

SWEET GRASS COUNTY, MONTANA

Fiscal Year Ended June 30, 2012

AUDIT REPORT

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

SWEET GRASS COUNTY, MONTANA

Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-14
Independent Auditor's Report	15-16
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	17
Statement of Activities	18
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Balance Sheet – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Fund Types	25
Fiduciary Funds – Statement of Fiduciary Net Assets	26
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	27
Notes to Financial Statements	28-48
Required Supplemental Information	
Budgetary Comparison Schedule	49-50
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	51
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	52
Single Audit Section	
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55-56

SWEET GRASS COUNTY, MONTANA

TABLE OF CONTENTS – Continued

Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs	59-61
Report on Prior Audit Recommendations	62

SWEET GRASS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2012

BOARD OF COUNTY COMMISSIONERS

Susan Mosness
Rick Reed
Bill Wallace

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Pat Dringman
Jane Stene
Sherry Bjorndal
Deanna Novotny
Jessie Connolly
Susan Metcalf
Dan Tronrud

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

Sweet Grass County, Montana
FY 2012
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, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished with our letter of transmittal.

Financial Highlights

The total assets from the governmental activities of Sweet Grass County exceeded its liabilities at the close of the fiscal year ending June 30, 2012 by \$11,761,960 (total net assets). Included in total net assets is \$6,124,685 invested, net of debt, in capital assets. Capital assets are buildings, land, and machinery and equipment, valued in excess of five thousand dollars. Capital assets comprise 52% of the total net assets. Also included in net assets is \$1,131,513 of unrestricted net assets. This may be used to meet the general government's ongoing obligations to citizens and creditors. The remaining \$4,505,762 is restricted for use by funds whose resources are designated by law, contractual agreement or administrative regulation not allowing the money to be used for any other purpose.

Sweet Grass County operates a medical facility, Pioneer Medical Center (PMC). This facility is a combined nursing home, medical clinic, assisted living facility, critical access hospital and ambulance service. The PMC operates with administrative assistance from Billings Clinic, Billings, MT. Billings Clinic provides management, accounting, software, and information technology services. The PMC is accounted for on the County books as a business-type activity (proprietary or enterprise fund). The PMC assets for FY2012 exceeded its liabilities by \$2,607,201 (total net assets). Included in total net assets is \$1,017,535 for capital assets, net of related debt. This is an important distinction for the PMC as it incurred debt to remodel the building to accommodate all its various uses. The PMC capital assets comprise just 39% of total net assets. This percentage is lower than the governmental unit due to the \$3,170,235 debt obligation. Pioneer Medical Center has \$1,347,948 in unrestricted assets and \$241,718 in restricted assets. Unrestricted assets may be used to meet the PMC ongoing obligations to citizens and creditors. Restricted assets are the reserves required to be held for the bond debt.

The PMC is currently operating with a county-wide 25 mills tax levy voted on in the spring of 2009 and went into effect on real estate taxes billed out November 2009. While the levy was voted on in FY 2009 it was not effective until FY 2010. In FY 2010, a previously voted on 25 mill levy ended. These dual levies for one year allowed the PMC to collect two separate mill levies in one year to re-establish itself after a sharply declining economy left them financially strapped. The last year the levy will be in effect will be with the billing of taxes in November 2013 (fiscal year 2014).

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 contains other supplementary information in addition to the basic financial statements themselves.

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 Assets* presents information on all Sweet Grass County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 governments' net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation time).

Both 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 most of the County's basic services – general administration, public safety, and public works. The only business-type activity of Sweet Grass County is the Pioneer Medical Center which includes the nursing home, the medical clinic, the ambulance service, and Boulder Meadows Assisted Living Facility.

The government-wide financial statements are included in this report.

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 finance-related legal requirements. All the funds used by the County can be divided into three categories: governmental, proprietary, 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 evaluating 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 information presented for *governmental funds* with the 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*.

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 (which includes payment in lieu of taxes or PILT), road, law enforcement, and disaster (flood-related) which are considered major funds in FY 2012. Data from the remaining funds are combined into a single, aggregated presentation. Sweet Grass County maintains approximately 60 individual non-major governmental funds.

Proprietary funds. Sweet Grass County maintains one proprietary fund (also known as an enterprise fund). Enterprise funds are used to report 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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Sweet Grass County's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in this report.

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

THE COUNTY AS A WHOLE

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Sweet Grass County governmental fund types, assets exceeded liabilities by \$11,761,960 at June 30, 2012 as compared to \$11,633,726 at June 30, 2011; an increase of \$128,234.

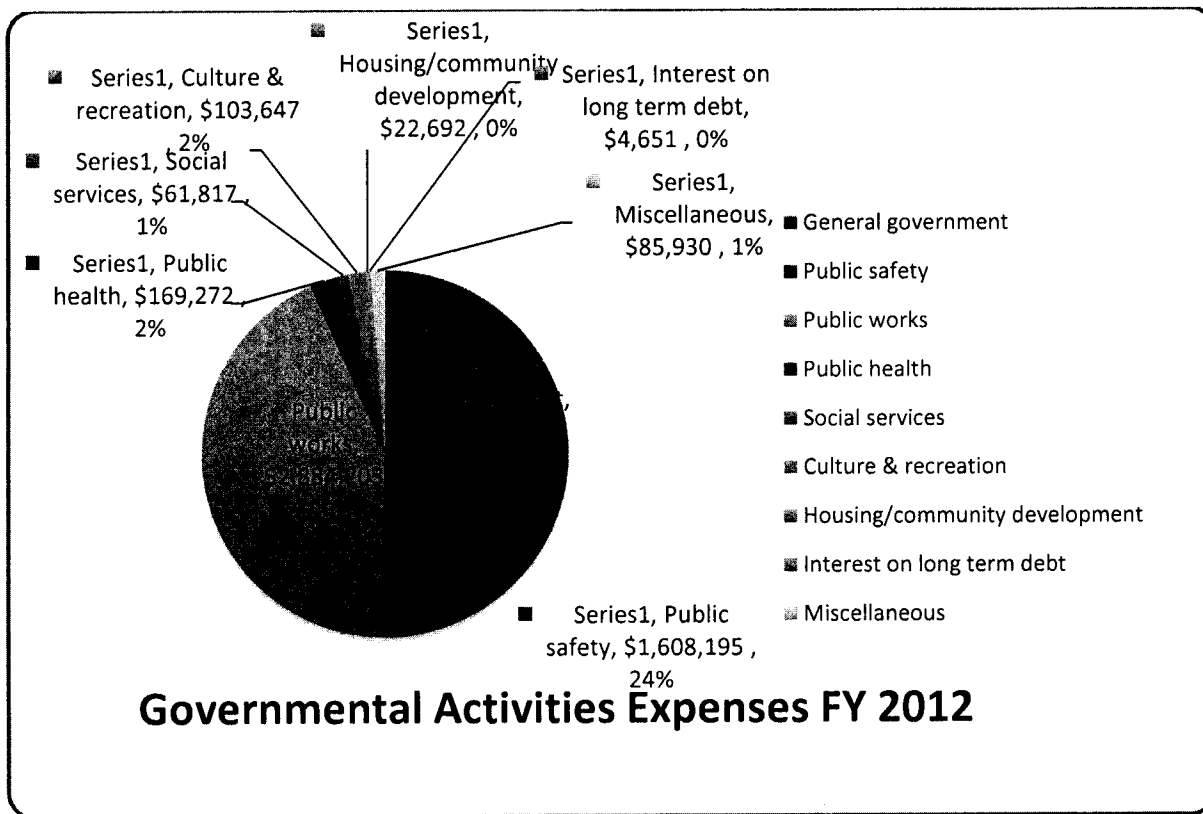
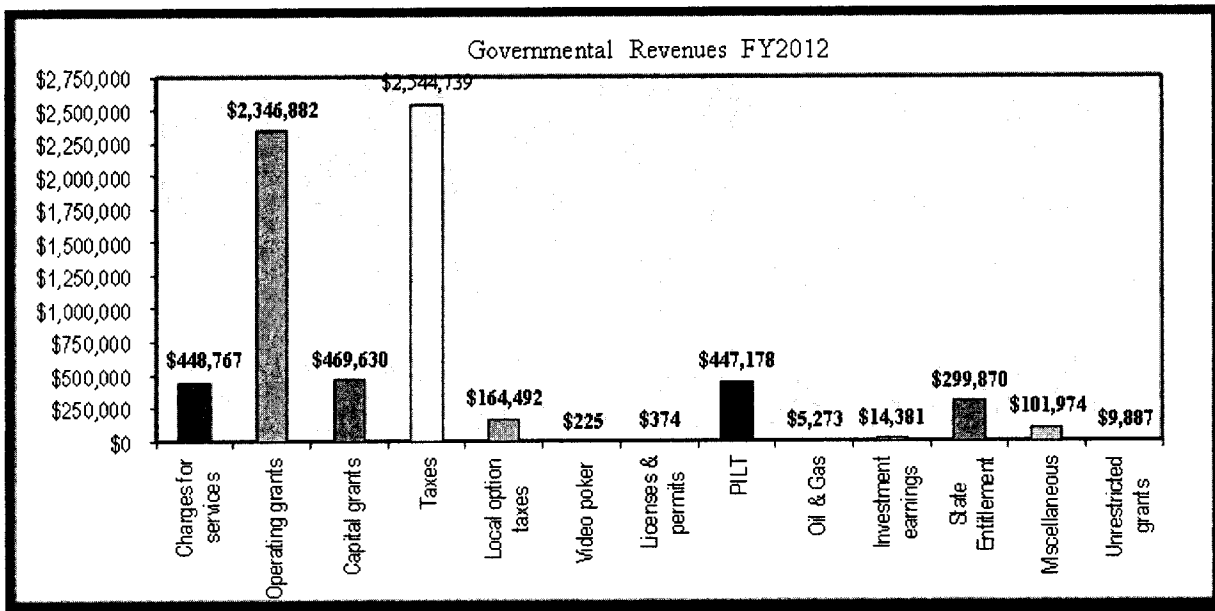
A large portion of Sweet Grass County's net assets, approximately 52%, reflect its investment in capital assets (e.g. land, building, machinery, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently 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 needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Total debt of the county is \$780,706. Of this amount \$137,209 is bank-related debt for capital assets, \$175,236 is compensated absences and \$468, 261 is Other Post-Employment benefits.

SWEET GRASS COUNTY						
Net Assets *						
Governmental Activities				Business-type Activities (PMC)		
	FY2012	FY2011	change from FY11 to FY12	FY2012	FY2011	change from FY11 to FY12
Current & other assets	\$ 6,636,840	\$ 5,910,855	\$ 725,985	\$ 2,824,888	\$2,552,970	\$ 271,918
Capital assets	\$ 6,261,894	\$ 6,493,102	\$ (231,206)	\$ 3,240,872	\$2,667,895	\$ 572,977
Total assets	\$12,898,734	\$12,403,957	\$ 494,777	\$ 6,065,760	\$5,220,865	\$ 844,895
Long-term debt outstanding	\$ 780,706	\$ 640,757	\$ 139,949	\$ 3,170,235	\$2,545,701	\$ 624,534
Other liabilities	\$ 356,068	\$ 129,474	\$ 226,594	\$ 288,324	\$ 313,363	\$ (25,039)
Total liabilities	\$ 1,136,774	\$ 770,231	\$ 366,543	\$ 3,458,559	\$2,859,064	\$ 599,495
Invested in capital assets (net of debt)	\$ 6,124,685	\$ 6,327,301	\$ (202,616)	\$ 1,017,535	\$ 846,057	\$ 171,478
Restricted	\$ 4,505,762	\$ 3,800,220	\$ 705,542	\$ 241,718	\$ 255,137	\$ (13,419)
Unrestricted	\$ 1,131,513	\$ 1,506,205	\$ (374,692)	\$ 1,347,948	\$1,260,607	\$ 87,341
Total net assets	\$11,761,960	\$11,633,726	\$ 128,234	\$ 2,607,201	\$2,361,801	\$ 245,400
* Detailed findings on Statement of Net Assets						

At the end of FY12, Sweet Grass County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

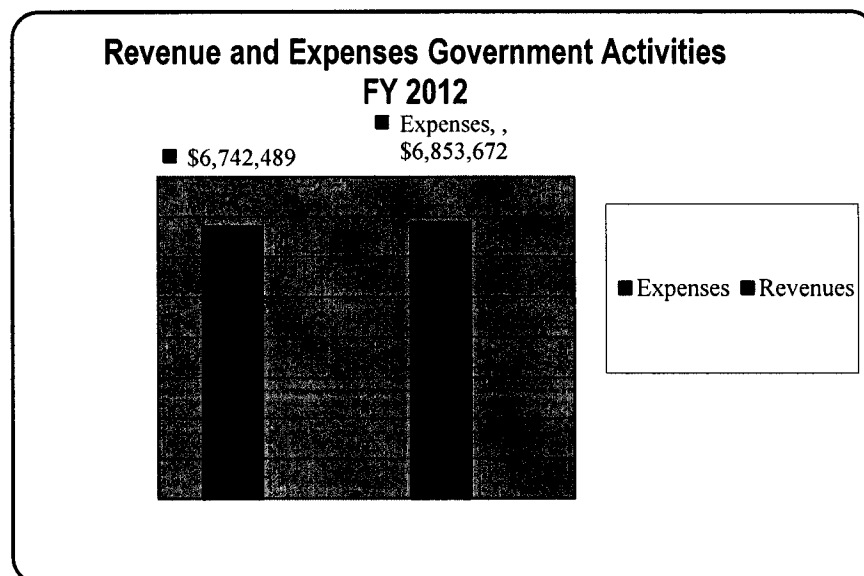
From the Net Assets Table it can be seen that Sweet Grass County's restricted net assets, \$4,505,762 represents resources that are subject to external restrictions on how they may be used. Restricted assets are made up primarily of special revenue funds, which by state law are levied for specific purposes and are, therefore, restricted in their usage. For example, a mill levy is set for the cemetery (fund 2240). Taxes collected for the cemetery may only be used for the cemetery, thus restricting the usage of this money. Unrestricted net assets are primarily comprised of general fund monies, which are used to finance the general overall function of the County. The remaining balance of unrestricted net assets, \$1,131,513, may be used to meet the government's ongoing obligations to citizens and creditors.

The PMC has 39% of its net assets invested in net capital assets (land, buildings and machinery less accumulated depreciation and related debt balances). A small percentage (9%) of PMC net assets are restricted by bond agreements. PMC assets exceeded its liabilities by \$2,607,201. A memorial fund (fund 2700) is accounted for on county books for the benefit of the PMC. Money in the memorial fund is from donations, grants, loans, and interest earned. It is overseen by a board of appointed citizens who determine what the donations will be used for (unless they are restricted in use). This fund is used solely for the benefit of the PMC. Cash balance in the memorial fund at the end of FY12 was \$495,369.



		Sweet Grass County		
		Change in Net Assets *		
		2012	2011	change from FY 11 to FY 12
REVENUES				
Charges for services/fines/fees	\$	448,767.00	\$ 456,142	\$ (7,375) -1.62%
Operating grants/contributions	\$	2,346,882.00	\$ 1,563,073	\$ 783,809 50.15%
Capital grants/contributions	\$	469,630.00	\$ 391,328	\$ 78,302 20.01%
Taxes	\$	2,544,739.00	\$ 2,588,671	\$ (43,932) -1.70%
Local Option Tax	\$	164,492.00	\$ 174,847	\$ (10,355) -5.92%
Video Poker Apportionment	\$	225.00	\$ 200	\$ 25 12.50%
Misc	\$	101,974.00	\$ 109,065	\$ (7,091) -6.50%
Interest earnings	\$	14,381.00	\$ 46,342	\$ (31,961) -54.72%
PILT	\$	447,178.00	\$ 403,864	\$ 43,314 6.87%
Oil & Gas Production	\$	5,273.00	\$ 28,088	\$ (22,815) -81.23%
State Entitlement	\$	299,870.00	\$ 283,888	\$ 15,982 5.63%
Unrestricted grants	\$	9,887.00	\$ -	\$ 9,887 100.00%
Licenses & Permits	\$	374.00	\$ 311	\$ 63 20.26%
Total revenues	\$	6,853,672	\$ 6,045,819	\$ 807,853 13.36%
EXPENSES				
General government	\$	1,802,082.00	\$ 1,563,617	\$ 238,465 15.28%
Public safety	\$	1,608,195.00	\$ 1,413,758	\$ 194,437 13.75%
Public works	\$	2,884,203.00	\$ 1,525,521	\$ 1,358,682 88.92%
Public health	\$	169,272.00	\$ 422,733	\$ (253,461) -59.96%
Social services	\$	61,817.00	\$ 61,439	\$ 378 0.62%
Culture & recreation	\$	103,647.00	\$ 110,562	\$ (6,915) -6.25%
Housing/community development	\$	22,692.00	\$ 117,250	\$ (94,558) -80.65%
Interest on long term debt	\$	4,651.00	\$ 4,211	\$ 440 10.45%
Miscellaneous	\$	85,930.00	\$ 38,321	\$ 47,609 124.24%
Total expenses	\$	6,742,489	\$ 5,257,412	\$ 1,485,077
Change in net assets	\$	111,183	\$ 788,407	\$ (677,224)
Transfers - Net			\$ -	
Inc/dec net assets	\$	111,183	\$ 788,407	\$ (677,224)
* Detail information may be found in Statement of Activities.				

Note: Highlighted percentages are explained in further detail on the following pages.



Governmental Activities. Governmental activities increased Sweet Grass County net assets by \$111,183.

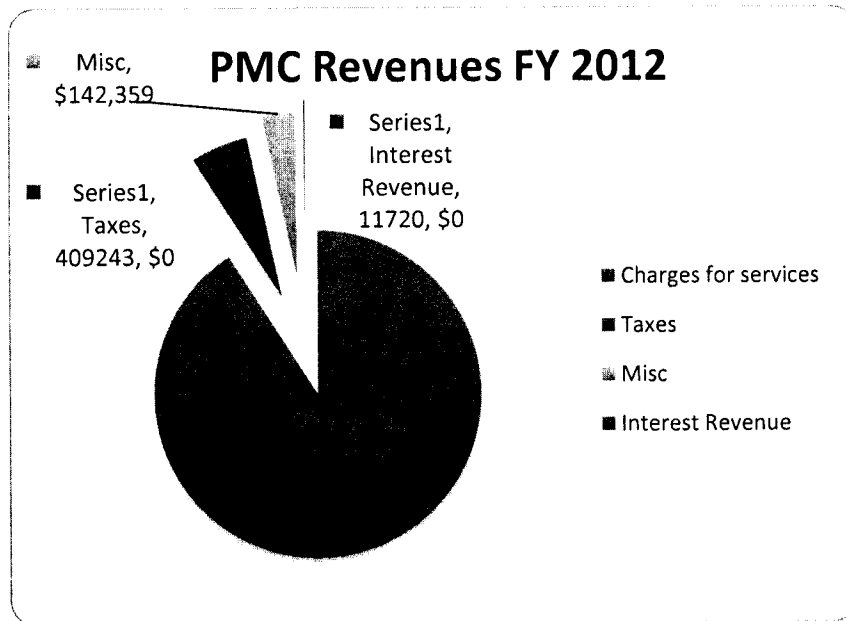
Governmental revenues increased from FY 11 to FY 12 by \$807,853. Despite massive flooding at the end of FY 11 and the receipt of \$1.4 million in FEMA (state and federal) funds in FY 12 the overall change in revenues collected in FY 12 was just an increase of 13%. However, the funds that did change were by large percentages and require further explanation as follows:

1. Oil and gas revenues decreased by 81%. These revenues tend to fluctuate every year based on the very small amount of production in the county. These revenues are sent to the state by the producers and then dispersed back to the county. It is not revenue that we depend on to any great extent due to the variability every year and the inability to predict what it will be from year to year.
2. Operating grant revenue increased by 50% primarily due to the flood that occurred in May 2011. Even though the flood occurred in FY 2011 we did not start receiving FEMA funds until FY 2012. We received nearly \$1.5 million in funding from FEMA and the State of Montana to repair flood damage. We had 55 recognized flood-damaged sites. Fifty-one of those were repaired by the end of FY 12.
3. Unrestricted grants increased from zero in FY 11 to \$9,887 in FY 12. This was the result of 2 grants. One for Taylor Grazing for \$887 and \$9000 from DNRC for the Fire Department.
4. Interest earnings decreased from FY 11 because we had three certificates of deposit (CD) valued at \$908,476 that were paying 3.51% in interest which matured in December 2010 and falling interest rates. A CD that had been paying 1.06% now pays .47% for one year.

Expenditures, like revenues, overall only increased by 28%. Changes in expenses from FY 2011 to FY 2012 came from the following sources:

1. Public Works (includes road, bridge, cemetery, weed and airport) increased from FY11 by 89%.
 - ♦ The number one reason for the increase in public works expenditures was the flood in May 2011. The county spent almost \$1.5 million in flood repairs. We put many of the roads out for bid for the repairs. The county road crew did some of the flood repair work. It was also necessary to maintain the undamaged roads while needing to repair the damaged roads. The county commissioners and county road supervisor decided that it was more cost effective to contract many of these repairs. Flooding in May 2011 destroyed Upper Deer Creek Road, most of Bridger Creek, much of West Bridger Creek, and parts of some of the following roads: Wormser Loop, Lower Sweet Grass, Susie Creek, Main Boulder and Mendenhall. Flood repairs that were bid out were accounted in a separate fund, 2958. Two roads that were contracted out for flood repair and being paid for by FEMA needed further repairs that FEMA did not cover. While the contractor was in place the county had additional work done on the west side of Terland Bridge and an additional culvert at Blind Bridger. Expenditures on contracts in the road fund for these repairs went from \$1000 in FY 11 to \$14,700 in FY 12.
 - ♦The airport NAVAIDS system is up and running and decreased these expenditures in the airport budget. On the flip side because the projects are completed insurance for airport buildings increased by almost \$2800.

2. Public Health decreased by 60% because alcohol rehab fund 2800 had put \$27,635 towards the renovation of the annex building in FY 11 and that expense was no longer there in FY 12.
3. There was an 81% decrease in expenditures in housing because the annex and courthouse remodeling jobs were completed by the end of FY 11.
4. Miscellaneous expenditures increased by 124%.
 - ◆ Transfers were made from general, road, bridge, weed, and fair funds to capital improvement funds to save money for future projects.
 - ◆ There were numerous grant funds that were awaiting reimbursement and their cash balances were negative. Loans were made to these funds to cover the negative cash balances until the reimbursements were received.
 - ◆ The county traded in several vehicles at a loss and we wrote off some equipment that was no longer in use and scrapped.



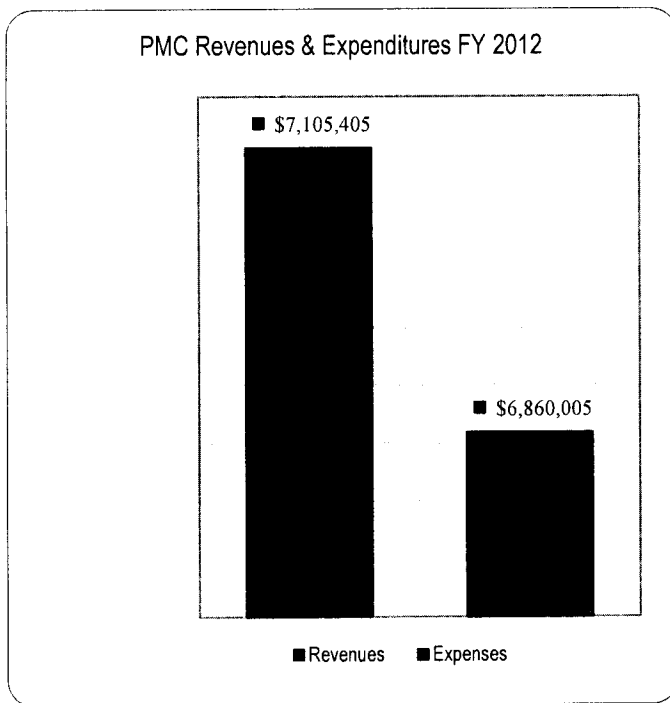
PMC Expenditures FY 2012

■ Personnel Services,
\$3,545,534

■ Personnel Services

Sweet Grass County				
Change in Net Assets *				
Business-type Activities (PMC)				
	2012	2011	change from FY 11 to FY 12	
REVENUES				
Charges for services/fines/fees	\$ 6,542,083.00	\$ 7,055,924.00	\$ (513,841)	-7.28%
Taxes	\$ 409,243.00	\$ 406,636.00	\$ 2,607	0.64%
Misc	\$ 142,359.00	\$ 7,145.00	\$ 135,214	1892.43%
Interest earnings	\$ 11,720.00	\$ 18,368.00	\$ (6,648)	-36.19%
Unrestricted grants	\$ -	\$ 810.00	\$ (810)	-100.00%
Total revenues	\$ 7,105,405.00	\$ 7,488,883.00	\$ (383,478.00)	
EXPENSES				
PMC/Ambulance	\$ 6,860,005.00	\$ 7,276,746	\$ (416,741)	-5.74%
Total expenses	\$ 6,860,005.00	\$ 7,276,746	\$ (416,741)	
Change in net assets	\$ 245,400	\$ 212,137	\$ 33,263	
Transfers - Net		\$ -		
Inc/dec net assets	\$ 245,400	\$ 212,137	\$ 33,263	
* Detail information may be found in Statement of Activities.				

Note: Highlighted percentages are explained in further detail on the following pages.



CHANGES IN ENTERPRISE FUND NET ASSETS

There were two changes in PMC revenues that require further explanation. Miscellaneous revenue in the PMC increased from reimbursements from the memorial fund for expenditures paid on their behalf by the PMC. The other change was a decrease in interest. As explained in the change to governmental interest, this was due to 3 large CD's coming due in FY 11 and a drop in interest rates for a one year CD from 1.06% to approximately .47%.

General Fund Budgetary Highlights

Total revenues budgeted in the general fund were \$1,185,714 and collected were \$1,195,795. Actual collections for the general fund were \$7,602 more than anticipated. Total expenditures budgeted in the general fund were \$1,322,843 and spent were \$1,235,766. Actual expenditures from the general fund were \$87,077 less than budgeted. Expenditures exceeded revenues by \$22,277 in the general fund. The County always strives to be fiscally conservative.

The County suffered from devastating flooding in May 2011. Upper Deer Creek, Bridger Creek and West Bridger Creek roads suffered heavy damage from the flooding. Numerous other roads and bridges also suffered damages. Road crews worked non-stop to repair roads where they could to get access for residents. In FY 12 as things slowed and the rain stopped FEMA came on site to inspect and prepare damage estimates at just over \$2 million. The county received federal assistance through FEMA and the State of Montana. FEMA requires a 25% match in addition to a 2-mill levy being imposed from the county. The state covered the 25% match and the county milled on November 2011 tax bills for the 2 mills. We have been approved for \$2,088,425.38 in federal and state assistance. As of June 30, 2012 we have received \$1,383,291.26. Of the fifty-five sites identified work has been completed on fifty-one.

Capital Asset and Debt Administration

Capital assets. Sweet Grass County's investment in capital assets (net of accumulated depreciation) is \$6,124,687. 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 2012:

- ✓ There are several construction in progress projects (CIPP). CIPP are not depreciated until they are completed and, therefore, are accounted for separately from depreciable fixed assets
 2. Remodel of annex – completed in FY12 for \$1,156,666.80
 3. CIPP - De-Construction and re-construction of community events center – is still listed as construction in progress but a decision was made by the commissioners to sell the tin from the building. This occurred in October 2012 and was sold for \$25,000.
 4. CIPP - TSEP funded bridges 08-411 and 10-523 – both completed in FY 2013
 5. CIPP – TSEP funded bridge 12-700 on Otter Creek – should be completed in FY 2013
 6. Courthouse remodel – completed in FY12 for \$122,281.58
 7. FIRE 7 – command truck – completed in FY12 for \$38,244.95; and old fire seven was moved to the McLeod area.
 8. Courthouse communications tower – completed in FY12 for \$170,245.21
- ✓ 2009 Ford F150 for sheriff - \$28,181.87
- ✓ 2011 Polaris ATV with trac system for sheriff search and rescue team - \$12,270 (\$10,000 paid for with grant funds)
- ✓ 2001 Freightliner Truck for road - \$22,500
- ✓ 2000 Freightliner Truck for road - \$19,500
- ✓ 2006 Ford F250 for road - \$11,990
- ✓ 2003 Cat 312 CL Excavator for road - \$30,000
- ✓ 2008 Ford F150 pickup for weed - \$26,225 (purchased in part with grant funds)

The county cleared of and disposed of assets in FY 2012:

- ✓ 1965 Ford pickup – road – sold for \$505
- ✓ 1965 Ford pickup –road - sold for \$400
- ✓ Old truck – road – sold for \$513
- ✓ 1998 Chevy 1 ton – road – scrapped – original cost \$21,997
- ✓ 1994 Chevy pickup – road – sold for \$7,500
- ✓ 1996 Peterbilt – road – sold for salvage original cost \$12,500
- ✓ Riding mower – cemetery – scrapped – original cost \$6,800
- ✓ Leaf machine – cemetery – scrapped – original cost \$11,892
- ✓ Copier – county courthouse – scrapped – original cost \$5,527
- ✓ Copier – county annex – scrapped – original cost \$8,767
- ✓ Logging recorder – sheriff – scrapped – original cost \$19,013.51
- ✓ 2006 Dodge Durango – weed – traded in on 2008 Ford F150 – original cost \$22,750

Long-term debt. As of June 30, 2012 the County had total outstanding debt of \$137,209.88. Compensated Absences was \$175,235.84. Other Post-Employment Benefits (OPEB) were \$468,261. New debts incurred in FY 12 were two copier leases, one at the courthouse and one at the annex.

The PMC total outstanding debt was \$2,222,360.56. Compensated Absence liability is \$295,540.69. Other Post-Employment Benefits (OPEB) were \$652,332. New debt incurred was the construction loan for the ambulance station and the remodeling of the PMC for the ct scanner room.

SWEET GRASS COUNTY							
FY 2012 DEBT							
Governmental Activities				Business-type Activities (PMC)			
	2012 loan balance	2011 loan balance	amt debt reduced by in fy 2012		2012 loan balance	2011 loan balance	amt debt reduced by in fy 2012
Airport Runway 2	\$0.00	\$4,610.30	(\$4,610.30)	Construction loan	548,284.66	\$0.00	\$0.00
Copier lease - courthouse	\$6,071.42	\$0.00	\$1,223.58	ALF Revenue Bond	495,000.00	\$545,000.00	(\$50,000.00)
Copier lease - annex	\$9,173.22	\$0.00	\$1,225.78	ALF Revenue Bond	388,782.87	\$401,311.02	(\$12,528.15)
Skidsteer/Grader/Mower	\$121,965.24	\$161,190.22	(\$39,224.98)	1996 PMC Rev Bond	775,806.55	\$843,596.61	(\$67,790.06)
				Capital Lease	6,200.85	\$15,731.86	(\$9,531.01)
				Ambulance	8,285.63	\$16,198.02	(\$7,912.39)
Total assets	\$137,209.88	\$165,800.52	(\$41,385.92)		2,222,360.56	1,821,837.51	(\$147,761.61)

County & PMC Summary FY 2012 Debt			
	County	PMC	Total
Total Bank-Related Debt	\$ 137,209.88	\$ 2,222,360.56	\$ 2,359,570.44
Total Compensated Absences	\$ 175,235.74	\$ 295,540.69	\$ 470,776.43
Total OPEB	\$ 468,261.00	\$ 652,332.00	\$ 1,120,593.00
	\$ 780,706.62	\$ 3,170,233.25	\$ 3,950,939.87

- The following statistics are based on the latest census information and the Sweet Grass County Growth Policy adopted June 2009 (a new growth policy is being prepared by the planning office in FY 2013). The unemployment rate for Sweet Grass County for 1st quarter of 2009 is average 4.6%, as compared to the state average of 6.9%. 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 job per year in Sweet Grass County is \$36,555 as of 2007 (latest figures available).

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 2012 fiscal year.

The FY 2012 budget reflects 2012 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

INDEPENDENT AUDITOR'S REPORT

County Commissioners
Sweet Grass County
Big Timber, Montana

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sweet Grass County management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sweet Grass County, Montana, as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the Sweet Grass County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 14, 49 through 51, and 52 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.

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

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

March 27, 2013

Sweet Grass County, Montana
Statement of Net Assets
June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 5,431,066	\$ 1,552,194	\$ 6,983,260
Taxes and assessments receivable, net	161,741	31,857	193,598
Accounts receivable - net	-	777,257	777,257
Employee advances receivable	885	-	885
Interest receivable	-	113	113
Due from other governments	713,491	95,000	808,491
Prepaid expenses	-	26,857	26,857
Inventories	329,657	81,469	411,126
Total current assets	<u>\$ 6,636,840</u>	<u>\$ 2,564,747</u>	<u>\$ 9,201,587</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 260,141	\$ 260,141
Capital assets - land	61,056	2,500	63,556
Capital assets - construction in progress	332,931	615,915	948,846
Capital assets - depreciable, net	5,867,907	2,622,457	8,490,364
Total noncurrent assets	<u>\$ 6,261,894</u>	<u>\$ 3,501,013</u>	<u>\$ 9,762,907</u>
Total assets	<u>\$ 12,898,734</u>	<u>\$ 6,065,760</u>	<u>\$ 18,964,494</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 3,438	\$ 129,359	\$ 132,797
Accrued payables	5,547	102,559	108,106
Accrued interest payable	-	706	706
Accrued payroll	46,628	48,200	94,828
Deferred revenue	300,455	-	300,455
Current portion of long-term capital liabilities	43,050	179,995	223,045
Current portion of compensated absences payable	133,572	225,423	358,995
Total current liabilities	<u>\$ 532,690</u>	<u>\$ 686,242</u>	<u>\$ 1,218,932</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 7,500	\$ 7,500
Noncurrent portion of long-term liabilities	468,261	652,332	1,120,593
Noncurrent portion of long-term capital liabilities	94,159	2,042,367	2,136,526
Noncurrent portion of compensated absences	41,664	70,118	111,782
Total noncurrent liabilities	<u>\$ 604,084</u>	<u>\$ 2,772,317</u>	<u>\$ 3,376,401</u>
Total liabilities	<u>\$ 1,136,774</u>	<u>\$ 3,458,559</u>	<u>\$ 4,595,333</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 6,124,685	\$ 1,018,510	\$ 7,143,195
Restricted for capital projects	614,862	-	614,862
Restricted for debt service	274	236,889	237,163
Restricted for special projects	3,890,626	-	3,890,626
Restricted for other purposes	-	4,829	4,829
Unrestricted	1,131,513	1,346,973	2,478,486
Total net assets	<u>\$ 11,761,960</u>	<u>\$ 2,607,201</u>	<u>\$ 14,369,161</u>
Total liabilities and net assets	<u>\$ 12,898,734</u>	<u>\$ 6,065,760</u>	<u>\$ 18,964,494</u>

See accompanying Notes to the Financial Statements

