proceeds	4,960	4,960	-	(4,960)
Amounts available for appropriation	\$ 804,993	\$ 804,993	\$ 806,489	\$ 1,496
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	868,784	868,784	852,529	16,255
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	13,264	13,264	13,264	-
Debt service - interest	730	730	730	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 882,778	\$ 882,778	\$ 866,523	\$ 16,255
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ 4,960	\$ 51,510	\$ -	\$ (51,510)
Proceeds from insurance	-	-	51,510	51,510
Transfers in	28,000	28,000	28,000	-
Transfers out	(30,164)	(30,164)	(30,164)	-
Total other financing sources (uses)	\$ 2,796	\$ 49,346	\$ 49,346	\$ -
Net change in fund balance			\$ (10,688)	
Fund balance - beginning of the year			\$ 361,132	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 361,132	
<b>Fund balance - end of the year</b>			\$ 350,444	

**Sweet Grass County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

<b>Hard Rock Mine Trust</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	
			<b>(BUDGETARY BASIS) See Note A</b>	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	230,000	230,000	252,968	22,968
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	2,500	2,500	4,009	1,509
Insurance Proceeds	-	-	-	-
Amounts available for appropriation	\$ 232,500	\$ 232,500	\$ 256,977	\$ 24,477
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 1,053,698	\$ 1,053,698	\$ -	\$ 1,053,698
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 1,053,698	\$ 1,053,698	\$ -	\$ 1,053,698
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Proceeds from insurance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ 256,977	
Fund balance - beginning of the year			\$ 821,198	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 821,198	
<b>Fund balance - end of the year</b>			<b>\$ 1,078,175</b>	

**Sweet Grass County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Disaster (State/Federal)</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	513,103	513,103	10,255	(502,848)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Insurance Proceeds	-	-	-	-
Amounts available for appropriation	<u>\$ 513,103</u>	<u>\$ 513,103</u>	<u>\$ 10,255</u>	<u>\$ (502,848)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	575,000	575,000	10,254	564,746
Public health	-	-	-	-
Social and economic services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 575,000</u>	<u>\$ 575,000</u>	<u>\$ 10,254</u>	<u>\$ 564,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -
Proceeds from insurance	-	-	-	-
Transfers in	61,784	-	61,784	61,784
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 61,784</u>	<u>\$ -</u>	<u>\$ 61,784</u>	<u>\$ 61,784</u>
Net change in fund balance			<u>\$ 61,785</u>	
Fund balance - beginning of the year			\$ (79,616)	
Restatements			<u>(90,177)</u>	
Fund balance - beginning of the year - restated			<u>\$ (169,793)</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ (108,008)</u></u>	

**Sweet Grass County, Montana  
Budgetary Comparison Schedule  
Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Road</u>	<u>Law Enforcement</u>	<u>Hard Rock Mine Trust</u>	<u>Disaster (State/Federal)</u>
<b>Sources/Inflows of resources</b>					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,324,379	\$ 712,372	\$ 806,489	\$ 256,977	\$ 10,255
Combined funds (GASBS 54) revenues	417,335	-	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,741,714</u>	<u>\$ 712,372</u>	<u>\$ 806,489</u>	<u>\$ 256,977</u>	<u>\$ 10,255</u>
<b>Uses/Outflows of resources</b>					
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,229,703	\$ 695,626	\$ 866,523	-	\$ 10,254
Combined funds (GASBS 54) expenditures	329,594	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,559,297</u>	<u>\$ 695,626</u>	<u>\$ 866,523</u>	<u>\$ -</u>	<u>\$ 10,254</u>

**Sweet Grass County, Montana**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2010	\$ -	\$ 2,278,260	\$ 2,278,260	0%	\$ 5,880,596	38.7%

# **SINGLE AUDIT SECTION**

**Sweet Grass County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditure June 30, 2013</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Direct:</i>			
Schools and Roads - Grants to States	10.665	12-DG-11011100-005	\$ 40,376
Schools and Roads - Grants to States	10.665	13-DG-11011100-042	6,500
Schools and Roads - Grants to States	10.665	N/A	339
Environmental Quality Incentives Program	10.912	65-0325-12-039	17,892
<i>Passed through Montana Department of Administration:</i>			
Schools and Roads - Grants to States	10.665	N/A	201,779
<i>Passed through Montana Department of Agriculture:</i>			
Forest Health Protection	10.680	2014-711x	1,121
<b>Total U.S. Department of Agriculture</b>			<b>\$ 268,007</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct:</i>			
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0188	\$ 27,293
<b><u>U.S. Department of Transportation</u></b>			
<i>Direct:</i>			
Airport Improvement Program	20.106	DOT-FA13NM-2016	\$ 209,376
<i>Passed through Montana Sheriff and Peace Officers Association:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	1,664
<b>Total U.S. Department of Transportation</b>			<b>\$ 211,040</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Public Health and Human Services:</i>			
Public Health Emergency Preparedness	93.069	N/A	\$ 28,201
Immunization Cooperative Agreements	93.268	13-07-4-31-145-0	2,430
Maternal and Child Health Services Block Grant to the States	93.994	N/A	2,859
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 33,490</b>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through Montana Department of Military Affairs:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$ 7,691
Emergency Management Performance Grants	97.042	EMW-2012-EP-00057-S01	2,061
Emergency Management Performance Grants	97.042	EMPG 2013	6,000
Homeland Security Grant Program	97.067	EMW-2012-SS-00143	22,817
<i>Passed through Montana Department of Administration:</i>			
Hazard Mitigation Grant	97.039	FEMA DR-1996-MT	1,773
<b>Total U.S. Department of Education</b>			<b>\$ 40,342</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 580,172</b>

N/A = Not Applicable or Not Available

SWEET GRASS COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2014

*Basis of Presentation*

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

***Denning, Downey & 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***

Board of County Commissioners  
Sweetgrass County  
Big Timber, 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, business-type activities, the aggregate each major fund, and the aggregate remaining fund information of Sweetgrass County, Montana, as of and for the Year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Sweet Grass County's basic financial statements and have issued our report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We did not identify any material weaknesses.

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency as identified as item 2014-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sweetgrass County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item 2014-002.

We noted certain matters that we reported to management of Sweet Grass County, in the report on other compliance, financial, and internal accounting controls matters included in this report.

### **Sweetgrass County's Response to Findings**

Sweetgrass County's response to the findings identified in our audit is described in the Auditee's Response to Findings. Sweetgrass County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

March 31, 2015

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

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

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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**

Board of County Commissioners  
Sweet Grass County  
Big Timber, Montana

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Sweet Grass County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the Year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

March 31, 2015

SWEET GRASS COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2014

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	None Reported
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads, Grants to States
20.106	Airport Improvement Program

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 2014-001 Cash Account Handling and Reporting

##### **Condition:**

This comment is repeated from FY2013

- (1) The County has an excessive number of individual cash accounts. On the June 30, 2014 cash reconciliation, the County reports 16 checking accounts.. This is a repeat finding for the County.
- (2) The County does not monitor the Fire Donations bank account during the year. Instead the County adjusts for the revenue and expenditure activity and the change in the cash balance in one lump adjustment.

##### **Context:**

During the audit, each cash account balance as of June 30, 2014 was scheduled on a spreadsheet and the reconciliations were then re-performed, where applicable, to get from the bank balance to the book balance. During this process several small reconciling errors were noted that were most likely due to the complexity of such reconciliations for 47 cash accounts. In addition, during the review of the detail trial balance, it was noted that there were only a couple of adjustments made in the Fire Donations Fund at the end of the year instead of year-round monitoring of the bank account which is solely for that particular fund.

##### **Criteria:**

- (1) There is no legal limit on the number of accounts a County can maintain. However, the more bank accounts a government has, the greater the risk for misstatement or fraud.
- (2) The County must monitor its bank accounts to reduce the possibility of theft or fraud and to be able to properly account for changes in budgeted revenue and expenditure amounts during the year with budget amendments as required.

##### **Effect:**

- (1) The excessive number of cash accounts increases the work load in reconciling items as well as the risk of misstatement or fraud.
- (2) There is a greater risk for misstatement or fraud when cash accounts are not monitored during the year. The lack of monitoring also created an issue of noncompliance due to the lack of budget amendment preparation for revenue and expenditure overtures in the Fire Donation fund for the year.

##### **Cause:**

- (1) The County somewhat attempts to track cash balances by opening separate bank accounts rather than using their accounting system to identify cash in the County investment pool.
- (2) The County does not properly monitor the bank account pertaining to the Fire Donations fund.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### **Recommendation:**

- (1) We recommend that the County Commissioners should review all of the bank accounts and consolidate where possible.
- (2) We recommend that the County record activity in the Fire Donations fund on a monthly basis in order to monitor the bank account.

### **Views of Responsible Officials and Planned Corrective Action:**

Before June 30, 2015 the County will evaluate the need for each of its checking accounts and make attempts to streamline the reconciling process.

## **2014-002      Other Post-Employment Benefits (OPEB)**

### **Condition:**

The County has not recorded its OPEB obligation as required by the GASB and has chosen to use an outdated report for the fiscal year 2014 Annual Required Contribution (ARC).

### **Context:**

OPEB Annual Required Contribution (ARC) amounts as well as beginning and ending balances are audited each year for correct reporting. The OPEB report is also audited for reasonable assumptions used in the calculation. For the current fiscal year, the County's most recent OPEB report was expired so the County used the ARC from the outdated OPEB report. The County is therefore automatically out of compliance with the GASB 45 requirements.

### **Criteria:**

The Governmental Accounting Standards Board (GASB) issued statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The purpose of the statement is for governments to recognize the cost of OPEB obligations as they are earned by the employees. The County is required to obtain a new actuarial evaluation every three years.

### **Effect:**

The County's last OPEB report was from fiscal year 2010 and is therefore outdated. The County chose not to obtain a new OPEB actuarial report for fiscal year 2014 and therefore is not in compliance with the reporting requirements of GASB #45.

### **Cause:**

Although the County was aware of the requirement for an actuarial evaluation every three years, the OPEB liability calculation was not prepared for fiscal year 2014 and the ARC from the outdated report was used.

### **Recommendation:**

We recommend that the County obtain a new actuarial evaluation in order to be in compliance and to accurately report the annual ARC and total OPEB liability in the future.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**Views of Responsible Officials and Planned Corrective Action:**

The County plans on getting a new OPEB valuation completed for FY 2015

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of County Commissioners  
Sweet Grass County  
Big Timber, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
CDBG Bidding	Implemented
PMC Medicare Reimbursement	Implemented
PMC Overstatement of Receivables	Implemented
Outstanding Warrants	Not Implemented
District Court Internal Controls	Not Repeated
Justice Court Internal Controls	Not Repeated
Inadequate Cash Reconciliation	Repeated

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

March 31, 2015